

NANJING SINOLIFE UNITED COMPANY LIMITED*

南京中生聯合股份有限公司

(a joint stock limited liability company incorporated in the People's Republic of China)

Stock Code : 3332



GLOBAL OFFERING

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



* For identification purposes only

IMPORTANT

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

NANJING SINOLIFE UNITED COMPANY LIMITED*

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 203,800,000 H Shares (subject to the Over-allotment Option)
Number of Hong Kong Public Offer Shares	: 20,380,000 H Shares (subject to adjustment)
Number of International Offer Shares	: 183,420,000 H Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	: HK\$2.00 per H Share plus brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full in Hong Kong dollars on application, subject to refund)
Nominal value	: RMB0.10 per H Share
Stock code	: 3332

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



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents to be delivered to the Registrar of Companies and Available for Inspection" in Appendix VIII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

We expect to determine the Offer Price by agreement with the Sole Global Coordinator on behalf of the Underwriters on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, January 9, 2014 and, in any event, not later than Monday, January 13, 2014. The Offer Price will be not more than HK\$2.00 and is currently expected to be not less than HK\$1.50 unless otherwise announced. Applicants for the Hong Kong Public Offer Shares are required to pay, on application, the maximum Offer Price of HK\$2.00 for each Hong Kong Public Offer Share together with 1% brokerage, 0.003% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee, subject to refund if the Offer Price as finally determined should be lower than HK\$2.00.

The Sole Global Coordinator (on behalf of the Underwriters, and with our consent) may reduce the number of Hong Kong Public Offer Shares being offered under the Global Offering and/or the indicative Offer Price range that is stated in this prospectus (which is HK\$1.50 to HK\$2.00 per Offer Share) at any time prior to the morning of the last day for the lodging of applications under the Hong Kong Public Offering. In such a case, a notice of the reduction in the indicative Offer Price range and/or the number of Offer Shares will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at www.zs-united.com not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Public Offer Shares". If, for whatever reason, we and the Sole Global Coordinator (on behalf of the Underwriters) are not able to agree on the Offer Price, the Global Offering will not proceed and will lapse immediately.

Our Company is incorporated, and our operations are primarily located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investments in PRC-incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of our Shares. Such differences and risk factors are set out in the sections headed "Risk Factors", "Appendix IV – Taxation and Foreign Exchange", "Appendix V – Summary of Principal Laws and Regulations" and "Appendix VI – Summary of Articles of Association" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, Hong Kong Public Offer Shares are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. (Hong Kong time) on the day that trading in the H Shares commences on the Hong Kong Stock Exchange. Such grounds are set out in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The Offer Shares are being offered and sold outside the United States in reliance on Regulation S under the U.S. Securities Act and the applicable laws of each jurisdiction where those offers and sales occur.

* For identification purposes only

EXPECTED TIMETABLE⁽¹⁾

Application lists open⁽²⁾ 11:45 a.m. on
Wednesday, January 8, 2014

Latest time to lodge **WHITE** and **YELLOW**

Application Forms 12:00 noon on
Wednesday, January 8, 2014

Latest time to give **electronic application**

instructions to HKSCC⁽³⁾ 12:00 noon on
Wednesday, January 8, 2014

Latest time to complete electronic applications
under **White Form eIPO** service through the

designated website at www.eipo.com.hk⁽⁴⁾ 11:30 a.m. on
Wednesday, January 8, 2014

Latest time to complete payment of

White Form eIPO applications by

effecting internet banking transfer(s) or

PPS payment transfer(s) 12:00 noon on
Wednesday, January 8, 2014

Application lists close 12:00 noon on
Wednesday, January 8, 2014

Expected Price Determination Date⁽⁵⁾ Thursday, January 9, 2014

Announcement of the Offer Price, the indication of the

levels of interest in the International Offering, the level of

application in the Hong Kong Public Offering and the

basis of allotment under the Hong Kong Public Offering

to be published in the South China Morning Post

(in English) and the Hong Kong Economic Times

(in Chinese) and on the Hong Kong Stock Exchange's

website at www.hkexnews.hk and our Company's

website at www.zs-united.com on or before Tuesday, January 14, 2014

Results of allocations in the Hong Kong Public Offering

(with successful applicants' identification document numbers,

where appropriate) to be available through a variety of

channels such as results of allocations in the Hong Kong

Public Offering will be available at www.iporesults.com.hk

with a "search by ID" function described in the section headed

"How to Apply for Hong Kong Public Offer Shares –

11. Publication of Results" in this prospectus from Tuesday, January 14, 2014

EXPECTED TIMETABLE⁽¹⁾

Despatch of H Share certificates in respect of
wholly or partially successful applications and
White Form e-Refund payment instructions/refund cheques
in respect of wholly or partially unsuccessful
or wholly successful (if applicable)
applications on or before⁽⁶⁾ Tuesday, January 14, 2014

Dealings in H Shares on the Hong Kong Stock Exchange
expected to commence at 9:00 a.m. on Wednesday, January 15, 2014

Notes:

- (1) All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus. If there is any change in this expected timetable, an announcement will be published in the South China Morning Post in English and in the Hong Kong Economic Times in Chinese and on the website of the Hong Kong Stock Exchange and our website.
- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, January 8, 2014, the application lists will not open and close on that day. Further information is set out in “How to Apply for Hong Kong Public Offer Shares – Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
- (3) Applicants who apply by giving **electronic application instructions** to HKSCC should refer to “How to Apply for Hong Kong Public Offer Shares – Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
- (4) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (5) We expect to determine the Offer Price by agreement with the Sole Global Coordinator on behalf of the Underwriters on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, January 9, 2014 and, in any event, not later than Monday, January 13, 2014. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (on behalf of the Underwriters) and our Company by Monday, January 13, 2014, the Hong Kong Public Offering and the International Offering will not proceed and will lapse.
- (6) Applicants who apply for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by their Application Forms may collect H Share certificates (if applicable) and refund cheques (if applicable) in person from our H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, January 14, 2014 or any other date notified by us in the newspapers as the date of despatch of H Share certificates/e-Refund payment instructions/refund cheques. Applicants being individuals who opt for personal collection must not authorize any other person to make their collection on their behalf. Applicants being corporations which opt for personal collection must attend by sending their authorized representatives each bearing a letter of authorisation from his corporation stamped with the corporation’s chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our H Share Registrar. Applicants who have applied on **YELLOW** Application Forms may not collect their H Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected H Share certificates and refund cheques will be despatched by ordinary post to the addressees specified in the relevant applications at the applicants’ own risk. Further information is set out in the section headed “How to Apply for Hong Kong Public Offer Shares” in this prospectus.

EXPECTED TIMETABLE⁽¹⁾

e-Refund payment instructions or refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the Offer Price is less than the initial price per Hong Kong Public Offer Share payable on application. Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed “How to Apply for Hong Kong Public Offer Shares” in this prospectus.

The H Share certificates will only become valid certificates of title provided that the Hong Kong Public Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of their H Share certificates or prior to the H Share certificates becoming valid certificates of title do so entirely at their own risk.

For further details in relation to the Hong Kong Public Offering, see the section headed “How to Apply for Hong Kong Public Offer Shares” in this prospectus.

IMPORTANT NOTICE

DIRECTORS' RESPONSIBILITY STATEMENT

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

APPROVAL OF THE CSRC

The CSRC issued an approval letter on December 9, 2013, for the submission of the application to list our H Shares on the Hong Kong Stock Exchange and for the Global Offering. In granting such approval, the CSRC accepts no responsibility for our financial soundness, nor for the accuracy of any of the statements made or opinions expressed in this prospectus or on the Application Forms.

INFORMATION ABOUT THIS PROSPECTUS

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Sole Sponsor, any of the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the H Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

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

RESTRICTIONS ON OFFERS AND SALES OF H SHARES

No action has been taken to permit a public offering of the H Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation for subscription in any jurisdiction or in any circumstances in which such

IMPORTANT NOTICE

an offer or invitation for subscription is not authorized or to any person to whom it is unlawful to make such an offer or invitation for subscription. The distribution of this prospectus and the offering and sales of the H Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. Each person acquiring the H Shares under the Hong Kong Public Offering will be required to confirm, or be deemed by his acquisition of the H Shares to confirm, that he is aware of the restrictions on offers and sales of the H Shares in this prospectus. In particular, the H Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

APPLICATION FOR LISTING OF THE H SHARES ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of listing of, and permission to deal in, our H Shares which may be issued by us pursuant to the Global Offering and upon the exercise of the Over-allotment Option.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed our H Share Registrar, and our H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless the holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

- (a) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Special Regulations and our Articles of Association;
- (b) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers, agree with each Shareholder, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive;
- (c) agrees with us and each of our Shareholders that our H Shares are freely transferable by the holders of our H Shares; and
- (d) authorizes us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

IMPORTANT NOTICE

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, our H Shares or exercising any rights attaching to our H Shares. We emphasize that none of our Company, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Sole Sponsor, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, our H Shares or your exercise of any rights attaching to our H Shares.

OTHER

Unless otherwise specified, amounts denominated in RMB and US\$ have been translated, for the purpose of illustration only, into Hong Kong dollars in this prospectus at the following exchange rates: RMB0.7884: HK\$1.00 and US\$1.00: HK\$7.7533, the exchange rates prevailing on December 16, 2013. No representation is made that any amounts in RMB or US\$ were or could have been or could be converted into Hong Kong dollars at such rates or any other exchange rates on such date or any other date.

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

Unless otherwise specified, all references to any shareholdings in our Company following completion of the Global Offering assume that the Over-allotment Option is not exercised.

The English names of companies established in the PRC are translations of their Chinese names and are included for identification purposes only.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read this prospectus in its entirety including the appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in our H Shares.

There are risks associated with any investment. Some of the particular risks in investing in our H Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in our H Shares.

OUR BUSINESS

Overview

We are a fast-growing nutritional supplements retailer in a large and rapidly growing nutritional supplements industry in China. The nutritional supplements industry in China had a market size of over RMB580 billion in 2012, according to SMERI. We manufacture and sell high quality and safe nutritional supplements under our two key brands, namely Zhongsheng (中生) and Cobayer (康培爾), through self-managed retail stores in first- and second-tier cities in China, and a number of our key products are among the top selling products in their respective product categories in China.

We have adopted a branding-focused specialty store business model under which we manage all of our retail stores through our centralized management system, whereby our policies concerning customer services, marketing strategy, business development and financial management are formulated by our headquarters and executed by our self-managed retail stores on a uniform and consistent basis. Our branding-focused specialty store business model enables us to enhance our brand image and effectively provide a comprehensive selection of nutritional supplements and personalized health solutions to our customers. As of June 30, 2013, we operated a total of 49 self-managed retail stores under our two brands, namely Zhongsheng and Cobayer, in first- and second-tier cities in China with key focuses on Jiangsu and Zhejiang provinces, two of the most affluent regions in China. Our self-managed retail stores are strategically located in densely populated areas of our target markets to target affluent individuals, middle to high income families, elderly population and population under sub-health condition. Over the past few years, we have identified and captured market opportunities by successfully developing and launching a number of products in China ahead of our competitors. As a result of our first-mover advantages, we have achieved a leading market position with respect to some of our best-selling products in their respective product categories in China. According to SMERI, our Coenzyme Q₁₀ Tablets/Capsules (輔酶Q₁₀片/膠囊) accounted for the largest market share of 67.1% of coenzyme Q₁₀ products in China by sales revenue in 2012, representing 7.1 times of the market share of the second largest player for the same year. We are also among the very few companies in China which offer Olive Leaf Extract, Liver Tonic (Milk Thistle) Capsules and Emu Oil Capsules, or products similar to these products in terms of key ingredients and formula.

SUMMARY

Our Products

We have commenced our offering of Zhongsheng series products, a nutritional supplements product line developed and manufactured in China and designed for consumers in or over middle ages, since 2001. Following the success of our Zhongsheng series products, we launched the Cobayer series products, a nutritional supplements product line manufactured in and imported from Australia, in 2009. Through this product line, we aim to target a wider range of customers in China, in particular younger and affluent customers, in anticipation of increased customer demand for imported, high-quality nutritional supplements amid rising food safety concerns in China in recent years. In addition to the particular groups of customers we intend to target through our two product lines, we believe our potential customers also include those who are health-conscious or under sub-health condition. We currently own a total of 27 health food product approvals issued by CFDA, which approvals represent the highest product and regulatory standards imposed in China on nutritional supplements. We are currently in the process of applying for ten additional health food product approvals.

As of June 30, 2013, our product offerings primarily included:

- *Zhongsheng series*: consisting of 14 nutritional supplements developed and manufactured in China under our Zhongsheng, Keda and Guishi brands, of which ten were approved by CFDA as health food products; and
- *Cobayer series*: consisting of 24 nutritional supplements under our Cobayer, Conbair,  and CoKanga brands, of which 23 were manufactured in and imported from Australia and one was manufactured in and imported from New Zealand.

The following table sets forth, for the periods indicated, selected financial information of our product lines.

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	(RMB in thousands, except percentages)				
Zhongsheng series products					
Turnover.	48,410	61,332	95,744	38,547	36,635
Gross profit.	41,399	55,147	88,843	35,802	33,563
Gross margin.	85.5%	89.9%	92.8%	92.9%	91.6%
Cobayer series products					
Turnover.	16,922	40,837	52,613	25,505	45,537
Gross profit.	11,570	27,849	40,782	18,909	38,711
Gross margin.	68.4%	68.2%	77.5%	74.1%	85.0%

SUMMARY

The following table sets forth, for the periods indicated, a breakdown of our turnover by product lines.

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
Zhongsheng series products										
Coenzyme Q ₁₀										
Tablets/Capsules	18,107	27.1	34,504	33.4	42,179	28.0	16,489	25.4	14,969	17.4
Linolenic Acid Soft										
Capsules	–	–	1,327	1.3	24,280	16.1	12,623	19.5	2,014	2.3
Grapeseed Capsules	253	0.4	574	0.6	20,076	13.4	5,063	7.8	7,391	8.6
Weisi Capsules	483	0.7	4,751	4.6	3,526	2.4	1,405	2.2	9,443	11.0
Others ⁽¹⁾	29,567	44.2	20,176	19.5	5,683	3.8	2,967	4.6	2,818	3.3
Subtotal	48,410	72.4	61,332	59.4	95,744	63.7	38,547	59.5	36,635	42.6
Cobayer series products										
Olive Leaf Extract	1,641	2.5	7,673	7.4	22,399	14.9	11,279	17.4	13,504	15.7
Emu Oil Capsules	–	–	3,980	3.9	10,311	6.8	6,600	10.2	10,312	12.0
Evening Primrose Oil										
Capsules	627	0.9	463	0.4	557	0.4	128	0.2	25	–
Liver Tonic (Milk Thistle)										
Capsules	2,127	3.2	6,767	6.6	5,276	3.5	931	1.4	5,339	6.2
Algal DHA Composite Oil	–	–	–	–	17	–	–	–	4,450	5.2
Squalene Capsules	3,533	5.3	7,076	6.9	1,662	1.1	937	1.4	712	0.8
Blueberry Capsules	3,680	5.5	5,766	5.6	1,323	0.9	622	1.0	860	1.0
Others ⁽²⁾	5,314	7.9	9,112	8.8	11,068	7.4	5,008	7.7	10,335	12.1
Subtotal	16,922	25.3	40,837	39.6	52,613	35.0	25,505	39.3	45,537	53.0
Others ⁽³⁾	1,518	2.3	1,075	1.0	2,015	1.3	767	1.2	3,793	4.4
Total	66,850	100.0	103,244	100.0	150,372	100.0	64,819	100.0	85,965	100.0

Notes:

- (1) Including primarily CFDA health food products such as Keda Green Capsules (科大牌綠芝膠囊), Natural α -Linolenic Acid Soft Capsules (天然 α -亞麻酸膠丸), Zhongsheng Goat Milk Calcium Tablets (中生牌羊乳鈣片), Zhongsheng Calcium and Magnesium/Vitamin D Tablets (中生牌鈣鎂/維D片) and Zhongsheng Propolis Soft Capsules (中生牌蜂膠軟膠囊), and regular nutritional supplements without health food product approvals issued by CFDA such as Zhongsheng Natto Oxytropis Argentata Capsules (中生牌納豆銀棘膠囊), Zhongsheng Cordyceps Capsules (中生牌蛹蟲草膠囊), Zhongsheng Collagen Capsules (中生牌膠原蛋白膠囊), Zhongsheng Prebiotics Yeast Extract Capsules (中生牌益生源酵母精膠囊), Zhongsheng Meridian Soft Capsules (中生牌通絡康軟膠囊), Zhongsheng Oyster Capsules (中生牌生蠔膠囊), Guishi Vegetable Extract Powder (桂氏蔬菜精粉), Keda Sea Cucumber Capsules (科大牌海參寶膠囊), Pomegranate Fruit Drink (石榴果飲) and Blueberry Fruit Drink (藍莓果飲).
- (2) Including primarily Australian Extra Virgin Olive Oil, Salmon Oil Capsules, Saw Palmetto Capsules, Omega-3 Capsules, Algal DHA Composite Oil, Cod Fish Oil Capsules, Organic Tasmania Leatherwood Honey and certain protein powder and milk powder products.
- (3) Representing third-party branded Australian nutritional food and gifts.

SUMMARY

The following table sets forth, for the periods indicated, the turnover of our CFDA-approved health food products and regular nutritional supplements, and their respective percentages of our total turnover.

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>
CFDA-approved health food products										
Zhongsheng series products ⁽¹⁾	41,174	61.6	57,485	55.7	93,001	61.8	37,176	57.4	35,400	41.2
Regular nutritional supplements										
Zhongsheng series products ⁽²⁾	7,236	10.8	3,847	3.7	2,743	1.8	1,371	2.1	1,235	1.4
Cobayer series products	16,922	25.3	40,837	39.6	52,613	35.1	25,505	39.3	45,537	53.0
Others ⁽³⁾	1,518	2.3	1,075	1.0	2,015	1.3	767	1.2	3,793	4.4
Subtotal	25,676	38.4	45,759	44.3	57,371	38.2	27,643	42.6	50,565	58.8
Total	66,850	100.0	103,244	100.0	150,372	100.0	64,819	100.0	85,965	100.0

Notes:

- (1) All of our CFDA-approved health products are Zhongsheng series products.
- (2) During the Track Record Period, the regular nutritional supplements offered by us under Zhongsheng series products without health food product approvals issued by CFDA consisted of Zhongsheng Natto Oxytropis Argentata Capsules (中生牌納豆銀棘膠囊), Zhongsheng Cordyceps Capsules (中生牌蛹蟲草膠囊), Zhongsheng Collagen Capsules (中生牌膠原蛋白膠囊), Zhongsheng Prebiotics Yeast Extract Capsules (中生牌益生源酵母精膠囊), Zhongsheng Meridian Soft Capsules (中生牌通絡康軟膠囊), Zhongsheng Oyster Capsules (中生牌生蠔膠囊), Guishi Vegetable Extract Powder (桂氏蔬菜精粉), Keda Sea Cucumber Capsules (科大牌海參寶膠囊), Pomegranate Fruit Drink (石榴果飲) and Blueberry Fruit Drink (藍莓果飲).
- (3) Representing third-party branded Australian nutritional food and gifts.

During the Track Record Period, none of our Cobayer series products or other products was approved by CFDA as health food products. For names and other information of our major Cobayer series products, see “Business – Our Products – Cobayer Series Products”.

SUMMARY

Our Self-managed Retail Stores

We sell substantially all of our products through self-managed retail stores. By leveraging our in-depth industry and operating experience, we have successfully replicated our branding-focused specialty store business model from our headquarters in Nanjing, Jiangsu province, to other areas of China. As of June 30, 2013, our branding-focused retail network covered 25 cities in eight provinces and centrally administered municipalities in China, consisting of:

- 35 self-managed retail stores under our Zhongsheng brand, comprising 20 specialty stores, 13 regional sales offices and two department store concession counters, in which we sell our Zhongsheng series products as well as selected Cobayer series products; and
- 14 self-managed retail stores under our Cobayer brand, all located in premium shopping malls, in which we sell our Cobayer series products.

In addition to self-managed retail stores, we currently have one distributor which exclusively markets and sells our Zhongsheng and Cobayer series products in Shanghai only. We also started operations of our online shopping platform at <http://conbair.tmall.com> to sell our Cobayer series products in May 2013.

The following table sets forth, for the periods indicated, a breakdown of our turnover by sales channels.

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>
Retail stores										
Zhongsheng retail stores . . .	62,589	93.6	98,898	95.8	146,055	97.1	63,331	97.7	82,722	96.2
Cobayer retail stores	—	—	—	—	1,598	1.1	12	—	2,878	3.4
Subtotal	62,589	93.6	98,898	95.8	147,653	98.2	63,343	97.7	85,600	99.6
Distributorship	4,261	6.4	4,346	4.2	2,719	1.8	1,476	2.3	365	0.4
Total⁽¹⁾	<u>66,850</u>	<u>100.0</u>	<u>103,244</u>	<u>100.0</u>	<u>150,372</u>	<u>100.0</u>	<u>64,819</u>	<u>100.0</u>	<u>85,965</u>	<u>100.0</u>

Note:

- (1) Our online store commenced sales in May 2013 and has not generated meaningful turnover for the six months ended June 30, 2013.

SUMMARY

Zhongsheng retail stores

As of June 30, 2013, we had 35 retail stores opened under our Zhongsheng brand in 22 cities, covering seven provinces and centrally administered municipalities in China. The following table sets forth the movement of the number of our Zhongsheng retail stores during the Track Record Period.

	Number of retail stores as of the beginning of the year/period	Number of retail stores as of the end of the year/period
2010	13	15
2011	15	24
2012	24	34
Six months ended June 30, 2013 ...	34	35

The following table sets forth the geographic coverage of our Zhongsheng retail stores in China by regions as of dates indicated.

Region	As of December 31,			As of June 30,
	2010	2011	2012	2013
Jiangsu	9	15	19	20
Zhejiang	2	2	7	7
Guangdong	2	2	3	3
Beijing	1	1	1	1
Hubei	0	1	1	1
Sichuan	0	1	1	1
Shandong	1	2	2	2

Cobayer retail stores

Since we launched our first Cobayer retail store in June 2012 in Nanjing, Jiangsu province, we had opened a total of 14 Cobayer retail stores as of June 30, 2013 in 13 cities, covering Jiangsu, Zhejiang, Guangdong, Shandong and Yunnan provinces. The following table sets forth the geographic coverage of our Cobayer retail stores in China by regions as of the dates indicated.

Region	As of June 30, 2012	As of December 31, 2012	As of June 30, 2013
Jiangsu	1	5	9
Zhejiang	0	0	1
Guangdong	0	0	1
Shandong	0	0	2
Yunnan	0	0	1

SUMMARY

Our Production

During the Track Record Period, all of our Zhongsheng series products were manufactured in our production facilities in Nanjing, Jiangsu province, except our three soft gelatin capsule products and two miniature bottled drinks, the production of which was outsourced to certain Independent Third Parties. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, we paid RMB0.9 million, RMB0.2 million, RMB0.5 million and RMB0.1 million to third-party manufacturers for our production outsourcing in China, respectively.

We are currently undergoing expansion of our production facilities in Nanjing, Jiangsu province, including (i) construction of a new production line; (ii) building of a research and development and testing center; and (iii) establishment of an information and logistics control center, which is expected to complete by the end of 2015. Through these efforts, we expect to significantly expand our in-house manufacturing capabilities of nutritional supplements in various forms, enhance our storage ability and improve our existing technologies and research and development capabilities. With the new production line, we expect to be able to manufacture products in the forms of soft gelatin capsules, canned powder and miniature bottled drinks with a designed annual capacity of 800,000 units, 650,000 units and 2.0 million units, respectively. We expect to incur a minimum of RMB100.0 million for our expansion plan, which will be funded by the proceeds from the Global Offering and cash generated from our operations.

Upon completion of our new production facilities, we expect our cost structure will have the following changes: (i) we will not have subcontracting charges as a component of our cost of sales as we will be able to manufacture all of our Zhongsheng series products in our own production facilities; and (ii) our total costs of raw materials and packaging materials, depreciation costs, labor costs, utilities and other production costs will increase and may account for a higher percentage of our total cost of sales for a given period, subject to the sales performance of our Zhongsheng series products as compared with Cobayer series products during the same period. The Directors anticipate that our addition of new production facilities will result in an increase in depreciation cost of approximately RMB4.7 million on an annual basis, upon completion by the end of 2015, assuming a 10-year useful life of the new production line and a 20-year useful life of the associated production facility.

With our expansion of retail network, strong product pipeline, growing economies of scale and marketing efforts in the future, we expect to generate additional turnover from new products to be manufactured by our new production facility to achieve gross profit margins comparable to our historical level. Notwithstanding these efforts, we cannot assure you that our gross profit margin will not experience any decrease following completion of our new product facility by the end of 2015. For the associated risks, see “Risk Factors – Risks Relating to Our Business and Industry – There can be no assurance that we will be able to maintain or increase our historical levels of profitability” and “Risk Factors – Risks Relating to Our Business and Industry – Any constraints on our production capacity would be detrimental to our business development and our production capacity expansion plan may not be successful”.

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The following table sets forth, for the periods indicated, the production capacities and utilization rates for our major product categories in respect of our Zhongsheng series products manufactured by us.

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
<i>(units in million, except percentages)</i>					
<i>Tablets</i>					
Designed annual					
production capacity . . .	13.3	13.3	13.3	6.7	6.7
Actual production volume .	1.6	6.5	5.0	1.1	0.6
Utilization rate ⁽¹⁾	12.0%	48.9%	37.6%	16.4%	9.0%
<i>Hard-shell capsules</i>					
Designed annual					
production capacity . . .	134.4	134.4	134.4	67.2	67.2
Actual production volume .	58.1	23.2	18.1	8.2	7.5
Utilization rate ⁽¹⁾	43.2%	17.3%	13.5%	12.2%	11.2%

Note:

- (1) Utilization rate is calculated by dividing the actual production volume for the relevant period with the designed production capacity for the same period. The designed annual production capacity is based on a production schedule of 250 days per year and one four-hour production shift per day. Such four-hour shift per day is used for the calculation of our designed annual production capacity, primarily because we deduct four hours for sanitization of the plant area, equipment and facilities, which process is required on a daily basis to meet GMP standards, despite the fact that all of our relevant employees are still paid on an eight-hour shift per day basis. The calculation basis of 250 days per year is primarily due to temporary suspension of production in July and August of each year to avoid unfavorable working environment as a result of high temperature and to ensure product quality.

We execute a sales-oriented production plan. Our utilization rates for products in the form of tablets increased in 2011 as compared to 2010, primarily due to our launch of Coenzyme Q₁₀ Tablets, one of our best selling products, in 2011. Our utilization rates for products in the form of tablets experienced a decrease in 2012 and the first half of 2013, and our utilization rates for products in the form of hard-shell capsules decreased during the Track Record Period, primarily due to the change in our product portfolio and adjustments to our production plans, driven primarily by our launch of new products and introduction of existing products with increased servings during the same periods. As of June 30, 2013, the net carrying amount of our plant and machinery was RMB390,000. We do not expect to recognize any write-off in respect of our existing production facilities as the turnover generated historically and expected to be generated in the future from the products manufactured in such facilities significantly exceeds the relevant cost of such facilities.

Despite the low utilization rates of our existing production facilities, we are currently not able to manufacture products in the forms of soft gelatin capsules, canned powder and miniature bottled drinks in our own production facilities and such product forms are commonly used for nutritional supplements in China as well as other countries. We believe the addition

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of the new manufacturing capability of these forms of products will help us further expand our product portfolio. In addition, our new production line is also expected to afford us greater flexibilities in forming production plans of products in these forms, enhanced in-house quality control of such types of products, and capabilities to launch additional products in these forms from time to time in the future to grasp market shares rapidly without incurring management and financial resources to engage third-party manufacturers. Among our product candidates of Zhongsheng series products that we plan to offer in the near future, 17 products are expected to be offered in the forms of soft gelatin capsules, canned powder and miniature bottled drinks. For details of these products, see “Business – Our Product Pipeline – Zhongsheng Series Products”.

Our Production Outsourcing to Independent Third Parties in Australia and New Zealand

During the Track Record Period, we outsourced the production of all of our Cobayer series products to various Independent Third Party manufacturers in Australia (except one product which was manufactured in New Zealand). The purchase value of Cobayer series products from our third-party manufacturers in Australia and New Zealand was RMB4.0 million, RMB12.8 million, RMB9.4 million and RMB2.5 million for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively.

As of the Latest Practicable Date, we had a total of nine third-party manufacturers in Australia and New Zealand, with which our relationship ranged from less than one year to approximately four years. None of these third-party manufacturers produced our Cobayer series products on an exclusive basis. To ensure the safety and quality of our Cobayer series products, we carefully select third-party manufacturers based on their overall track record, experience, reputation, size of operations, ability to manufacture high-quality products and quality control effectiveness. Most of our third-party manufacturers in Australia and New Zealand are large and medium-size enterprises specialized in production of nutritional supplements. In particular, our largest third-party manufacturer, GMP Pharmaceuticals Pty Ltd., is one of the largest manufacturers of nutritional supplements in Australia and New Zealand. All of our third-party manufacturers in Australia and New Zealand have complied with the highest requirements of TGA when they manufacture our Cobayer series products.

We are exposed to foreign currency risk for our purchases in Australian dollars and New Zealand dollars from third-party manufacturers in Australia and New Zealand. Considering the level of our current exposure to foreign currency risk, we have not used any derivative contracts to hedge against our exposure to foreign currency risk. Such risk, however, may continue to increase in the future, taking into consideration our retail network expansion plan to open additional Cobayer retail stores from 2014 to 2016, which is expected to be supported by increased purchases from third-party manufacturers in Australia and New Zealand. We will continue to monitor closely the foreign currency risk exposure and will consider hedging foreign currency exposure if the depreciation of Renminbi against Australian dollars or New Zealand dollars is over 5% during a six-month period. Our hedging measures may include entering into contracts with financial institutions to fix exchange rates for our purchases in foreign currencies. In the event that we take any hedging measures in the future, we intend to

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designate our chief financial officer to oversee such hedging measures, and engage staff with necessary qualifications and experience to conduct hedging activities. Our Board of Directors plans to review our hedging policies, activities and results on an annual basis and adjust our hedging policies and activities to meet our actual needs arising from business operations. For our foreign currency risk, see “Risk Factors – Risks Relating to Doing Business in the PRC – We face foreign exchange risk, and fluctuations in exchange rates could have a material and adverse effect on our business and investors’ investment”.

COMPETITIVE STRENGTHS

- We are well positioned to capitalize on high growth opportunities in the large and fast-growing nutritional supplements industry in China.
- We have established an effective brand-based marketing strategy and have achieved strong brand recognition in our target markets.
- Our fast-growing retail network and diversified sales platform enable us to serve a broad customer base and meet growing and different customer demand.
- We provide comprehensive health solutions to a broad, age-balanced and loyal customer base.
- We offer a broad, diversified product mix with a number of top selling products in their respective product categories in China and maintain a strong pipeline of nutritional supplements for future development.
- Our experienced management team has strong execution capabilities and a proven track record of generating growth for us.

STRATEGIES

- Further expand our Zhongsheng and Cobayer sales network to enhance geographical and customer coverage.
- Enhance our brand recognition to attract new customers.
- Continue improving our customer services to maintain high customer satisfaction level and attract new customers.
- Seek to develop new products with high growth potential to optimize and diversify our product offerings.
- Seek to identify compelling investment and acquisition opportunities.

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SHAREHOLDERS' INFORMATION

Controlling Shareholders

Mr. Gui and Ms. Wu are our Controlling Shareholders, who will together hold approximately 65.0% of our issued share capital upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Pre-IPO Investment

Pursuant to the Shanghai Fosun Pre-IPO Investment Agreement among our Company, our Controlling Shareholders, Zhongyan Investment and Shanghai Fosun, Shanghai Fosun subscribed for 10.0% of our issued share capital immediately following completion of the pre-IPO investment on May 22, 2013, which represents approximately 7.5% of our enlarged issued share capital upon completion of the Global Offering (assuming the Over-allotment Option is not exercised). For further details, see “History and Development – Pre-IPO Investment”.

RISK FACTORS

The list below sets forth the major risk factors in relation to our operations:

- We have experienced rapid growth and significantly expanded our business in recent years. Our failure to effectively manage our rapid growth could materially and adversely affect our business prospects and results of operations.
- We experienced high levels of profitability historically. For the six months ended June 30, 2013, our gross profit margin and net profit margin were 86.9% and 34.5%, respectively. There can be no assurance that we will be able to maintain or increase our historical levels of profitability.
- Any constraints on our production capacity would be detrimental to our business development and our production capacity expansion may not be successful.
- The turnover derived from our individual products varies from period to period, depending on a number of factors including the market demand for the individual product and our sales efforts devoted to it during a given period. The average selling prices of our major products also fluctuated during the Track Record Period.
- Our turnover has been, and may continue to be, significantly dependent on sales in certain geographic markets. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, turnover derived from sales in our three largest geographic markets, namely Jiangsu, Guangdong and Zhejiang provinces, accounted for 93.1%, 90.8%, 91.6% and 88.6% of our total turnover, respectively.

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- The success of our business depends significantly on our ability to maintain and enhance our brand awareness and customer loyalty.
- Unfavorable publicity or consumer perception of our products, the ingredients they contain and any similar products distributed by other companies could cause fluctuations in our operating results and could have a material adverse effect on our reputation, the demand for our products and our ability to generate revenues.

A detailed discussion of the risk factors is set forth in the section headed “Risk Factors” in this prospectus.

HISTORICAL NON-COMPLIANT ADVERTISEMENT

Between 2006 and 2011, Jiangsu provincial agency of CFDA posted public notices on its website setting forth non-compliance instances of our newspaper advertisements of certain products, including (i) improperly claiming, overstating or guaranteeing the effect of our Coenzyme Q₁₀ Capsules and Keda Propolis Yangshengbao Capsules which may mislead consumers; (ii) failure to disclose the advertisement approval of our Coenzyme Q₁₀ Capsules; (iii) posting of advertisements of our Coenzyme Q₁₀ Tablets and Keda Propolis Yangshengbao Capsules without obtaining prior CFDA advertisement approval; (iv) amending the approved advertisements of Keda Propolis Yangshengbao Capsules without obtaining prior CFDA approval; and (v) improperly claiming, overstating or guaranteeing the effect of, and using the name or image of government authorities, research institutions, experts, doctors or patients in the advertisements of, Zhongke Ganoderma Spore Capsules (中科牌靈芝孢子膠囊), a third-party product sold by us before early 2006. Our Directors believe that we did not publish non-compliant advertisements of Coenzyme Q₁₀ Tablets and Zhongke Ganoderma Spore Capsules. In addition, following the release of the public notices on these non-compliance instances by Jiangsu provincial agency of CFDA, we did not receive any notice from any local agencies of CFDA or SAIC, requiring us to cease our advertisements of the relevant products or imposing any penalties on us. We ceased our advertisements of Coenzyme Q₁₀ Capsules in January 2011, Keda Propolis Yangshengbao Capsules in the first quarter of 2010 and Zhongke Ganoderma Spore Capsules in the fourth quarter of 2005, respectively. Based on an interview with Jiangsu provincial agency of SAIC on October 18, 2013 and certificates issued by the relevant local agencies of SAIC, certifying that no penalties were imposed on our Company or subsidiaries historically, our PRC legal advisor, Yongheng Partners, is of the view that we or any of our Directors would not be subject to penalties for these historical non-compliance instances.

For details of the above historical non-compliant instances, see “Business – Legal and Compliance” in this prospectus.

SUMMARY

SUMMARY OF CONSOLIDATED RESULTS OF OPERATIONS AND FINANCIAL POSITION

The following tables set out selected financial data derived from the Accountants' Report as set out in Appendix I to this prospectus.

Selected Consolidated Statements of Comprehensive Income Data

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Turnover	66,850	103,244	150,372	64,819	85,965
Cost of sales	(13,588)	(20,080)	(20,276)	(9,881)	(11,264)
Gross profit	53,262	83,164	130,096	54,938	74,701
Profit before income tax . . .	20,995	47,207	76,912	34,433	40,278
Income tax expense	(5,207)	(12,393)	(19,675)	(8,265)	(10,578)
Profit for the year/period . .	15,788	34,814	57,237	26,168	29,700
Other comprehensive income					
Exchange differences on translation of foreign operations	75	(108)	(11)	–	(412)
Total comprehensive income for the year/period	15,863	34,706	57,226	26,168	29,288
Earnings per share (RMB)					
– Basic and diluted	0.29	0.63	1.04	0.48	0.53

SUMMARY

Selected Consolidated Statements of Financial Position Data

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Non-current assets	25,037	24,338	28,204	28,494
Current assets	45,970	89,558	111,427	164,634
Total assets	71,007	113,896	139,631	193,128
Equity and liabilities				
Current liabilities	10,520	18,703	20,118	20,327
Total equity	60,487	95,193	119,513	172,801
Total equity and liabilities	71,007	113,896	139,631	193,128

Key Financial Ratios

		Year ended December 31/ As of December 31,			Six months ended June 30/ As of June 30,
	Notes	2010	2011	2012	2013
Current ratio	(1)	4.4	4.8	5.5	8.1
Quick ratio	(2)	3.9	4.2	4.9	7.6
Debt to assets ratio	(3)	n.a.	n.a.	n.a.	n.a.
Gearing ratio	(4)	n.a.	n.a.	n.a.	n.a.
Interest coverage	(5)	n.a.	n.a.	n.a.	n.a.

Notes:

- (1) Current ratio = Current assets/Current liabilities.
- (2) Quick ratio = (Current assets - Inventory)/Current liabilities.
- (3) Debt to assets ratio = Total liabilities/Total assets. We had no interest bearing debt during the periods indicated.
- (4) Gearing ratio = Total interest-bearing debts/Total equity. We had no interest bearing debt during the periods indicated.
- (5) Interest coverage = Earnings before interest and tax/Interest expense. We had no interest bearing debt during the periods indicated.

SUMMARY

Financial Performance Subsequent to the Track Record Period

Selected financial information

The following discussion of the selected financial information, including turnover, cost of sales and gross profit, for the four months ended October 31, 2013, is based on unaudited consolidated management accounts of our Group.

For the four months ended October 31, 2013, our turnover, cost of sales and gross profit was RMB66.3 million, RMB6.4 million and RMB59.9 million, respectively. Our gross profit margin for the four months ended October 31, 2013 was 90.3%. Our outstanding bank borrowing as of October 31, 2013 was nil. Our financial information as of and for the four months ended October 31, 2013 is not indicative of our actual results or the results for any future periods. Such financial information should be read in conjunction with our audited financial statements for the Track Record Period and related notes and other financial information included elsewhere in this prospectus. See “Financial Information” for information regarding trends and other factors that may influence our results of operations.

Subsequent utilization of inventory and subsequent settlement of trade and other receivables

The following table sets forth information regarding our subsequent utilization of inventory and subsequent settlement of trade and other receivables after June 30, 2013.

	As of June 30, 2013	Subsequent utilization/ settlement by October 31, 2013
	<i>RMB'000</i>	<i>RMB'000</i>
Inventory	9,962	4,248
Trade and other receivables		
Trade receivables	339	330
Other receivables ⁽¹⁾	3,849	2,308
Total	4,188	2,638

Note:

- (1) Our unsettled other receivables primarily included prepaid rental expenses and deposits for our self-managed retail stores, and prepaid taxes for our purchase of Cobayer series products.

SUMMARY

LISTING EXPENSES

As of June 30, 2013, we incurred expenses in connection with the Global Offering in an amount of RMB2.0 million, which were accounted for as part of our administrative expenses for the six months ended June 30, 2013. Between June 30, 2013 and completion of the Global Offering, we expect to incur additional listing expenses of RMB31.7 million, among which an estimated amount of RMB13.8 million will be recognized as our administrative expenses and an estimated amount of RMB17.9 million will be recognized directly in equity.

OFFERING STATISTICS

All statistics in the following table are based on the assumptions that: (i) the Global Offering has been completed and 203,800,000 H Shares are newly issued in the Global Offering; and (ii) 814,911,000 Shares are issued and outstanding following completion of the Global Offering.

	Based on an Offer Price of HK\$1.50 per H Share	Based on an Offer Price of HK\$2.00 per H Share
Market capitalization of our Shares upon completion of the Global Offering	HK\$1,222.4 million	HK\$1,630.0 million
Unaudited pro forma adjusted net tangible assets per Share ⁽¹⁾	HK\$0.62	HK\$0.74

Note:

- (1) The unaudited pro forma adjusted net tangible assets per Share is calculated after making the adjustments referred to in Appendix II to this prospectus.

USE OF PROCEEDS

We estimate that the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$1.75 per H Share (being the mid-point of the Offer Price range), will be approximately HK\$333.9 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming the Over-allotment Option is not exercised.

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We intend to use the net proceeds of the Global Offering for the following purposes:

- approximately 43%, or HK\$143.6 million, will be used to expand our production facilities in Nanjing, Jiangsu province, among which:
 - approximately 31%, or HK\$103.6 million, will be used to construct a new production line to manufacture products in the forms of soft gelatin capsules, canned powder and miniature bottled drinks with a designed annual capacity of 800,000 units, 650,000 units and 2.0 million units, respectively;
 - approximately 6%, or HK\$20.0 million, will be used to build a research and development and testing center; and
 - approximately 6%, or HK\$20.0 million, will be used to establish an information and logistics control center;
- approximately 34%, or HK\$113.5 million, will be used to finance our marketing and promotional activities for the next two years so as to enhance the nationwide brand awareness of our Zhongsheng and Cobayer brands, among which:
 - approximately 23%, or HK\$76.8 million, will be used for TV, print, radio and online advertising;
 - approximately 6%, or HK\$20.0 million, will be used for engagement of celebrity spokespersons;
 - approximately 3%, or HK\$10.0 million, will be used for promotion and enhancement of our corporate and brand image by creating and introducing new corporate video, new product packaging design and new marketing materials; and
 - approximately 2%, or HK\$6.7 million, will be used for promotional events across China during major holidays;

As of the Latest Practicable Date, we only maintained effective CFDA advertising approvals for five major health food products, namely Coenzyme Q₁₀ Capsules, Coenzyme Q₁₀ Tablets, Linolenic Acid Soft Capsules, Keda Green Capsules and Weisi Capsules. We intend to apply for CFDA advertising approvals for selected health food products when there comes an actual advertising need, based on the most recent market demand and customer feedback of such specific products, and launch such advertisements upon obtaining the relevant CFDA advertising approvals. In the absence of CFDA advertising approval for any particular health food product, we intend to, among other marketing strategies, rely upon advertising of our brand and corporate image without referring to any particular health food product. For details of our marketing strategies, see “Business – Marketing and Customer Service – Marketing and Promotional Activities”.

SUMMARY

- approximately 18%, or HK\$60.1 million, will be used to strengthen and expand our existing sales network and expand into new regions in the next few years, in particular, first-tier cities, provincial capitals and affluent second-tier cities in China, among which:
 - approximately 6%, or HK\$20.0 million, will be used to support our expansion of sales network in 2014. Based on prevailing market conditions, we currently contemplate increasing the number of our Zhongsheng retail stores to 45 and the number of our Cobayer retail stores to 72 by the end of 2014, respectively; and
 - approximately 12%, or HK\$40.1 million, will be used to support our expansion of sales network in 2015 and 2016. Subject to the prevailing macroeconomic conditions and the market demand of our products, and based on the minimum capital required to open Zhongsheng and Cobayer retail stores, the proceeds will allow us to open 20 and 80 additional Zhongsheng and Cobayer retail stores, respectively, in 2015 and 2016; and
- the remaining amount of approximately 5%, or HK\$16.7 million, will be used for our working capital and other general corporate purposes.

In the event that the Over-allotment Option is exercised in full, we intend to apply the additional net proceeds to the above uses in the proportions stated above.

The above allocation of the net proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range stated in this prospectus.

DIVIDEND POLICY

Our Board of Directors is responsible for submitting proposals in respect of dividend payments, if any, to our Shareholders' general meeting for approval. Our dividend distribution was based on our profit available for appropriation. Under the PRC Company Law and our Articles of Association, all of our Shareholders have equal rights to dividends and other distributions in proportion to their shareholdings. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, we declared and paid dividends in the amount of RMB6.0 million, nil, RMB35.0 million and RMB26.0 million, respectively. Dividends paid in prior periods may not be indicative of future dividend payments. We cannot guarantee when, if and in what form dividends will be paid in the future. We currently intend to pay dividends to our Shareholders of approximately 30% of our profit available for distribution after the Global Offering, subject to, in each case, our Board's decision after a comprehensive review of our Company's financial performance, future expectations and other factors deemed relevant by our Board, and our Shareholders' approval.

SUMMARY

RECENT DEVELOPMENTS

Set forth below are certain developments after the end of the Track Record Period regarding our business.

- We opened 13 new Cobayer retail stores in Beijing, Shanghai, Wuxi, Chongqing, Zhenjiang, Shenyang, Hefei, Xiamen, Hangzhou, Guangzhou, Suzhou, Zhengzhou and Xi'an, which increased our geographic coverage of Zhongsheng and Cobayer retail network to 32 cities in 15 provinces and centrally administered municipalities in China as of the Latest Practicable Date.
- We closed one Zhongsheng retail store in Suzhou, Jiangsu province in September 2013, which was a department store concession counter, primarily due to this store's inability to meet our sales target. This department store concession counter was opened in December 2012 and its turnover contribution to our Group for the six months ended June 30, 2013 was approximately 0.1%. Our Directors believe that the close of this department store concession counter does not have a material adverse impact on our results of operation and financial condition.
- We launched three new honey products and two cereal products under our Conbair brand.

POTENTIAL ADVERSE CHANGE IN NET PROFIT FOR THE YEAR ENDING DECEMBER 31, 2013

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position of our Company since June 30, 2013 (being the date to which our latest consolidated financial information was prepared as set out in the "Accountants' Report" in Appendix I to this prospectus). Based on our current estimates, we will recognize RMB13.8 million as our administrative expenses between June 30, 2013 and completion of the Global Offering, which is likely to have a material adverse impact on our net profit for the year ending December 31, 2013.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s) or where the context so requires, any of them, relating to the Hong Kong Public Offering
“AQIS”	Australian Quarantine and Inspection Service, which is part of the Australian Government Department of Agriculture, Fisheries and Forestry, and provides import and export inspection and certification
“AQSIQ”	General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中國國家質量監督檢驗檢疫總局)
“Articles of Association” or “Articles”	the articles of association of our Company, conditionally adopted on September 3, 2013 and as amended or supplemented from time to time, a summary of which is set out in “Appendix VI – Summary of Articles of Association” to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“AUD”	Australian dollars, the lawful currency of Australia
“Beijing Zhongsheng”	Beijing Zhongsheng Wonderful Health Technology Co. Limited* (北京中生美好健康科技有限公司), a limited liability company established in the PRC on April 9, 2008, a direct wholly-owned subsidiary of our Company
“Board” or “Board of Directors”	our board of Directors
“business day”	any day (other than a Saturday, a Sunday or a public holiday) on which banks in Hong Kong are open for normal banking business
“CAGR”	compound annual growth rate
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, CCASS Custodian Participant or a CCASS Investor Participant
“CFDA”	China Food and Drug Administration (中華人民共和國國家食品藥品監督管理總局), the PRC governmental authority responsible for the regulation of food and drugs
“Changzhou Zhongsheng”	Changzhou Zhongsheng Wonderful Bio-Health Products Co. Limited* (常州中生美好生物製品有限公司), a limited liability company established in the PRC on April 22, 2008, a direct wholly-owned subsidiary of our Company
“Chengdu Zhongsheng”	Chengdu Zhongsheng Hua Mei Bio-Tech Co. Limited* (成都中生華美生物科技有限公司), a limited liability company established in the PRC on April 6, 2011, a direct wholly-owned subsidiary of our Company
“China” or “PRC”	the People’s Republic of China. Unless the context requires otherwise, references in this prospectus to the PRC or China do not include Hong Kong, Macau and Taiwan
“CIQ”	China Entry-Exit Inspection and Quarantine Bureau (中國出入境檢驗檢疫局) under AQSIQ
“Cobayer Health Food Company”	Australia Cobayer Health Food Co Pty Ltd., a company incorporated in Australia on March 2, 2009 with limited liability and a direct wholly-owned subsidiary of our Company

DEFINITIONS

“Cobayer series products”	a product line of our Company consisting of nutritional supplements manufactured in and imported from Australia or New Zealand under our Cobayer (Cobayer), Conbair (Conbair),  and CoKanga (CoKanga) brands
“Cobayer Tenancy Agreement”	the tenancy agreement dated September 2, 2013 entered into between Mr. Gui as the landlord and Cobayer Health Food Company as the tenant, in relation to the lease of an office in Australia, details of which are set out in the section headed “Continuing Connected Transactions” in this prospectus
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Nanjing Sinolife United Company Limited* (南京中生聯合股份有限公司), a joint stock limited liability company incorporated under the laws of the PRC on May 24, 1999, and, except where the context indicates otherwise, includes our predecessors
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	Mr. Gui and Ms. Wu
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Deed of Indemnity”	the deed of indemnity dated December 21, 2013 and entered into among our Controlling Shareholders and our Company with particulars set forth in the section headed “Estate duty tax and other indemnities” in Appendix VII in this prospectus
“Director(s)”	director(s) of our Company
“Domestic Share(s)”	ordinary shares in our capital, with a nominal value of RMB0.10 each, which are subscribed for and paid up in Renminbi and are unlisted Shares which are currently not listed or traded on any stock exchange

DEFINITIONS

“EIT Law”	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) which was adopted by the National People’s Congress on March 16, 2007 and became effective on January 1, 2008
“GDP”	gross domestic product
“Global Offering”	the Hong Kong Public Offering and the International Offering
“ GREEN Application Form(s)”	the application form(s) to be completed by White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “us” or “we”	our Company and its subsidiaries
“Guangzhou Zhongsheng”	Guangzhou Zhongyuan Bio-Tech Co. Limited* (廣州中院生物科技有限公司), a limited liability company established in the PRC on June 27, 2008, a direct wholly-owned subsidiary of our Company
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“H Share(s)”	overseas listed foreign invested ordinary share(s) in the ordinary share capital of the Company, with a nominal value of RMB0.10 each, which are to be subscribed for and traded in Hong Kong dollars and for which an application has been made for the granting of listing, and permission to deal in, on the Hong Kong Stock Exchange
“Hangzhou Zhongsheng”	Hangzhou Zhongyan Biological Products Co. Limited* (杭州中研生物製品有限公司), a limited liability company established in the PRC on April 2, 2008, a direct wholly-owned subsidiary of our Company
“HK\$” or “Hong Kong dollar”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	the Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, wholly-owned subsidiary of HKSCC

DEFINITIONS

“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Public Offer Shares”	the 20,380,000 H Shares initially being offered by our Company for subscription under the Hong Kong Public Offering
“Hong Kong Public Offering”	the offer by our Company of initially 20,380,000 H Shares for subscription by the public in Hong Kong for cash (subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus) at the Offer Price (plus brokerage fee of 1%, Hong Kong Stock Exchange trading fee of 0.005%, and SFC transaction levy of 0.003%) and on the terms and subject to the conditions described in this prospectus and the Application Forms, as further described in the section headed “Structure of the Global Offering” in this prospectus
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Underwriters”	the underwriters listed in the section headed “Underwriting – Hong Kong Underwriters” in this prospectus, being the underwriters of the Hong Kong Public Offering
“Hong Kong Underwriting Agreement”	the underwriting agreement dated December 30, 2013 relating to the Hong Kong Public Offering and entered into by, the Sole Global Coordinator, the Sole Sponsor, the Hong Kong Underwriters, our Controlling Shareholders, our executive Directors and our Company, as further described in the section headed “Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering” in this prospectus
“Independent Third Party(ies)”	party or parties that is or are not connected with (within the meaning of the Listing Rules) any Directors, Supervisors, chief executive, Substantial Shareholders of our Company, our subsidiaries or any of their respective associates

DEFINITIONS

“International Offer Shares”	the 183,420,000 H Shares initially being offered by us for subscription under the International Offering together, where relevant, with any additional H Shares that may be allotted pursuant to any exercise of the Over-allotment Option
“International Offering”	the offering of the International Offer Shares at the Offer Price outside the United States (including to institutional and professional investors) (other than to retail investors in Hong Kong), as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the group of international underwriters expected to enter into the International Underwriting Agreement
“International Underwriting Agreement”	the International Underwriting Agreement relating to the International Offering to be entered into on or about January 9, 2014, by, among others, the Sole Global Coordinator, the International Underwriters and us, as further described in the section headed “Underwriting – Underwriting Arrangements and Expenses – The International Offering” in this prospectus
“Jinan Zhongsheng”	Jinan Zhongsheng Chinese Commerce Biological Products Co. Limited* (濟南中生華商生物製品有限公司), a limited liability company established in the PRC on April 30, 2008, a direct wholly-owned subsidiary of our Company
“Latest Practicable Date”	December 23, 2013, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Committee”	the listing committee of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on or about January 15, 2014, on which the Offer Shares are listed and from which dealings therein are permitted to take place on the Main Board

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
“Main Board”	the stock exchange operated by the Hong Kong Stock Exchange prior to the establishment of the Growth Enterprise Market of the Hong Kong Stock Exchange (excluding the option market) and which continues to be operated by the Hong Kong Stock Exchange in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
“Mandatory Provisions”	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款), for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas, promulgated by the former State Council Securities Commission and other PRC government departments on August 27, 1994, as amended, supplemented or otherwise modified from time to time
“MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“Mr. Gui”	Mr. Gui Pinghu (桂平湖), an executive Director and one of our Controlling Shareholders
“Ms. Wu”	Ms. Wu Yanmei (吳艷梅), the spouse of Mr. Gui, one of our Controlling Shareholders
“Nanjing Deao”	Nanjing Deao International Trade Co. Limited* (南京德澳國際貿易有限公司), a limited liability company established in the PRC on July 15, 2011, a direct wholly-owned subsidiary of our Company
“Nanjing Deao Tenancy Agreement”	the tenancy agreement dated July 1, 2013 entered into between Mr. Gui Ke as the landlord and Nanjing Deao as the tenant, in relation to the lease of an office in the PRC, details of which are set out in the section headed “Continuing Connected Transactions” in this prospectus

DEFINITIONS

“NHFPC”	the National Health and Family Planning Commission of the PRC (中華人民共和國國家衛生和計劃生育委員會) (previously known as the Ministry of Health of the PRC (中華人民共和國衛生部))
“Nanjing Zhongsheng”	Nanjing Zhongsheng Bio-Tech Co. Limited* (南京中生生物科技股份有限公司), formerly known as Nanjing Xian Sheng Dong Yuan Health Food Co., Limited* (南京先聲東元保健品有限公司), a limited liability company established in the PRC on June 17, 2003, a direct wholly-owned subsidiary of our Company
“Nanjing Zhongsheng Pharmaceutical”	Nanjing Zhongsheng Pharmaceutical Co., Limited* (南京中生醫藥有限責任公司), a company established in the PRC with limited liability on March 2, 2005, which was owned as to 90% by Mr. Gui and 10% by Ms. Wu, and was deregistered on July 27, 2011
“NZ\$”	New Zealand dollars, the lawful currency of New Zealand
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%) at which the Hong Kong Public Offer Shares are to be subscribed pursuant to the Hong Kong Public Offering, and at which the International Offer Shares are to be offered pursuant to the International Offering, to be determined as described in the section headed “Structure of the Global Offering” in this prospectus
“Offer Shares”	the H Shares offered in the Global Offering, where relevant including any additional H Shares issued pursuant to the exercise of the Over-allotment Option

DEFINITIONS

“Over-allotment Option”	the option to be granted by our Company to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters, within 30 days from the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 30,570,000 additional H Shares at the Offer Price to cover, among others, over-allocations in the International Offering, if any, details of which are described in the section headed “Structure of the Global Offering” in this prospectus
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC Company Law”	the Company Law in the PRC (中華人民共和國公司法), adopted by the Standing Committee of the National People’s Congress on October 27, 2005 and which became effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time
“PRC GAAP”	generally accepted accounting principles in the PRC
“PRC government” or “government”, “State” or “state”	the government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities or, where the context requires, any of them
“Pre-IPO Investor”	Shanghai Fosun
“Price Determination Agreement”	the agreement to be entered into between us and the Sole Global Coordinator (on behalf of the Underwriters) on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	on or about January 9, 2014 (Hong Kong time) at which time the Offer Price is determined, or such later time as our Company and the Sole Global Coordinator (on behalf of the Underwriters) may agree, but in any event not later than January 13, 2014
“Promoter(s)”	the promoters of our Company, namely Mr. Gui, Ms. Wu and Zhongyan Investment

DEFINITIONS

“Qingdao Zhongsheng”	Qingdao Zhongsheng Biological Products Co. Limited* (青島中生康健生物製品有限公司), a limited liability company established in the PRC on June 24, 2011, a direct wholly-owned subsidiary of our Company
“Regulation S”	Regulation S under the U.S. Securities Act, as amended from time to time
“RMB” or “Renminbi”	Renminbi Yuan, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Shanghai Fosun”	Shanghai Fosun Chuangfu Shareholding Investment Fund Limited Partnership* (上海復星創富股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on April 18, 2011, an Independent Third Party
“Shanghai Fosun Pre-IPO Investment Agreement”	the investment agreement dated March 31, 2013 entered into among Mr. Gui, Ms. Wu, Zhongyan Investment, our Company and Shanghai Fosun (as amended and supplemented by the supplemental agreement dated July 31, 2013)
“Shanghai Zhongsheng”	Shanghai Kanghe Bio-Tech Co. Limited* (上海康赫生物科技有限公司), a limited liability company established in the PRC on November 18, 2013, a direct wholly-owned subsidiary of our Company
“Share(s)”	share(s) in the share capital of our Company, with a nominal value of RMB0.10 each

DEFINITIONS

“Shareholder(s)”	holder(s) of our Shares
“Shenzhen Zhongsheng”	Shenzhen Zhongsheng Chinese Commerce Bio-Tech Co. Limited* (深圳市中生華商生物科技有限公司), a limited liability company established in the PRC on April 23, 2009, a direct wholly-owned subsidiary of our Company
“Sinolife Tenancy Agreement”	the tenancy agreement entered into between Mr. Gui as the landlord and our Company as the tenant in March 2011, in relation to the lease of an office in the PRC, details of which are set out in the section headed “Continuing Connected Transactions” in this prospectus
“SMERI”	CFDA Southern Medicine Economic Research Institute Guangzhou Biao Dian Medicine Information Co., Ltd (國家食品藥品監督管理總局南方醫藥經濟研究所廣州標點醫藥信息有限公司), an independent research institute affiliated with CFDA and an Independent Third Party
“Sole Global Coordinator” or “Sole Bookrunner” or “Sole Lead Manager” or “BOCOM International Securities”	BOCOM International Securities Limited, a licensed corporation registered under the SFO to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 5 (advising on futures contracts) regulated activities
“Sole Sponsor” or “BOCOM International Asia”	BOCOM International (Asia) Limited, a licensed corporation registered under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
“Special Regulations”	Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994, as amended, supplemented or otherwise modified from time to time
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Supervisor(s)”	one (or all) of our Company’s supervisors

DEFINITIONS

“Supervisory Board”	the supervisory board of our Company
“Suzhou Zhongsheng”	Suzhou Zhongsheng Health & Biological Products Co. Limited* (蘇州中生健康生物製品有限公司), a limited liability company established in the PRC on March 26, 2008, a direct wholly-owned subsidiary of our Company
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Repurchases, as approved by the SFC as amended from time to time
“TGA”	Therapeutic Goods Administration, Australia’s regulatory authority for therapeutic goods, including medicines, medical devices, blood and blood products
“Track Record Period”	the period comprising the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	the United States Securities Act of 1933 (as amended from time to time)
“White Form eIPO”	the application for Hong Kong Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited

DEFINITIONS

“Wuhan Zhongsheng”	Wuhan Zhongsheng Chinese Commerce Biological Technology Co. Limited* (武漢中生華商生物科技有限公司), a limited liability company established in the PRC on May 23, 2011, a direct wholly-owned subsidiary of our Company
“Wuxi Zhongsheng”	Wuxi Zhongyan Health Products Co. Limited* (無錫中研健康品有限公司), a limited liability company established in the PRC on April 10, 2008, a direct wholly-owned subsidiary of our Company
“Yongheng Partners”	Jiangsu Yongheng Zhaohui Law Firm (江蘇永衡昭輝律師事務所)
“Zhenjiang Zhongsheng”	Zhenjiang Zhongsheng Health Bio-Tech Co. Limited* (鎮江中生健康科技有限公司), a limited liability company established in the PRC on April 28, 2011, a direct wholly-owned subsidiary of our Company
“Zhongyan Investment”	Nanjing Zhongyan Investment Limited Partnership* (南京中研投資合夥企業(有限合夥)), a limited partnership established in the PRC on June 27, 2012, an investment vehicle owned by certain senior management members and employees of our Company
“Zhongsheng series products”	a product line of our Company consisting of nutritional supplements developed and manufactured in China under our Zhongsheng (中生), Keda (科達) and Guishi (固生) brands

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese which are marked with “” is for identification purposes only.*

GLOSSARY OF TECHNICAL TERMS

The glossary of technical terms contains explanations and definitions of certain terms used in this prospectus in connection with us and our business. The terms and their meanings may not correspond to meanings or usage of these terms as used by others.

“α-Linolenic acid (α-亞麻酸)”	with chemical name of all-cis-9,12,15-octadecatrienoic acid, being a polyunsaturated fatty acid with three double bonds and an essential omega-3 fatty acid
“antimicrobial”	using physical or chemical methods to kill bacteria or prevent the growth of bacteria and the process of their activity, including bacterial killing and inhibiting
“antioxidant”	reducing oxygen free radicals’ oxidative damage to the body through direct consumption of oxygen free radicals in the human body or prevention of generation of oxygen free radicals
“blood glucose”	glucose in the blood
“blood lipid”	lipids contained in blood plasma, which are mainly neutral fats (triglycerides and cholesterol) and lipoids (phospholipids, glycolipids, sterols and steroids)
“cardiovascular system”	the network of anatomic structures, including the heart and blood vessels, which, through the rhythmic contraction and relaxation of the heart, facilitate the blood’s circulation in the blood vessels following a certain direction and through material exchange between the capillaries and the body tissues, carry nutrients and oxygen to the tissues and carry metabolites and carbon dioxide therefrom for removal from the body
“Chinese angelica extracts (當歸提取物)”	a water-soluble extract from the dried roots of umbelliferae Angelica, the main ingredients of which are ligustilide, succinic acid, niacin, butenyl phthalocyanine lactone, etc.
“cholesterol”	(3β)-cholest-5-en-3-ol, a derivative of cyclopentanoperhydrophenanthrene ring, which exists widely in the body of animals, is an essential substance for their tissue cells, takes part in the conformation of cell membrane and is the raw material of synthetic bile acid, vitamin D and steroidal hormones

GLOSSARY OF TECHNICAL TERMS

“coenzyme Q ₁₀ (輔酶Q ₁₀)”	a lipid soluble quinonoids with existence in nature, one of the components of the respiratory chain for eukaryotic organisms, which is also known as ubiquinone
“emu oil (鸕鶿油)”	fats extracted from the back fat of emu, which is rich in unsaturated fatty acids and fat-soluble vitamins
“GMP”	acronym for “good manufacturing practice,” guidelines and regulations issued from time to time pursuant to PRC laws as part of quality assurance to ensure that health food products and pharmaceutical products subject to those guidelines and regulations are consistently produced and controlled to the quality and standards appropriate for their intended use
“grapeseed extracts (葡萄籽提取物)”	a water-soluble ingredient extracted from grape seeds with abundant oligo proanthocyanidine
“hard-shell capsules”	a formulation made up of an empty capsule, which is usually made of edible gelatin, and filled with a certain amount of evenly blended powders and granules made of herb extracts, powdered herbs and/or supplemental materials
“health food product”	a food product which has been approved by CFDA as having one or more of the 27 categories of health benefits under China’s health food regulatory framework; upon approval by CFDA, a “health food product” “  ” may be affixed on the packaging of such product
“hypertension (高血壓)”	a clinical manifestation that systolic pressure and/or diastolic pressure in the systemic circulation keep elevating; a primary risky cause of cardio-cerebral vascular diseases, the main complications of which are stroke, myocardial infarction, heart failure, chronic renal failure, etc.
“immune system”	the system within an organism responsible for locating and removal of foreign bodies, external pathogenic microorganisms, variation or dead cells; a critical system of the organism to perform immune response and immune function; and consisting primarily of immune organs, immune cells and immune molecules

GLOSSARY OF TECHNICAL TERMS

“lactose (乳糖)”	a disaccharide formed by a condensation of one glucose molecule and a galactose molecule, which mainly exists in the milk of mammals
“microcrystalline cellulose (微晶纖維素)”	a partially de-polymerised cellulose made of the hydrolysed pure cotton fibers, which is widely applied in the pharmaceutical preparations and used as thinner and adhesive in oral tablets and capsules
“milk vetch root extracts (黃芪提取物)”	a water-soluble extract from dried roots of Astragalus (Fabaceae) plants
“national public health nutritionist certificate (公共營養師國家職業資格證)”	a type of professional qualification certificates of the PRC (中華人民共和國職業資格證書) issued by the Ministry of Labor and Social Security of the PRC (中華人民共和國勞動和社會保障部) to the qualified candidates based on their relevant technical grades
“nutritional supplements”	food products designed to complement dietary inadequateness and provide nutrients
“oligo proanthocyanidine (原花青素)”	a type of polyphenolic compound with flavone monomer and its polymers; a polymer combined with catechin or epigallocatechin, which has a strong antioxidant effect on free radicals
“omega-3”	a double bond molecular constituent between the third carbon atom and the fourth carbon atom at the farthest end of the methyl from carboxyl in the molecular structure of fatty acid
“perilla oil (紫蘇油)”	a fat extracted from plants of perilla, which contains approximately 60% of α -Linolenic acid
“polysaccharide (多糖)”	a carbohydrate substance with complicated and large molecular structure, which is polymerized with more than 10 dehydrated monosaccharide molecules and can form in a linear chain or a long chain with branches
“shelf life”	the length of time for which food can be stored under recommended conditions to remain safe with satisfactory sensory, physical, chemical and microbiological properties and maintain any nutritional value as stated in the labels

GLOSSARY OF TECHNICAL TERMS

“soft gelatin capsules”	a formulation which is made by compressing or dropping a certain amount of evenly blended herb extracts and/or other supplementary materials into a sealed spherical or elliptical or otherwise shaped soft gelatin capsules
“squalene (角鯊烯)”	a kind of open-chain triterpene compound, one of the biosynthesis intermediate of cholesterol, and the biosynthesis precursor of all steroids
“tablets”	a formulation in round or irregular-shaped slices which is made by tableting the evenly blended herb extracts, herb powders and/or other supplementary materials
“vitamin E”	a kind of fat-soluble vitamin, and one of the primary antioxidant agents for human body, which is also known as tocopherol

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are not historical facts, but relate to our plans, intentions, beliefs, expectations and predictions for the future. By their nature, these forward-looking statements are subject to risks and uncertainties.

These forward-looking statements in this prospectus include, without limitation, statements relating to:

- our ability to successfully implement our business strategies, plans, objectives and goals;
- future development, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- the effects of competition in our industry and their potential impact on our business;
- our financial condition and performance;
- our expansion and capital expenditure plans;
- our dividend policy;
- the competition in the market in which we operate;
- general domestic and global economic conditions, including those related specifically to China;
- changes in the regulatory policies of the PRC government and other relevant government authorities relating to the industries discussed herein and their potential impact on our business;
- changes in political, economic, legal and social conditions in the PRC, including specifically, the PRC government's policies with respect to economic growth, inflation and foreign exchange;
- fluctuations in exchange rates and interest rates;
- certain statements in the sections headed "Business" and "Financial Information" in this prospectus with respect to trends in prices, volumes, operations, margins and overall market trends; and
- other statements in this prospectus that are not historical facts.

In addition, statements regarding our future financial position, strategies, projected costs and the plans and the objectives of our management for future operations are forward-looking statements. In some cases, we use words such as "aim", "continue", "predict", "propose", "believe", "seek", "intend", "anticipate", "estimate", "project", "forecast", "target", "plan", "potential", "will", "would", "may", "could", "should" and "expect", and the negatives of these words and other similar expressions, to identify forward-looking statements.

These forward-looking statements reflect our current views on future events but are not assurance of future performance, and will be affected by certain risks, uncertainties and assumptions, including the risk factors mentioned in this prospectus. The possible occurrence of one or more relevant risk factors or uncertainties, or the potential inaccuracy of the relevant assumptions, may cause actual results, performance or effects or industry results to differ materially from any future results, performance or presentation indicated expressly or implicitly in the forward-looking statements.

FORWARD-LOOKING STATEMENTS

These forward-looking statements are based on current plans and estimates, and speak only as of the date they are made. We undertake no obligation to publicly update or revise any forward-looking statements contained in this prospectus, whether as a result of new information, future events or otherwise, except as required by law and the Listing Rules. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus may not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to these cautionary statements.

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You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of our H Shares could decline owing to any of these risks, and you may lose all or part of your investment. You should pay particular attention to the fact that we are a company incorporated in the PRC and most of our operations are conducted in the PRC and governed by a legal and regulatory environment that may differ significantly from that of other jurisdictions. For more information concerning the PRC and certain related material matters discussed below, see “Regulatory Overview” and “Appendix V – Summary of Principal Laws and Regulations” in this prospectus.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We may be unable to effectively manage our rapid growth, which could materially and adversely affect our business prospects and results of operations.

We have experienced rapid growth and significantly expanded our business in recent years. Our total turnover grew from RMB66.9 million in 2010 to RMB103.2 million in 2011 and further to RMB150.4 million in 2012, representing a CAGR of 49.9% from 2010 to 2012. Our retail network has also grown rapidly in recent years and one of our strategies is to further expand our retail network. Since the beginning of 2010, when we had 13 Zhongsheng retail stores that were mostly located in Jiangsu province and the surrounding area and no Cobayer retail stores, we have expanded to a network of 35 Zhongsheng retail stores and 14 Cobayer retail stores in 25 cities of eight provinces and centrally administered municipalities in China as of June 30, 2013. We intend to continue our expansion in the foreseeable future to pursue existing and potential market opportunities, and plan to increase our total number of Zhongsheng retail stores and Cobayer retail stores to 45 and 72, by the end of 2014, respectively.

Our rapid growth has placed and will continue to place significant demands on our management and our administrative, operational and financial resources. To manage the future growth of our operations, we will be required to improve our operational and financial systems, including our centralized customer service system, procedures and controls, increase effective annual production capacity, and expand, train and manage our growing employee base. Furthermore, we need to maintain and expand our relationships with our customers, suppliers, research institutions, third-party manufacturers and other third parties. In particular, we need to hire and train our sales personnel to manage our growing sales network. Moreover, as we introduce new products or enter new markets, we may face new market, technological and operational risks and challenges with which we are unfamiliar. Our current and planned operations, personnel, systems, internal procedures and controls may not be adequate to support our future growth and expansion. In addition, the success of our growth strategy depends on a number of external factors, such as the growth of the nutritional supplements markets and the demand for imported nutritional supplements in China, the level of

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competition we face and the evolving consumer behavior and preference. If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities, execute our business strategies or respond to competitive pressures. Failure to manage our expansion effectively may materially and adversely affect our business prospects and results of operations.

There can be no assurance that we will be able to maintain or increase our historical levels of profitability.

We experienced high levels of profitability historically. Our gross profit margin, representing our gross profit divided by turnover, was 79.7%, 80.6%, 86.5% and 86.9% for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively. Our net profit margin, representing our net profit divided by turnover, was 23.6%, 33.7%, 38.1% and 34.5% for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively. Our future profitability depends on a number of factors, including whether we will continue to charge a price premium for our nutritional supplements and whether our target consumers will continue to have positive perceptions of our brands and products. In particular, we intend to use approximately RMB72.0 million to construct a new production line to manufacture products in the forms of soft gelatin capsules, canned powder and miniature bottled drinks, which may result in a significant increase in our cost of sales upon completion of the new production line. If we are unable to generate additional turnover to set off such increase in our cost of sales, our overall gross profit margin and gross profit margin of Zhongsheng series products may decrease. For the estimated increase in our cost of sales as a result of our construction of new production line, see “Summary – Our Business – Our Production”. In addition, we recorded a relatively low utilization rate for our existing production facilities historically. If we are not able to generate sufficient turnover from our existing production facilities, we may have to recognize write-off in respect of such production facilities, which may adversely impact our profitability. Investors should be aware that there can be no assurance that we will be able to increase or maintain our historical profitability.

Any constraints on our production capacity would be detrimental to our business development and our production capacity expansion plan may not be successful.

As we manufacture a majority of our Zhongsheng series products in our own production facilities in Nanjing, Jiangsu province, our ability to supply products is partly limited by the capacity of our production facilities and workforce. We intend to further expand our existing production capacity by adding one production line in our current production base in Nanjing, Jiangsu province, for manufacturing of products in the forms of soft gelatin capsules, canned powder and miniature bottled drinks, which we currently lack capacity to manufacture, with a designed annual capacity of 800,000 units, 650,000 units and 2.0 million units, respectively. We also intend to build a research and development and testing center and an information and logistics control center in our production base in Nanjing, Jiangsu province. The entire expansion plan is expected to be completed by the end of 2015. We expect to incur a minimum of RMB100.0 million for our expansion plan, which will be funded by the proceeds from the

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Global Offering and cash generated from our operations. Our Directors anticipate that our addition of new production facilities will result in an increase in depreciation cost of approximately RMB4.7 million on an annual basis, upon completion by the end of 2015, assuming a 10-year useful life of the new production line and a 20-year useful life of the associated production facilities. Although we intend to make efforts to achieve gross profit margins comparable to our historical level, we cannot assure you that our gross profit margin will not experience any decrease following completion of our new product facilities by the end of 2015.

In addition, we cannot assure you that our production capacity expansion plan will be executed by us in a timely manner or at a reasonable cost, or that we will have access to a sufficient number of skilled employees to operate and maintain our new production facilities. The time required to complete the production facilities may be impacted by inability to obtain or delays in obtaining necessary regulatory approvals, technical difficulties, human or other resource constraints or capital investment and funding constraints. We are also vulnerable to manufacturing interruptions caused by natural disasters or other unforeseen events. If we are unable to increase our production capacity effectively, in a timely manner or at all, our results of operations and growth prospects could be adversely affected.

Furthermore, we require significant capital to build, maintain and operate our new production facilities. As a substantial portion of our capital expenditure must be incurred in advance of any additional sales generated by our new production facilities, securing adequate funding will be essential to our expansion plans. There can be no assurance that such funding for upgrading or expanding our production facilities will be available to us. Moreover, the expansion of our production capacity may exceed our cost estimates and we may not reach full utilization of these facilities as envisioned which would increase our proportionate fixed costs. If we are unable to obtain funding in a timely manner, our growth, competitive position and future profitability could be materially and adversely affected.

The turnover derived from our individual products varies from period to period and the average selling prices of our major products fluctuated during the Track Record Period.

The turnover derived from our individual products varies from period to period, depending on a number of factors including the market demand for an individual product and our sales efforts devoted to it during a given period. During the Track Record Period, turnover derived from our certain major products decreased. For example, the turnover derived from our Coenzyme Q₁₀ Tablets/Capsules decreased from RMB16.5 million for the six months ended June 30, 2012 to RMB15.0 million for the same period in 2013, and the turnover derived from our Linolenic Acid Soft Capsules significantly decreased from RMB12.6 million for the six months ended June 30, 2012 to RMB2.0 million for the same period in 2013. For the breakdown of our turnover, see “Financial Information – Description of Principal Consolidated Statements of Comprehensive Income Items”. The decreased turnover derived from one or more major products may cause our total turnover to decrease and adversely affect our gross profit margin.

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In addition, the average selling prices per unit of our major products fluctuated during the Track Record Period, which was primarily attributable to the change in the proportion of sales of products with different servings per unit, if the relevant products are offered with different servings, and the level of price discounts we offered to our customers driven principally by our sales efforts, customer feedback and market demand for individual products. We cannot assure you that we will be able to maintain a stable average selling price for a particular product in the future. For details of the underlying reasons of the fluctuations in the average selling prices of our major products, see “Financial Information – Factors Affecting Our Results of Operations and Financial Condition – Product Mix”.

Our turnover has been, and may continue to be, significantly dependent on sales in certain geographic markets.

For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, 74.8%, 67.7%, 61.3% and 55.9% of our total turnover was derived from sales in our largest market, Jiangsu province. During the same periods, turnover derived from sales in our three largest geographic markets, namely Jiangsu, Guangdong and Zhejiang provinces, accounted for 93.1%, 90.8%, 91.6% and 88.6% of our total turnover, respectively. Although we have been entering into other markets in recent years and intend to further expand our retail network in the future, we may continue to derive a significant portion of our total turnover from certain geographic markets. Our sales and profitability in relation to these geographic markets could be negatively affected by a number of factors, including general economic conditions and demand for our products, adverse publicity relating to our products in these markets, local competition, or restrictions on the marketing or sales of our products in these markets due to local regulatory rules or decisions. Any significant decline in our sales or profitability from these geographic markets, due to the above factors or otherwise, could materially adversely affect our results of operations.

The success of our business depends significantly on our ability to maintain and enhance our brand awareness and customer loyalty.

We believe that brand image plays an important role in influencing consumers' decisions in purchasing our products. Our best-selling brands Zhongsheng and Cobayer are critical to the success of our business. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, we derived 70.1%, 87.8%, 94.5% and 82.9% of our turnover from sales of products under these two brands, respectively. Maintaining and enhancing our brand recognition and reputation depends primarily on the perceived effectiveness and quality of our products as well as the level of customer satisfaction and loyalty. We have devoted significant resources to maintain and improve customer satisfaction to gain customer loyalty in recent years and have launched two customer loyalty programs for customers of our Zhongsheng retail stores and Cobayer retail stores, respectively. We also intend to use a significant portion of the proceeds from the Global Offering to launch more media advertisements and engage celebrity spokespersons to increase our brand recognition and improve brand image in the next few years. However, our marketing and promotion efforts may not be successful or necessarily increase our overall sales or net income. In addition, our brand image may be harmed by

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negative publicity, regardless of its veracity, relating to our Company or our products, and the loyalty of our customers, including that of members of our two customer loyalty programs, may be harmed if we cannot maintain a high level of customer satisfaction. If we fail to successfully market or promote our brands or our brands are tarnished, demand for our current and future products may be materially adversely affected.

Unfavorable publicity or consumer perception of our products, the ingredients they contain and any similar products distributed by other companies could cause fluctuations in our operating results and could have a material adverse effect on our reputation, the demand for our products and our ability to generate revenues.

We are highly dependent upon consumer perception of the safety and quality of our products and the ingredients they contain, as well as similar products distributed by other companies. Consumer perception of products and the ingredients they contain can be significantly influenced by scientific research or findings, national media attention and other publicity about product use. A product may be received favorably, resulting in increasing sales associated with that product which may not be sustainable as consumer preferences change. Future scientific research or publicity may not be consistent with earlier favorable research or publicity and could be unfavorable to our industry or any of our particular products or the ingredients they contain. A future research report or publicity that is perceived by our consumers as less favorable or that questions earlier research or publicity could have a material adverse effect on our ability to generate revenues. As such, period-to-period comparisons of our results should not be relied upon as a measure of our future performance. Adverse publicity in the form of published scientific research or otherwise, whether or not accurate, that associates consumption of our products or the ingredients they contain or any other similar products distributed by other companies with illness or other adverse effects, that questions the benefits of our or similar products, or that claims that such products are ineffective, could have a material adverse effect on our reputation, the demand for our products and our ability to generate revenues.

Our failure to appropriately respond to changing consumer preferences and introduce new products could significantly harm our customer relationships and product sales.

The continued success of our business is particularly subject to changing consumer trends and preferences and our ability to anticipate and respond to these changes. If we are not able to respond in a timely or commercially appropriate manner to these changes, our customer relationships and product sales could be harmed significantly. Furthermore, the nutritional supplements industry is characterized by rapid and frequent changes in demand for new products. Our failure to accurately predict these trends by introducing new products could negatively impact consumer opinion of our Company. This could harm our customer relationships and cause losses to our market share. The success of our new product offerings depends upon a number of factors, including our ability to accurately anticipate customer needs, innovate and develop new products, successfully commercialize new products in a timely manner, price our products competitively, manufacture and deliver our products in sufficient volumes and in a timely manner, and differentiate our product offerings from those of our competitors.

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If we do not introduce new products or make enhancements to meet the changing needs of our customers in a timely manner, some of our products could become obsolete, which could have a material adverse effect on our operating results.

We source a significant portion of our products from third-party manufacturers.

As of the Latest Practicable Date, substantially all of our Cobayer series products were imported from Australia and one dairy product was imported from New Zealand. We intend to continue to import our Cobayer series products from third-party manufacturers in Australia and New Zealand. As such, adverse changes to the environmental, climatic, economic, political and social conditions in Australia and New Zealand may have an adverse effect on our ability to obtain sufficient supplies of nutritional supplement products on a timely basis and/or at reasonable prices, which may consequently have a material adverse effect on our business, financial condition and results of operations. In August 2013, certain dairy products imported from New Zealand to China by certain other companies were reportedly found contaminated with bacteria that can cause botulism, which may adversely affect the consumer perception of Australian and New Zealand nutritional supplements in general and raise negative image and perception about our Cobayer series products, in particular, dairy products offered by us. In addition, if the PRC government takes actions to discourage, restrict or prohibit the import of any Australian or New Zealand nutritional supplements that we sell, the sales of our Cobayer series products may be negatively affected. As such, we may face difficulties to execute our business strategies and our sales of Cobayer series products may be interrupted, which may materially adversely affect our reputation and profitability.

In addition, we currently also rely on third-party manufacturers in China to manufacture certain other products in the form of soft gelatin capsules and miniature bottled drinks. We typically entered into agreements with the manufacturers in China with terms ranging from one year to three years and did not enter into annual agreements with the manufacturers in Australia or New Zealand. As such, there can be no assurance that our third-party manufacturers will not be entitled to or will not terminate these agreements. If any of these manufacturers are unable or unwilling to continue to manufacture these products for us at reasonable prices, or at all, we may be unable to locate alternative third-party manufacturers on a timely basis, or at all, and our business, financial condition, results of operations and prospects may be materially and adversely affected.

Furthermore, although we take steps to monitor the production process of these third-party manufacturers and to test the products manufactured by them, there can be no assurance that they will continue to maintain the quality of our products effectively, including but not limited to food safety related issues. Any problems with the products manufactured by our manufacturers could, among other things, result in liability to us and negatively affect our brand's image.

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If we cannot open new self-managed retail stores on schedule and profitably, our planned future growth will be impeded, which would adversely affect sales and profitability.

Our growth is dependent on both increases in sales in existing retail stores and the ability to open profitable new retail stores. Increases in sales in existing stores are dependent on factors such as competition and store operations. Our ability to timely open new stores and to expand into additional market areas depends in part on the following factors: the availability of attractive store locations; the ability to negotiate acceptable lease or concessionaire terms; the ability to identify customer demand in different geographic areas; the hiring, training and retention of competent sales personnel; the effective management of inventory to meet the needs of new and existing stores on a timely basis; general economic conditions; and the availability of sufficient funds for expansion. Many of these factors are beyond our control. Delays or failures in opening new stores, or achieving lower than expected sales in new stores, could materially adversely affect our growth and profitability. In addition, we may not anticipate all of the challenges imposed by the expansion of our operations and, as a result, may not meet our targets for opening new stores or expanding profitably. For example, we closed a Zhongsheng retail store in the form of department store concession counter in Suzhou, Jiangsu province in September 2013, primarily due to this store's inability to meet our sales target.

Furthermore, some of our new stores may be located in areas where we have little or no meaningful experience or brand recognition. Those markets may have different competitive conditions, market conditions, consumer preferences and discretionary spending patterns than our existing markets, which may cause our new stores to be less successful than stores in our existing markets.

We may not be able to renew our business licenses and permits on a timely basis or at all.

Our business operation involves a number of licenses and permits, including business licenses, health food manufacturing permits, food circulation permits, CFDA approvals for our health food products and CFDA advertising approvals for health food products. Most of these licenses, permits and approvals are effective for a fixed term and we are required to renew their respective terms before expiration. The success of such renewal is subject to a number of factors, such as the timing of our submission of renewal applications to the competent authorities, and the regulatory requirements and government policy at both the national and local level which may be changed from time to time. If we are not able to renew our licenses, permits or approvals on a timely basis or at all, we may be required to suspend our operation of certain business or sales and marketing of certain products that may be affected, which may have a material adverse impact on our business operations and financial condition.

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We operate in a highly competitive industry with no significant entry barriers. Our failure to compete effectively could adversely affect our market share, turnover and growth prospects.

The overall nutritional supplements market in China is competitive and rapidly evolving, and as there are no significant entry barriers for small enterprises, we expect competition in this market to persist and intensify. We face competition from other manufacturers and distributors of nutritional supplements, including multinational companies as well as domestic manufacturers and distributors of products with similar nutritional benefits that can be used as substitutes for our products.

Our competitiveness depends on a number of factors, including market awareness of our best-selling brands, namely, Zhongsheng and Cobayer, the effectiveness of our marketing activities, the quality of our products and customer service, and the breadth and depth of our sales network. Certain of our existing and potential competitors may have greater financial, technical, manufacturing and other resources than we do. Such competitors may also have greater brand name recognition, more established distribution networks, or more extensive knowledge of our target consumers and target markets. As a result, our competitors may be able to devote greater resources to the research, development, promotion and sale of their products or respond more quickly to the evolving industry standards, changes in customer preference and market conditions than we can.

In addition, the relatively low entry barriers in the nutritional supplements industry may lead to a number of impacts, including the saturation with many small enterprises, and negative consumer perception of our products as a result of similar products with adverse publicity offered by those small enterprises. It is also possible that there will be consolidation or alliances among our competitors and as a result, our market share may be affected. In addition, in order to increase sales, some competitors may also actively engage in activities, whether legal or illegal, designed to undermine our brands or to influence consumer confidence in our products.

If we are unable to maintain our competitive position or otherwise respond to competitive pressure effectively, the sales of our products may decrease, we may lose market share and our operating results may be adversely affected. Intense competition may also lead to pricing pressure on our products, which could adversely affect our turnover and profitability.

We may fail to secure space for our self-managed retail stores on commercially reasonable terms.

We enter into concessionaire and lease agreements to obtain retail space for the operation of our self-managed retail stores. The concession fees (excluding administrative fees and other miscellaneous fees) and rental expense associated with our retail business amounted to RMB1.1 million, RMB1.4 million, RMB3.9 million and RMB3.0 million for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively.

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We cannot assure you that we will be able to maintain suitable retail space to our satisfaction for our existing retail stores with concession fees or lease terms that are acceptable to us, or at all. Some of our concessionaire agreements with shopping malls require us to meet certain performance targets. As such, if we are not able to meet certain performance targets, our ability to renew our concessionaire agreements with shopping malls may be adversely affected. In addition, a majority of our concessionaire agreements with shopping malls for Cobayer retail stores will expire by December 31, 2014 or December 31, 2015. Substantially all of our lease agreements for Zhongsheng retail stores will expire by December 31, 2014. Though the market rental rates in the PRC during the Track Record Period were relatively stable, and the increase in our concession fees and rental expenses during the Track Record Period was mainly due to the increase in the numbers of our retail stores, we cannot assure you that we will be able to renew our existing concessionaire or lease agreements upon expiration or on terms and conditions that are acceptable to us. In addition, some of our concessionaire agreements for Cobayer retail stores require us to meet certain minimum monthly turnover targets and our failure to meet such requirements may result in re-negotiation of the location available to us under the concessionaire agreements or termination of the concessionaire agreements. If any of our existing concessionaire or lease agreements cannot be renewed or are terminated, we will have to find alternative premises that may not be located in areas that offer similar business environments. In addition, failure to renew our retail space will provide an opportunity for competitors to move into such retail spaces previously occupied by us. Accordingly, failure to secure retail space for our self-managed retail stores on terms that are acceptable to us may lead to decreases in our turnover and increases in our cost of operations.

The health food products industry is heavily regulated in China, and any failure to comply with, and changes in, the regulatory requirements or any regulatory actions against us or our products could adversely affect our business prospects and results of operations.

The health food products industry in China is subject to extensive government regulation and supervision. The regulatory framework addresses every aspect of operation in the nutritional supplements industry in China, including CFDA issued health food product approvals and registration, product processing, formulation, manufacturing, packaging, labeling, distribution and sale, product advertising and maintenance of manufacturing facilities. For details of the summary of the relevant regulations, see “Regulatory Overview” and “Appendix V – Summary of Principal Laws and Regulations” in this prospectus.

Any failure to comply with these complex regulatory requirements could adversely affect our business prospects and results of operations. In addition, the regulatory framework regarding the nutritional supplements industry in China is quickly evolving. Additional or more stringent regulations on the nutritional supplements industry has been and may continue to be adopted from time to time in China. For example, CFDA issued a Notice on Carrying on A Special Campaign Against Four Illegal Activities Regarding Health Food Products (國家食品藥品監督管理總局關於印發打擊保健食品“四非”專項行動工作方案的通知) on May 13, 2013 and launched a nationwide campaign to eliminate illegal production, illegal operation, illegal ingredients and illegal advertising in respect of health food products in China. Complying with new standards or requirements may be time-consuming and expensive and could result in

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delays in obtaining CFDA approvals for our product candidates, or possibly preclude us from launching new products on schedule, with a reasonable cost or at all. As a result, we may not be able to recover our upfront research and development, manufacturing, testing and other costs, and our business may fail to grow as quickly as we anticipate.

Historically some of our product advertisements have been declared not being in full compliance with applicable regulations.

PRC advertising laws and regulations require advertising content to be fair and accurate, not misleading and in full compliance with applicable laws. Contents of advertisements relating to our health food products must be filed with the provincial agency of CFDA, or other competent authorities, and the required permits and approvals from the provincial agency of CFDA or other competent authorities must be obtained before their publication or broadcasting. Violation of these laws or regulations may result in penalties, including fines and orders to cease dissemination of the advertisements, and in severe circumstances, orders to publish an advertisement correcting the misleading information, revocation of the advertisement approval associated with the relevant product and even criminal liabilities. According to our PRC legal advisor, Yongheng Partners, the competent authorities to impose these penalties are SAIC and its local agencies. In addition, the provincial agency of CFDA may also issue a safety warning to the public and publish the names of the violators.

Between 2006 and 2011, Jiangsu provincial agency of CFDA posted public notices on its website stating that advertisements of our certain products were not in full compliance with applicable regulations. The non-compliance instances stated in the public notices include (i) improperly claiming, overstating or guaranteeing the effect of our Coenzyme Q₁₀ Capsules and Keda Propolis Yangshengbao Capsules which may mislead consumers; (ii) failure to disclose the advertisement approval of our Coenzyme Q₁₀ Capsules; (iii) posting of advertisements of our Coenzyme Q₁₀ Tablets and Keda Propolis Yangshengbao Capsules without obtaining prior CFDA advertisement approval; (iv) amending the approved advertisements of Keda Propolis Yangshengbao Capsules without obtaining prior CFDA approval; and (v) improperly claiming, overstating or guaranteeing the effect of, and using the name or image of government authorities, research institutions, experts, doctors or patients in the advertisements of, Zhongke Ganoderma Spore Capsules (中科牌靈芝孢子膠囊), a third-party product sold by us before early 2006. Our PRC legal advisor, Yongheng Partners, is of the view that we or any of our Directors would not be subject to penalties for these historical non-compliance instances. In addition, our Directors believe that we did not publish non-compliant advertisements of Coenzyme Q₁₀ Tablets and Zhongke Ganoderma Spore Capsules. For details, see “Business – Legal and Compliance”.

Our non-compliance instances were primarily due to our lack of a comprehensive system to review, monitor and manage the advertisement activities of our subsidiaries. To ensure our future advertisements are in full compliance with applicable regulations, we have adopted a number of internal control measures. Notwithstanding these measures, we cannot assure you that there will not be any future occurrence of our non-compliance with applicable advertising laws and regulations. If we are found in violations of such laws and regulations in the future, we may face similar or more serious penalties including increased amounts of fines, discontinuance of our marketing and advertising activities and discontinuance of our sales

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activities in certain designated markets. As a result, we may not be able to broadcast new advertisements in a timely manner, and our turnover and reputation could be materially affected. Moreover, government actions and civil claims may be brought against us for misleading or inaccurate advertisements. We may have to spend significant resources in defending against such actions, and these actions may damage our reputation, result in reduced turnover and negatively affect our results of operation.

For further details of our historical non-compliance instances, see “Business – Legal and Compliance” in this prospectus.

Any unexpected or undesirable side effects or injury caused by our products to consumers could result in costly product recalls or product liability claims, which in turn could lead to severe reputational damage, monetary losses or lawsuits.

As a manufacturer and retailer of products designed for human consumption, we are subject to product liability claims or product recalls if the use of our products is alleged to have resulted in side effects or injury. Our products contain a number of ingredients, some or the combination of which may cause side effects or injuries that are unknown to us. Likewise, some of the raw materials we use in our production may contain harmful chemicals or substances of which we are not aware and may cause undesirable side effects or injuries to our consumers. During the Track Record Period and up to the Latest Practicable Date, we had not experienced product recall for any of our products sold in our retail stores or by our distributors. In 2010, one particular batch of our Essence of Kangaroo Capsules, which was one of the first Cobayer series products launched by us, did not pass the quality test of CIQ because its lead content exceeded the permitted amount in China and was returned to the third-party manufacturer in Australia before our receiving and selling such batch of products. For details of this incident and rectification actions taken by us, see “Business – Production, Quality Control and Supplies – Production of Cobayer Series Products – Control of product safety and quality”. Other than this batch of products in 2010, all of the other products we imported from overseas during the Track Record Period and up to the Latest Practicable Date have passed the quality test of CIQ.

However, there can be no assurance that there will not be quality issues or undesirable side effects with our products in the future. If our products cause any serious side effect or injury, or if our products are perceived to cause such side effect or injury, our products may have to be recalled from the market. In addition, as of the Latest Practicable Date, we only had product liability insurance for two of our best-selling products, namely Coenzyme Q₁₀ Tablets and Coenzyme Q₁₀ Capsules, with an aggregate coverage of RMB1.0 million for a one-year insurance period, which may not be sufficient to cover large product liability claim, if any. We did not maintain product liability insurance for any other products. A product recall or large product liability claim, even if unfounded, could therefore result in substantial and unexpected expenditures, which would reduce our operating profit and cash flow, and may require significant management attention. Furthermore, a product recall or large product liability claim may hurt the value of our brands, our reputation and demand for our products and may also lead to increased scrutiny of our operations by regulatory agencies.

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We may not be able to successfully identify investment and acquisition targets or complete acquisitions or integrate the acquired businesses as expected.

One of our business strategies is to identify investment and acquisition opportunities to further grow our business. Our potential target opportunities may include those related to the expansion of retail network, improvement of research and development capabilities and vertical integration of supply chain, manufacturing process and other aspects of our business operations. Acquisitions in general involve numerous risks and uncertainties, including but not limited to:

- the suitability of the acquisition targets or our ability to complete acquisitions on acceptable terms;
- the availability, terms and costs of any financing required to make an acquisition;
- delays in securing or inability to secure necessary governmental approval and third-party consents;
- potential negative effects on our liquidity position;
- the diversion of resources and management attention from our existing business;
- potential ongoing financial obligations and unforeseen or hidden liabilities of our acquisition targets;
- the costs of and difficulties in integrating acquired businesses, managing enlarged business operations and operating in new markets, regulatory environments and geographic regions;
- our failure to deliver the expected synergies, to achieve the intended objectives or benefits, or to generate sufficient turnover to recover the costs and expenses of an acquisition; and
- dilution of our earnings per Share or decrease in our margins due to the lower profitability of an acquired business.

Our failure to address these risks successfully may have a material adverse effect on our business, financial condition, results of operations and growth prospects.

Our business could be harmed by a failure of our information systems.

We maintain a computerized information system that integrates the functions of stock replenishment, inventory distribution and sales and also have a centralized customer service database with information about our existing and potential customers. These systems are significantly important to the success of our business. In particular, we rely on our customer service database to manage our customer base and provide personalized customer services and health solutions to our customers. Our information systems are developed by third-party software development companies and are vulnerable to damage or interruption from fire, flood, earthquakes, power loss, server failure, back-up failure, telecommunications and internet service failure, computer viruses and denial-of-service attacks, physical or electronic breaches, human error and similar events. Any of these events could lead to system interruptions, processing and order fulfillment delays and loss of critical data for us, our suppliers or our internet service providers, and could prevent us from processing customer purchases. During

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the Track Record Period and up to the Latest Practicable Date, we did not encounter any material system failure. However, any significant interruption in the availability or functionality of our website or our customer processing or communications systems, for any reason, could seriously harm our business, financial condition and operating results. In addition, because we are dependent on third-party service providers for the implementation and maintenance of certain aspects of our systems and operations and because some of the causes of system interruptions may be out of our control, we may not be able to remedy such interruptions in a timely manner, if at all.

An increase in the price and shortage of supply of raw materials and packaging materials could adversely affect our business.

Our products are composed of certain raw materials such as nutraceuticals, herb extracts, vitamins and mineral products as well as packaging materials. We are vulnerable to increases in the prices of these raw materials and packaging materials, which are determined principally by market forces and our bargaining power vis-a-vis our suppliers. The increase in the prices of raw materials and packaging materials in Australia and New Zealand may also result in a significant increase in our purchase price when we source finished products from our third-party manufacturers in Australia and New Zealand. If the prices of these raw materials and packaging materials were to increase significantly, we may not be able to offset all price increases by raising the prices of our products. Moreover, we may lose competitive advantage if the prices of our products increase significantly. If the prices of raw materials and packaging materials increase in the future and we cannot pass on such increases to our customers, we may not be able to maintain our current gross profit margins and our business, financial condition and results of operations may be materially and adversely affected.

We may also experience a shortage in the supply of certain raw materials or packaging materials, which could materially and adversely affect our production and results of operations. We do not have guaranteed or long-term supply contracts with any of our raw material or packaging material suppliers, and some of our suppliers may, without notice or penalty, terminate their relationship with us at any time. If any supplier is unwilling or unable to provide us with high quality raw materials or packaging materials in required quantities and at acceptable prices, we may be unable to find alternative sources or at commercially acceptable prices, on satisfactory terms, in a timely manner, or at all. In addition, some of our raw materials are procured from certain PRC trading companies which import these raw materials from overseas, and may be subject to various PRC governmental permit requirements, approval procedures and import duties, as well as export controls and other legal restrictions that may be imposed by foreign countries.

Our turnover is subject to our concessionaire agreements with shopping malls containing revenue sharing terms.

All of our Cobayer retail stores are concessions in shopping malls and a majority of the concessionaire agreements we have entered into with the shopping malls contain revenue sharing terms, pursuant to which the concession fees are typically calculated as a percentage ranging from approximately 18% to approximately 25% of our monthly turnover, or the higher

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of the basic monthly fee ranging from approximately RMB8,000 to approximately RMB54,000 and a percentage of our monthly turnover ranging from 16% to 27%, depending on the bargaining position of the relevant shopping malls. To the extent that we are unable to obtain favorable terms when renewing the concessionaire agreements with the shopping malls, our net profit from the sales of our Cobayer retail stores may decrease and our results of operations may be adversely affected. In addition, when we negotiate with target shopping malls to open new Cobayer retail stores, we may not be able to secure revenue sharing arrangements on acceptable terms or at all. Furthermore, the shopping malls typically first collect the payment from our retail customers and we settle our payment with the shopping malls within a pre-agreed period, which ranges from 15 to 60 days. If the shopping malls do not pay us our turnover in a timely manner or at all, our results of operations and financial condition may be materially and adversely affected.

We have historically experienced seasonality, which we expect to continue. This could cause operating results to fluctuate.

Our results of operations are affected by seasonal fluctuations in demand for nutritional supplements. We experience higher sales during major holidays in China, such as the Labor Day Holidays in May, the Mid-Autumn Festival and the National Day Holidays in September and October and Christmas and the New Year at the year end. As a result, our sales in the fourth quarter are typically higher than any other quarter in a year. As such, we believe that comparisons of our operating results and net profit over any interim periods may not be meaningful.

We may need additional capital and any failure by us to raise additional capital on terms favorable to us, or at all, could limit our ability to grow our business.

We believe that our current cash and cash equivalents, cash flow from operations and the proceeds from the Global Offering should be sufficient to meet our anticipated capital needs for the foreseeable future. We may, however, need to sell additional equity or debt securities or obtain a credit facility if our expenditures exceed our current expectations. The sale of additional equity securities could result in dilution to our Shareholders. The incurrence of indebtedness would result in increased debt service obligations and could require us to agree to operating and financing covenants that would restrict our operations. Financing may not be available in amounts or on terms acceptable to us, if at all. Any failure by us to raise additional funds on terms favorable to us, or at all, could limit our ability to grow our business and develop or enhance our product offerings to respond to market demand or competitive challenges.

Our success and business operations are largely dependent on certain key personnel and our ability to attract and retain talented personnel.

Our future success depends heavily on the continued services of our senior executives, technical personnel and other key employees. In particular, we rely on the expertise, experience and leadership of Mr. Gui, our Chairman, who plays a vital role in our operation. Mr. Gui has over 14 years of experience in the consumer product industry, and his expertise in business

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strategies, product development, business operations, sales and marketing, regulatory compliance and relationships with our suppliers and third-party manufacturers are crucial to us. We do not maintain key man insurance for any of our key personnel. If one or more of our senior executives or other key employees are unable or unwilling to continue in their present positions, we may not be able to replace them promptly or at all, which may severely disrupt our business and affect our results of operations and future prospects. Moreover, we may not be able to attract or retain highly skilled employees or key personnel. The competition for qualified personnel in China may also drive up our labor costs, which would in turn increase our costs of operations and affect our profitability. In such circumstances, our business, financial condition and results of operations may be materially and adversely affected.

Fluctuations in the labor costs could adversely affect our business and financial performance.

Our ability to expand our retail network and offer new products must be supported by skillful workforce. In particular, as part of our expansion of retail network on a nationwide basis, we need to hire additional sales staff and customer service representatives with the requisite skill to continuously provide services to our customers. In addition, with rising costs of living and wages in China, we may also need to review and adjust compensation packages of our employees on an annual basis. As a result, we may experience increases in labor costs in the future, which have been increasing over the recent years. Our labor costs increased from RMB1.0 million in 2011 to RMB1.5 million in 2012, and from RMB0.6 million for the six months ended June 30, 2012 to RMB1.0 million for the same period in 2013. If we fail to pass any or all of the increased costs on to our customers, our profitability will be adversely affected. See “Financial Information – Description of Principal Consolidated Statements of Comprehensive Income Items – Cost of Sales” for more information.

Any failure to protect our intellectual property rights could undermine our competitive position, and litigation to protect our intellectual property rights may be costly and ineffective.

Our “Zhongsheng” brand is a “Nanjing Famous Trademark” (南京市知名商標). We consider our trade secrets, trademarks, trade names, copyrights and other intellectual property important to our business. Our intellectual properties may be used or infringed by third parties. Preventing intellectual property infringement, particularly in China, is difficult, costly and time consuming and continued unauthorized use of our intellectual properties by unrelated third parties may damage our reputation and brand. The measures we take to protect our trade secrets, trademarks, trade names, copyrights and other intellectual property rights may not be adequate to prevent unauthorized use by third parties. If we are unable to adequately protect our intellectual property rights, we may lose these rights, our brand name may be harmed, and our competitive position and business may suffer.

We may be exposed to intellectual property infringement claims by third parties, which could disrupt our business and cause us to incur substantial legal costs, or damage our reputation.

Although we are not aware of any third-party intellectual property rights that our products currently infringe, we cannot assure you that our products will not infringe any intellectual property rights held by third parties. We may receive claims of infringement of third parties’

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proprietary rights or claims for indemnification resulting from infringement arising from our products. Also, we may be unaware of intellectual property registrations or applications relating to our products or business operations that may give rise to potential infringement claims against us. There may also be technologies licensed to and relied on by us that are subject to infringement or other corresponding allegations or claims by third parties. We are subject to additional risks as a result of our recent and future acquisitions and the hiring of our current and new employees, especially those that were previously employed by our competitors, who may misappropriate intellectual property from their former employers.

Parties making infringement claims may be able to obtain an injunction to prevent us from delivering our products or using technology or formulae involving the allegedly infringing intellectual property. Intellectual property litigation is expensive and time-consuming and could divert management's attention from our business. A successful infringement claim against us could, among others things, require us to pay substantial damages, develop non-infringing technology, enter into royalty or license agreements that may not be available on acceptable terms, if at all, or cease manufacturing, selling or using products that have infringed a third party's intellectual property rights. Any intellectual property claim or litigation, whether we ultimately win or lose, could damage our reputation and have a material adverse effect on our business, results of operations or financial condition.

Our legal right to lease certain properties could be challenged by property owners or other third parties.

As of Latest Practicable Date, we rented 44 properties in the PRC and one property in Australia, with an aggregate floor area of approximately 3,986.4 square meters, for our retail stores, offices and warehouses. With respect to these leased properties, lessors for ten out of our 44 leases in the PRC did not provide building ownership certificates or other documents as of the Latest Practicable Date evidencing that the relevant lessors have requisite titles or rights to lease the properties to us. As of the Latest Practicable Date, the floor area of such properties was approximately 859.6 square meters, representing approximately 21.6% of the aggregate floor area of the properties leased by our Group. If such lessors are not the ultimate owners of the leased properties, no consents or permits were obtained from the ultimate owners, or there are any third parties who otherwise have rights to or interests in such properties, the validity of the leases will be adversely affected. In any such case, we may terminate the lease, but locating a new lease may disrupt our operations. Any challenge to our legal rights to the leased properties, if successful, could affect our business operations in such properties. We could also be subject to the risk of potential disputes with property owners or third parties who otherwise have rights to or interests in such properties. In addition, nine out of our 44 leases in the PRC have not been registered with the relevant local government authority, as required under PRC laws. Although we have been advised by our PRC legal advisor, Yongheng Partners, that, as a general principle, lack of registration of a lease agreement does not affect the validity of rights existing under such lease agreements, both our lessors and our Company may be subject to potential monetary fines imposed by relevant government authorities.

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Our business operations may be materially and adversely affected by present or future environmental regulations or enforcement and we deal with potentially hazardous materials that may cause environmental contamination or injury to others.

We are subject to PRC laws, rules and regulations concerning the discharge of waste water and solid waste during our manufacturing processes. In addition, we are required to obtain clearances and authorizations from government authorities for the treatment and disposal of such discharge. We cannot assure you that we will be able to comply fully at all times with applicable environmental regulations. Any violation of these regulations may result in substantial fines, criminal sanctions, revocations of operating permits, shutdown of our facilities and obligations to take corrective measures. Furthermore, the cost of complying with current and future environmental protection laws, rules and regulations and the liabilities which may potentially arise from the discharge of effluent water and solid waste could decrease our profit by increasing our costs.

Moreover, the PRC government may take steps towards the adoption of more stringent environmental regulations. Due to the possibility of unanticipated regulatory or other developments, the amount and timing of future environmental expenditures may vary substantially from those currently anticipated. If there is any change in the environmental regulations, we may need to incur substantial capital expenditures to install, replace, upgrade or supplement our pollution control equipment, take additional protective and other measures against potential contamination or injury caused by hazardous materials, or make operational changes to limit any adverse impact or potential adverse impact on the environment. If these costs become significantly more expensive, we may be forced to cease certain of our manufacturing operations. In addition, environmental liability insurance is not commonly available in the PRC. Consequently, any significant environmental liability claims, if successfully brought against us, could have a material adverse effect on our business, financial condition and results of operations.

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

Our business exposes us to potential product liability risks that are inherent in the manufacturing and marketing of nutritional supplements. We currently only carry product liability insurance for two of our best-selling products Coenzyme Q₁₀ Tablets and Coenzyme Q₁₀ Capsules with an aggregate coverage of RMB1.0 million for a one-year insurance period, as well as a vehicle insurance coverage on commercial vehicles we own. Our insurance coverage may not be sufficient to cover liabilities resulting from product liability claims. A successful product liability claim or series of claims could have a material adverse impact on our business, financial condition and results of operations. In addition, there are certain types of losses, such as those arising from war, acts of terrorism, earthquakes, typhoons, flooding and other natural disasters, for which we cannot obtain insurance at a reasonable cost or at all. Should an accident, natural disaster or terrorist act occur, or should an uninsured loss occur, we could suffer from financial losses as well as damage to our reputation, or lose all or a portion of our production capacity, which could materially and adversely affect our business, financial condition and results of operations.

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The uncertainty of the PRC economic conditions could have a material adverse impact on our financial condition and results of operations.

The economic growth of major emerging economies such as the PRC has also slowed down. According to the National Bureau of Statistics of China, the GDP growth in the PRC has slowed down in most recent years. Uncertainties in the PRC and global economies could have adverse impact on, among others, consumer spending, consumer confidence, the level of customer traffic within shopping malls and other shopping environments. Consumer product purchases, including purchases of our products, may decline during recessionary periods. A prolonged downturn or an uncertain outlook in the economy may materially adversely affect our business, financial condition and results of operations.

RISKS RELATING TO DOING BUSINESS IN THE PRC

Changes in the economic, political and social conditions in the PRC and policies adopted by the PRC government could materially and adversely affect our business.

Substantially all of our assets are located in China, and during the Track Record Period, we derived substantially all of our turnover from our operations in China. As a result, our financial condition and results of operations are to a large extent influenced by the economic, political and social conditions and development and the government policies of the PRC. Although the PRC's economy has been transitioning from a planned economy to a more market-oriented economy for more than three decades, the PRC government still exercises significant control over the economic growth of the PRC through allocating resources, controlling foreign exchange, setting monetary policy and providing preferential treatments to particular industries or companies. In recent years, the PRC government has implemented economic reform measures emphasizing the use of market forces to drive economic development. These economic reform measures may be adjusted, modified or applied inconsistently from industry to industry, or across different regions of the country. As a result, some of these measures may benefit the overall PRC economy, but some of them may have a negative effect on the industry or markets in which we operate. The PRC has been one of the world's fastest growing economies as measured by GDP in recent years. However, there can be no assurance that the PRC economy will be able to sustain such a growth rate, and the PRC GDP growth has experienced a slowdown in recent years. In 2008, the PRC economy experienced a slowdown in growth primarily as a result of the global financial crisis and economic downturn. To stimulate the growth of the PRC economy, the PRC government implemented various monetary and other economic measures to expand investment in infrastructure, increase liquidity in the credit markets and create more employment opportunities. However, there is no assurance that another financial crisis and economic downturn will not occur. Substantially all of our turnover during the Track Record Period was attributable to sales made within the PRC. As such, our future success is substantially dependent on economic, political and social conditions in the PRC. Any adverse changes in the PRC's political and social conditions and any slowdown or recession of the PRC's economy could have a material and adverse effect on our business, financial condition, results of operations and prospects.

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We face foreign exchange risk, and fluctuations in exchange rates could have a material and adverse effect on our business and investors' investment.

We are exposed to foreign currency risk primarily for our purchases in Australian dollars and New Zealand dollars from third-party manufacturers in Australia and New Zealand. As substantially all of our sales are denominated in Renminbi, the appreciation or depreciation of Renminbi against Australian dollars and New Zealand dollars may have a significant impact on our profitability. For example, a depreciation of Renminbi could increase our costs of purchasing products from Australia and New Zealand, as such depreciation would require us to convert more Renminbi to obtain the equivalent foreign currency necessary to tender payment. In particular, our foreign currency risk may continue to increase in the future, taking into consideration our retail network expansion plan to open additional Cobayer retail stores from 2014 to 2016, which is expected to be supported by increased purchases from third-party manufacturers in Australia and New Zealand. We have not used any derivative contracts to hedge against our exposure to foreign currency risk.

The value of Renminbi against foreign currencies, including Australian dollars and New Zealand dollars, fluctuates and is affected by, among other things, changes in PRC and international political and economic conditions and the PRC government's fiscal, monetary and currency policies. Since 1994, the conversion of Renminbi into foreign currencies has been based on rates set by the PBOC, which are set daily based on the previous business day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. From 1994 to July 10, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. On July 21, 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated band that is based on market supply and demand and reference to a basket of currencies. The PRC government has since made, and in the future may make, further adjustments to the exchange rate system.

There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which, together with domestic policy considerations, could result in a further and more significant appreciation of Renminbi against the U.S. dollar, the Hong Kong dollar or other foreign currencies. As we will need to convert part of the proceeds denominated in Hong Kong dollars from the Global Offering into Renminbi, the appreciation of Renminbi against the Hong Kong dollar could reduce the amount of Renminbi that would be available for our use upon conversion of such proceeds to Renminbi. We cannot predict how Renminbi will fluctuate in the future. As a result, the fluctuation in the exchange rate between Renminbi and other currencies could have a material and adverse effect on our business, financial condition and results of operations.

The PRC government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our H Shares.

Currently, Renminbi still cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange laws and regulations which would affect exchange rates and our foreign exchange transactions. It cannot

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be guaranteed that under a certain exchange rate, we will have sufficient foreign currencies to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require prior approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. As a result, following completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. Our foreign exchange transactions under the capital account, however, must be approved in advance by the SAFE.

There can be no assurance that the policies regarding foreign exchange transactions under the current account and the capital account will continue in the future. In addition, these foreign exchange policies may restrict our ability to obtain sufficient foreign exchange, which could have an effect on our foreign exchange transactions and the fulfillment of our other foreign exchange requirements. If there are changes in the policies regarding the payment of dividends in foreign currencies to shareholders or other changes in foreign exchange policies resulting in insufficient foreign exchange, our payment of dividends in foreign currencies may be affected. If we fail to obtain approval from the SAFE to convert Renminbi into any foreign exchange for foreign exchange transactions, our capital expenditure plans, and even our business, financial condition and results of operations, may be adversely affected.

Payment of dividends is subject to restrictions under PRC law.

Under PRC law, dividends may be paid only out of distributable profits. Distributable profits are our net profit as determined under PRC GAAP or HKFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profits to enable us to make dividend distributions to our Shareholders, including periods in which we are profitable. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

Moreover, because the calculation of distributable profit under PRC GAAP is different from the calculation under HKFRS in certain respects, our operating subsidiaries may not have distributable profit as determined under PRC GAAP, even if they have profit for that year as determined under HKFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our operating subsidiaries to pay us dividends could negatively impact our cash flow and our ability to make dividend distributions to our Shareholders, including periods in which we are profitable.

Foreign individual holders of our H Shares are subject to PRC income tax and there are uncertainties as to the PRC tax obligations of foreign enterprises that are holders of our H Shares.

Under current PRC tax laws, regulations and rules, foreign individuals and foreign enterprises that are not PRC residents are subject to different tax obligations with respect to the dividends paid by us or the gains realized upon the sale or other disposition of H shares.

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Foreign individuals who are not PRC residents are required to pay PRC individual income tax at 20% rate under the PRC Individual Income Tax Law (中華人民共和國個人所得稅法). Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdictions in which the foreign individuals reside reduce or provide an exemption for the relevant tax obligations. Generally, a convenient tax rate of 10% shall apply to the dividends paid by a company listed in Hong Kong to foreign individuals without application according to the treaties. When a tax rate of 10% is not applicable, the withholding company shall: (i) return the excessive tax amount pursuant to due procedures if the applicable tax rate is lower than 10%; (ii) withhold such foreign individual income tax at the applicable tax rate if the applicable tax rate is between 10% and 20%; and (iii) withhold such foreign individual income tax at a rate of 20% if no relevant taxation treaty is applicable.

For foreign enterprises that do not have offices or establishments in the PRC, or have offices or establishments in the PRC but to which their income is not related, under the EIT Law and its implementation rules, dividends paid by us and the gains realized by such foreign enterprises upon the sale or other disposition of H shares are ordinarily subject to PRC enterprise income tax at a rate of 10%, subject to a further reduction under a special arrangement or applicable treaty between the PRC and the jurisdiction of the relevant foreign enterprise's residence. In accordance with the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Nonresident Enterprises (Guo Shui Han [2008] No. 897) (關於中國居民企業向境外H股非居民企業股東派發股息代繳企業所得稅有關問題的通知國稅函[2008]897號) which became effective from November 6, 2008, 10% withholding tax shall be imposed on dividends paid by Chinese resident enterprises to holders of H shares that are overseas non-resident enterprises. These holders of H shares may apply for tax refunds in accordance with applicable tax treaties or arrangements, if any. In addition, the PRC tax laws, rules and regulations may also change from time to time. If the tax rates stipulated in the EIT Law and the related implementation rules are amended, the value of your investment in our H Shares could be materially and adversely affected.

In addition, it is also unclear whether and how the PRC individual income tax and enterprise income tax on gains realized by non-resident holders of H shares through the sale, or transfer by other means, of H shares will be collected by the PRC tax authorities in the future, although such tax has not been collected by the PRC tax authorities in practice. Considering these uncertainties, non-resident holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and gains realized through sale or transfers of the H Shares. For additional information, see “Appendix IV – Taxation and Foreign Exchange” in this prospectus.

The PRC legal system is still evolving and there are inherent uncertainties as to interpretation and implementation of laws, which could limit the legal protection available to us and to our Shareholders.

Our Company and most of our subsidiaries are incorporated in the PRC, and most of our business is operated in the PRC as well. These entities and operations must therefore comply with the laws of the PRC. The PRC legal system is based on written statutes and various

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administrative regulations and policy decrees. Prior court decisions or rulings may be cited for reference in courts and administrative proceedings but have limited precedential value. Since the 1970s, the PRC government has been committed to developing and refining its legal system and has achieved significant progress in its laws and regulations governing economic matters such as shareholders' rights, foreign investment, company organization and management, business, tax and trade. However, PRC laws and regulations are still evolving, and because of the limited number and non-binding nature of published cases, there exist uncertainties about their interpretation and implementation. Depending on the government agency or how an application or case is presented to such agency, we may receive less favorable interpretations of laws and regulations than our competitors, or we may receive interpretations that are inconsistent with our interpretations. These uncertainties may impede our ability to enforce the contracts we have entered into with our clients, suppliers and other business partners. We cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, the pre-emption of local regulations by national laws, or the overturn of local government decisions.

These uncertainties may limit legal protections available to us. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention and have a material adverse effect on our business, prospects, financial condition and results of operations.

It may be difficult to effect service of process upon, or to enforce any judgments obtained outside the PRC against, us, our Directors, Supervisors, or our senior management members who live in the PRC.

Substantially all of our existing Directors, Supervisors and senior management members reside in the PRC and substantially all of our assets and the assets of such persons are located in the PRC. Accordingly, it may be difficult for investors to effect service of process from outside PRC upon us or those persons in the PRC. In addition, the enforcement of foreign judgments in the PRC involves uncertainty. If there exists a treaty between an overseas jurisdiction and the PRC or a similar judgment made by a PRC court has been recognized before such foreign judgment, the judgment made in the jurisdiction might be recognized and enforced in the PRC. However, recognition and enforcement in the PRC of judgments of certain overseas courts in relation to any matter not subject to a binding jurisdiction provision may be difficult or impossible.

Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases in the PRC may have a material adverse effect on our business operation, financial condition and results of operations.

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics, including but not limited to those caused by avian influenza or swine influenza, may restrict business activities in the areas affected and materially and adversely affect our business and results of operations. For example, in 2009 and 2013, there were reports of the occurrence

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of two types of avian influenza in certain regions of the world, including the PRC, where we operate our business. Moreover, the PRC has experienced natural disasters like earthquakes, floods and droughts in the past few years. Any future occurrence of several natural disasters in the PRC may materially and adversely affect its economy and therefore our business. We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics, or the measures taken by the PRC government or other countries in response to such disasters and epidemics, will not seriously disrupt our operations, which may have a material and adverse effect on our business and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our H Shares. The trading volume and market price of our H Shares following the Global Offering may be volatile.

Prior to the Global Offering, there was no public market for our H Shares. The initial offer price range to the public for our H Shares was the result of negotiations between us and the Sole Global Coordinator on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. We have applied to list and deal in our H Shares on the Hong Kong Stock Exchange. However, the Global Offering does not guarantee that an active liquid public trading market for our H Shares will develop. In addition, the price and trading volumes of our H Shares may be volatile. Factors such as variations in our turnover, earnings and cash flows or any other developments of our Company may affect the volume and price at which our H Shares will be traded.

Future sales, or market perception of sales, of substantial amounts of our H Shares in the public market, including any future offerings, could have a material adverse effect on the market price of our H Shares and make it difficult for you to recover the full value of your investment.

The market price of our H Shares could decline as a result of future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new H Shares or other securities relating to our H Shares, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amount of our H Shares could materially and adversely affect the market prices of our H Shares and may also materially and adversely affect our ability to raise capital in the future. In addition, our Shareholders would experience dilution in their holdings upon our issuance or sale of additional securities in future offerings.

There can be no assurance if and when we will pay dividends in the future.

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distribution of dividends shall be formulated by our Board of Directors at its discretion and will be subject to our Shareholders' approval. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including but not limited to our results of operations, cash flows and financial condition, operating and capital

RISK FACTORS

expenditure requirements, distributable profits as determined under PRC GAAP or HKFRS (whichever is lower), our Articles of Association, the PRC Company Law and any other applicable PRC law and regulations, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, regulatory restrictions and any other factors determined by our Board of Directors from time to time to be relevant to the declaration or suspension of dividend payments. As a result, although we have paid dividends in the past, there can be no assurance whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. See “Financial Information – Dividend Policy” in this prospectus for more details of our dividend policy.

You will experience immediate dilution and may experience further dilution if we issue additional Shares.

Potential investors will pay a price per H Share that substantially exceeds the per H Share value of our Company’s tangible assets after subtracting our Company’s total liabilities and will therefore experience immediate dilution when purchasing the H Shares offered in the Global Offering. As a result, if our Company were to distribute its net tangible assets to our Shareholders immediately following the Global Offering, potential investors would receive less than the amount they paid for their H Shares. In addition, if we issue additional H Shares or equity-linked securities at a price lower than the net tangible asset value per H Share at the time of issuance, you and other purchasers of our H Shares may experience further dilution in the net tangible asset value per H Share.

The industry statistics and forward-looking information contained in this prospectus may not be accurate, reliable or fair.

Statistical and other information relating to the PRC and our industry contained in the section headed “Industry Overview” in this prospectus have been compiled partly from various publicly available PRC official government publications as well as an industry report we commissioned from SMERI, an independent research institute. We believe that the sources of such information are appropriate for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot guarantee the quality of such sourced materials. Moreover, statistics derived from multiple sources may not be prepared on a comparable basis. The information has not been independently verified by us, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters or any other party involved in the Global Offering, and no representation is given as to its accuracy. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such official government facts, forecasts or statistics.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Global Offering, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE

Rules 8.12 and 19A.15 of the Listing Rules require that a new applicant applying for a primary listing on the Hong Kong Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Our principal business operations are currently based and conducted in the PRC, and that our executive Directors play very important roles in our Company's business operations, it is in our best interests for them to be based in or near the places where our Group has significant operations. As such, we do not and, for the foreseeable future, will not have a sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rules 8.12 and 19A.15 of the Listing Rules subject to the following conditions:

- (a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules who will act as our principal communication channel with the Hong Kong Stock Exchange and will ensure that they comply with the Listing Rules at all times. The two authorized representatives appointed are Mr. Gui and Ms. Kam Mei Ha Wendy, who are one of our executive Directors, and one of our joint company secretaries respectively. The alternate to Mr. Gui is Ms. Zhang Yuan, one of our executive Directors, and the alternate to Ms. Kam Mei Ha Wendy is Ms. Zhi Hui, the other joint company secretary of our Company. Each of our authorized representatives (including the alternate authorized representatives) has confirmed that they will be available to meet with the Hong Kong Stock Exchange in Hong Kong within a reasonable period of time frame upon request of the Hong Kong Stock Exchange, if required. They will be readily contactable by telephone, facsimile or e-mail and are authorized to communicate on our behalf with the Hong Kong Stock Exchange;
- (b) both authorized representatives (including the alternate authorized representatives) have means to contact all our Directors (including non-executive Directors and independent non-executive Directors) promptly at all times as and when the Hong Kong Stock Exchange wishes to contact the members of our Board for any matters. To enhance communication between the Hong Kong Stock Exchange, our authorized representatives (including the alternate authorized representatives) and our Directors, we have implemented a policy whereby (i) each Director has provided his/her office phone number, mobile phone number, facsimile number and email address to the authorized representatives (including the alternate authorized representatives); and in the event that a Director expects to travel and be out of office, he/she will have to provide the phone number of the place of his/her

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

accommodation or other means of communication to the authorized representatives (including the alternate authorized representatives); and (ii) each Director has provided their mobile phone number, office phone number, facsimile number and email address to the Hong Kong Stock Exchange;

- (c) we have, in compliance with Rule 3A.19 of the Listing Rules, retained a compliance advisor, who will have access at all times to our Company's authorized representatives (including the alternate authorized representatives), Directors and other officers. The compliance advisor will advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after Listing and, where the authorized representatives and the alternate authorized representatives of our Company are unavailable, act as an additional channel of communication between our Company and the Hong Kong Stock Exchange at least for the period commencing from the Listing Date and ending on the date that our Company publishes its first full financial year results pursuant to Rule 13.46 of the Listing Rules;
- (d) meetings between the Hong Kong Stock Exchange and our Directors could be arranged through the authorized representatives, the alternate authorized representatives or our compliance advisor, or directly with our Directors within a reasonable time frame. We will inform the Hong Kong Stock Exchange promptly in respect of any change in our authorized representatives, the alternate authorized representatives and our compliance advisor;
- (e) all Directors who are not ordinarily resident in Hong Kong have confirmed that they possess valid travel documents to visit Hong Kong and will be able to meet the relevant members of the Hong Kong Stock Exchange within a reasonable period when required; and
- (f) furthermore, our Company shall also appoint other professional advisors (including legal advisors) after Listing to assist our Company in dealing with any questions which may be raised by the Hong Kong Stock Exchange and to ensure that there will be an efficient channel of communication with the Hong Kong Stock Exchange.

COMPANY SECRETARY

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint as our company secretary an individual who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of company secretary. The Hong Kong Stock Exchange considers (i) a Member of The Hong Kong Institute of Chartered Secretaries; (ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and (iii) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)) to be acceptable academic or professional qualifications. In assessing "relevant experience", the Hong Kong Stock Exchange will consider the individual's (i) length of

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

employment with the issuer and other issuers and the roles he played; (ii) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance, and the Takeovers Code; (iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and (iv) professional qualifications in other jurisdictions.

We have appointed Ms. Zhi Hui as one of our joint company secretaries. Ms. Zhi is experienced in the health food and nutritional supplements industry and has a thorough understanding of the operation of our Board and our Company. However, Ms. Zhi does not possess any of the qualifications as stipulated in Rule 3.28 of the Listing Rules and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, we have appointed Ms. Kam Mei Ha Wendy, who meets the requirements under Rules 3.28 and 8.17 of the Listing Rules to act as another joint company secretary and to provide assistance to Ms. Zhi for an initial period of three years commencing from the Listing Date so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Ms. Kam will work closely with Ms. Zhi to jointly discharge the duties and responsibilities as company secretary and assist Ms. Zhi to acquire the relevant experience as required under Rule 3.28 of the Listing Rules. In addition, Ms. Zhi will endeavour to attend relevant training and familiarise herself with the Listing Rules and duties required for a company secretary of a PRC issuer listed on the Hong Kong Stock Exchange, including briefing on the latest changes to the applicable Hong Kong laws and regulations and the Listing Rules organized by our Company's Hong Kong legal advisors on an invitation basis and seminars organized by the Hong Kong Stock Exchange for PRC issuers from time to time.

Ms. Kam, who will familiarize herself with the affairs of our Company, will communicate regularly with Ms. Zhi on matters relating to corporate governance, the Listing Rules as well as other laws and regulations which are relevant to our Company and its other affairs. Ms. Kam will work closely with, and provide assistance to, Ms. Zhi in the discharge of her duties as company secretary. Ms. Zhi will also be assisted by the compliance advisor and the Hong Kong legal advisors of our Company, particularly in relation to Hong Kong corporate governance practices and regulatory compliance, on matters concerning our Company's ongoing compliance obligations under the Listing Rules and the applicable laws and regulations.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver under and in respect of Rules 3.28 and 8.17 of the Listing Rules. The waiver is valid for an initial period of three years commencing from the Listing Date and will be revoked immediately if Ms. Kam ceases to provide assistance to Ms. Zhi as our joint company secretary during the three years after the Listing Date. Upon the expiry of the initial three-year period, the qualifications of Ms. Zhi will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied. In the event that Ms. Zhi has obtained relevant experience under Rules 3.28 and 8.17 of the Listing Rules at the end of the said initial three-year period, the above joint company secretaries arrangement would no longer be necessary.

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS**Executive Directors**

Name	Residential address	Nationality
Mr. Gui Pinghu (桂平湖)	Building No. 42 69 Muxu Garden Street Baixia District Nanjing, Jiangsu Province PRC	Chinese
Ms. Zhang Yuan (張源)	Room 703, Building No. 2 23 West Bridge Gulou District Nanjing, Jiangsu Province PRC	Chinese
Ms. Xu Li (徐麗)	Room 202, Building No. 13 49 Tuo Yuan Jianye District Nanjing, Jiangsu Province PRC	Chinese
Ms. Zhu Feifei (朱飛飛)	Room 601, Unit 2 Building No. 7, Jixiang Villa Qixia District Nanjing, Jiangsu Province PRC	Chinese

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Non-executive Director

Name	Residential address	Nationality
Mr. Xu Chuntao (許春濤)	Room 101, No. 28, Lane No. 220 An Shun Street Changning District Shanghai PRC	Chinese

Independent non-executive Directors

Name	Residential address	Nationality
Mr. Jiang Fuxin (蔣伏心)	Room 1205, Building No. 1 51 Gaoloumen Xuanwu District Nanjing, Jiangsu Province PRC	Chinese
Ms. Feng Qing (馮晴)	Apt 13-603, No. 19 Er Mei Ling Gulou District Nanjing, Jiangsu Province PRC	Chinese
Mr. Vincent Cheng (鄭嘉福) (formerly known as Cheng Ka Fuk Vincent (鄭嘉福)) <i>FCPA (Australia), FCPA (HK), FCIS, FTI (HK)</i>	Flat F, 32/F, Block 1 Kam Fung Garden Tsuen Wan, New Territories Hong Kong	Australian

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

SUPERVISORS

Name	Residential address	Nationality
Ms. Yu Min (余敏)	Room 302, Unit 1, Building No. 12 Fangyuan Chengshi Lvzhou No. 438 Heyan Road, Zhongyang Menwai, Qixia District Nanjing, Jiangsu Province PRC	Chinese
Mr. Tao Xingrong (陶興榮)	Room 601 No. 8 Lane 99 Shuiquan Road Putuo District Shanghai PRC	Chinese
Ms. Wu Xuemei (吳雪梅)	Room 702, No. 32 Lao Caishi Gulou District Nanjing, Jiangsu Province PRC	Chinese
Ms. Lu Jiachun (陸佳純)	501, 15 Back Street Shenjuren Lane Gulou District Nanjing, Jiangsu Province PRC	Chinese
Ms. Chen Xiu (陳秀)	102 Jinshan Road Dongping Town, Lishui County Nanjing, Jiangsu Province PRC	Chinese

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

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

BOCOM International Securities Limited
9th Floor, Man Yee Building
68 Des Voeux Road Central
Hong Kong

Sole Sponsor

BOCOM International (Asia) Limited
9th Floor, Man Yee Building
68 Des Voeux Road Central
Hong Kong

Legal advisors to our Company

as to Hong Kong law:

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Hong Kong

as to PRC law:

Yongheng Partners
13th Floor, Changfa Science & Technology
Building
222 Zhujiang Road
Nanjing, Jiangsu Province
PRC

as to Australian law:

Longton Legal
Suite 903, Level 9
370 Pitt Street, Sydney NSW 2000
Australia

as to New Zealand law:

Bell Gully
Vero Centre
48 Shortland Street
Auckland
New Zealand

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal advisors to the Sole Sponsor and the Underwriters

as to Hong Kong law:
Morrison & Foerster
33/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

as to PRC law:
Jingtian & Gongcheng
34/F, Tower 3, China Central Place
77 Jianguo Road
Chaoyang District
Beijing
PRC

Auditors and reporting accountants

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Property valuer

BMI Appraisals Limited
33rd Floor, Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Receiving bank

Bank of Communications Co., Ltd.
Hong Kong Branch
No. 20 Pedder Street
Central
Hong Kong

Further information in relation to our Directors and Supervisors is set out in the section headed "Directors, Supervisors, Senior Management and Employees" in this prospectus.

CORPORATE INFORMATION

Registered office and Headquarters	30/F, Deji Building 188 Chang Jiang Road Xuanwu District Nanjing, Jiangsu Province PRC
Principal place of business in Hong Kong	40th Floor, Jardine House 1 Connaught Place Hong Kong
Company's website	<u>www.zs-united.com</u> <i>(information contained in this website does not form part of this prospectus)</i>
Joint company secretaries	Ms. Zhi Hui (支卉) 30/F, Deji Building 188 Chang Jiang Road Xuanwu District Nanjing, Jiangsu Province PRC Ms. Kam Mei Ha Wendy (甘美霞) <i>FCS (PE), FCIS</i> Level 54 Hopewell Centre 183 Queen's Road East Hong Kong
Authorized representatives	Mr. Gui Pinghu (桂平湖) Building No. 42 69 Muxu Garden Street Baixia District Nanjing, Jiangsu Province PRC Ms. Kam Mei Ha Wendy (甘美霞) Level 54 Hopewell Centre 183 Queen's Road East Hong Kong
Audit Committee	Mr. Vincent Cheng (鄭嘉福) (<i>Chairman</i>) Mr. Jiang Fuxin (蔣伏心) Ms. Feng Qing (馮晴)

CORPORATE INFORMATION

Remuneration Committee	Ms. Feng Qing (馮晴) (<i>Chairman</i>) Mr. Vincent Cheng (鄭嘉福) Ms. Zhu Feifei (朱飛飛)
Nomination Committee	Mr. Jiang Fuxin (蔣伏心) (<i>Chairman</i>) Ms. Feng Qing (馮晴) Ms. Xu Li (徐麗)
Strategy and Development Committee	Mr. Gui Pinghu (桂平湖) (<i>Chairman</i>) Mr. Vincent Cheng (鄭嘉福) Mr. Jiang Fuxin (蔣伏心)
Compliance advisor	Ping An of China Capital (Hong Kong) Company Limited 28/F, 169 Electric Road North Point Hong Kong
H Share registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal bankers	Shanghai Pudong Development Bank Cheng Dong Branch 482 Zhongshan East Road Nanjing, Jiangsu Province PRC Agricultural Bank of China Ma Qun Branch 2-16 Ma Qun Road Qixia District Nanjing, Jiangsu Province PRC

INDUSTRY OVERVIEW

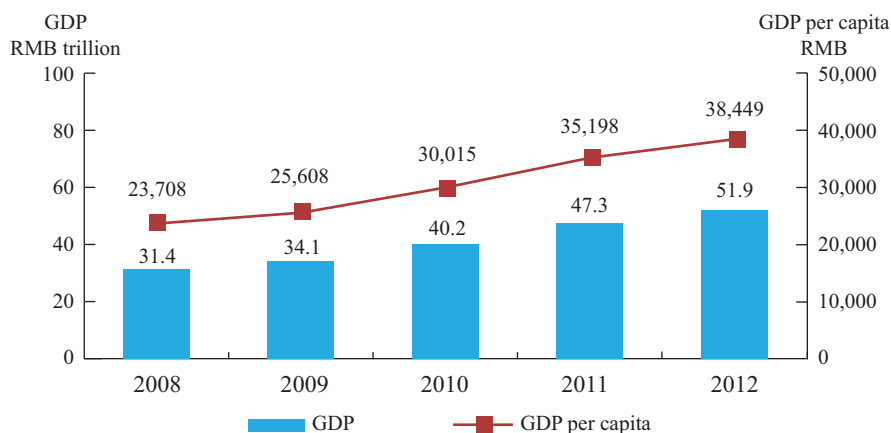
We have extracted and derived the information and statistics in the section below and other sections of this prospectus, in part, from various official government publications. In addition, we commissioned SMERI, which is an independent research institute, to prepare a report (the “SMERI Report”) for the purpose of providing nutritional supplements industry and other information and illustrating our position in our target markets in China. Information from the SMERI Report appears in this section and other sections of this prospectus. We believe that the sources of this information are appropriate sources and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any material fact has been omitted that would render such information false or misleading. We, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, their respective affiliates or advisors, or any other party involved in the Global Offering have not independently verified, and make no representation as to, the accuracy of the information from official government or other third party sources. Such information may not be consistent with other information complied within or outside the PRC.

THE PRC ECONOMY

Strong Growth of China’s Economy

China’s economy has expanded rapidly since the adoption of reform and market liberalization policies by the PRC government beginning in the late 1970s. China’s economy has experienced strong growth over the last three decades and has become one of the largest economies in the world. From 2008 to 2012, according to the National Bureau of Statistics of China, China’s nominal GDP grew from RMB31.4 trillion to RMB51.9 trillion and its nominal GDP per capita grew from RMB23,708 to RMB38,449, representing a CAGR of approximately 13.4% and 12.8%, respectively. The following chart sets out the nominal GDP and the nominal GDP per capita of China between 2008 and 2012.

GDP and GDP per capita



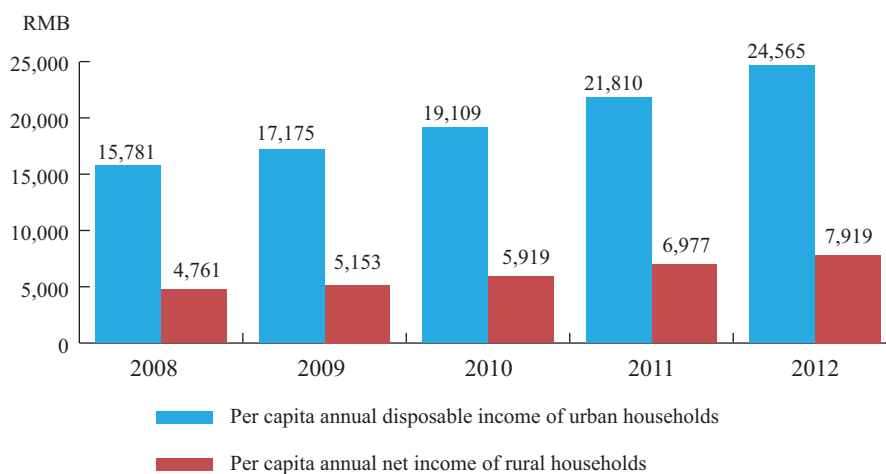
Source: National Bureau of Statistics of China

INDUSTRY OVERVIEW

Growth in Disposable Income in China

Along with China's rapid economic growth, disposable income levels have grown significantly. According to the National Bureau of Statistics of China, per capita annual disposable income of urban households in China increased from RMB15,781 in 2008 to RMB24,565 in 2012, representing a CAGR of 11.7% over this five-year period. During the same period, per capita annual net income of rural households in China increased from RMB4,761 in 2008 to RMB7,919 in 2012, representing a CAGR of 13.6%. The following chart sets forth per capita annual disposable income of urban households and per capita annual net income of rural households in China from 2008 to 2012.

**Per capita annual disposable income of urban households and
per capita annual net income of rural households in China**



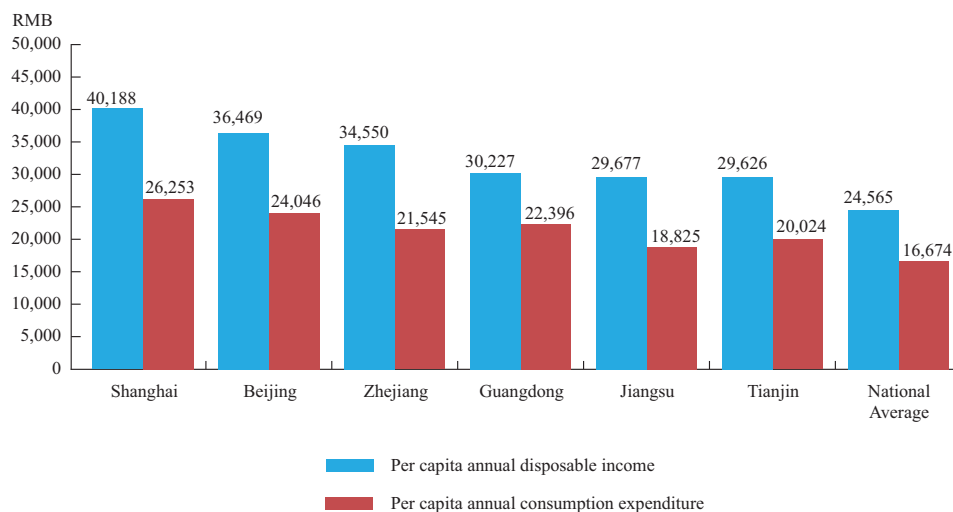
Source: National Bureau of Statistics of China

Geographic Characteristics

Due to the differences in the level of regional economic developments in China, urban households in Shanghai, Beijing, Zhejiang, Guangdong, Jiangsu and Tianjin have enjoyed higher per capita annual disposable income and per capita annual consumption expenditure in recent years. The following chart sets forth the per capita annual disposable income of urban households and per capita annual consumption expenditure of urban households in 2012 in Shanghai, Beijing, Zhejiang, Guangdong, Jiangsu and Tianjin in China.

INDUSTRY OVERVIEW

Per capita annual disposable income of urban households and per capita annual consumption expenditure of urban households by location in 2012

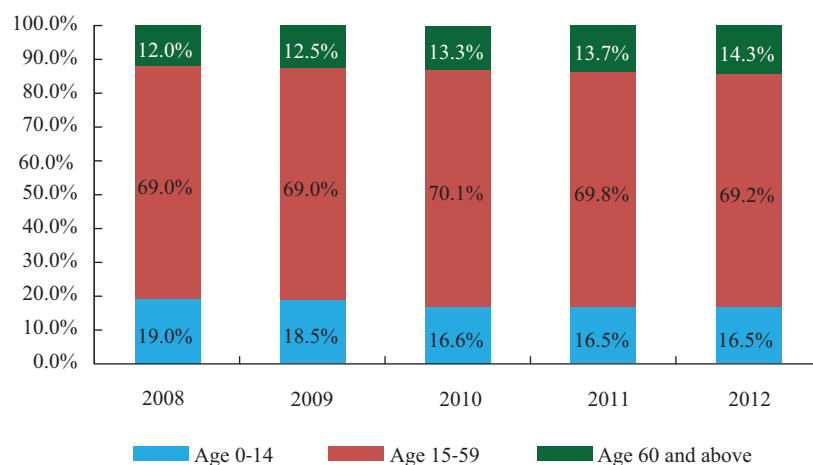


Sources: National Bureau of Statistics of China; 2012 China Health Statistical Yearbook; SMERI Report

Demographic Characteristics

With continuous improvement of living standards and increasing healthcare spending, according to the National Health and Family Planning Commission of China, the average life expectancy of the population in China reached 73.7 years old in 2012. While the overall population of China grew at a very slow rate as a result of the One-Child Policy, the population at age 60 or above have increased over the past years. At the end of 2012, population at age 60 or above accounted for 14.3% of the total population. The following chart sets forth the percentage of population in different age groups to total population in China from 2008 to 2012.

Population in different age groups as a percentage of total population in China



Source: National Bureau of Statistics of China

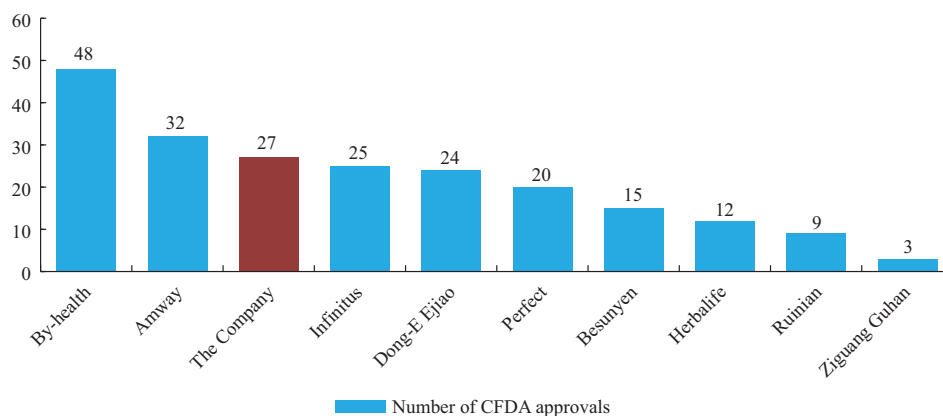
INDUSTRY OVERVIEW

NUTRITIONAL SUPPLEMENTS MARKET IN CHINA

The PRC nutritional supplements market consists of a wide variety of products designed to help enrich and balance nutrient intake and improve bodily functions. Nutritional supplements in China fall into two major categories: health food products, which are required to be approved by CFDA, and nutritional food products, which are regulated as general food products. For a health food product, depending on its functionality and ingredients, the CFDA approval process requires the conduct of human or animal testing of the product, and such process may take up to two years. Upon approval, a “health food product” (“”) mark may be affixed on the product’s packaging to identify it as a CFDA-approved health food product and its health benefits can be publicly advertised. For further details on the CFDA approval process and relevant requirements, see the section headed “Regulatory Overview” in this prospectus.

According to the SMERI Report, as of December 31, 2012, CFDA approved a total of 12,314 health food products. The following chart sets forth the number of CFDA approvals held by selected major market players as of December 31, 2012, including the Company, Guangdong By-Health Biotechnology Co., Ltd. (湯臣倍健股份有限公司) (“By-health”), Amway (China) Co., Ltd. (安利(中國)日用品有限公司) (“Amway”), Infinitus (China) Co., Ltd. (無限極(中國)有限公司) (“Infinitus”), Shandong Dong-E E-jiao Co., Ltd. (山東東阿阿膠股份有限公司) (“Dong-e Ejiao”), Perfect (China) Co., Ltd. (完美(中國)有限公司) (“Perfect”), Besunyen Holdings Co., Ltd (碧生源控股有限公司) (“Besunyen”), Herbalife (China) Health Products Ltd. (康寶萊(中國)保健品有限公司) (“Herbalife”), Real Nutraceutical Group Limited (瑞年國際有限公司) (“Ruinian”) and Unisplendour Guhan Group Corporation Limited (紫光古漢集團股份有限公司) (“Ziguang Guhan”).

Number of CFDA approvals held by selected major market players in China (2012)

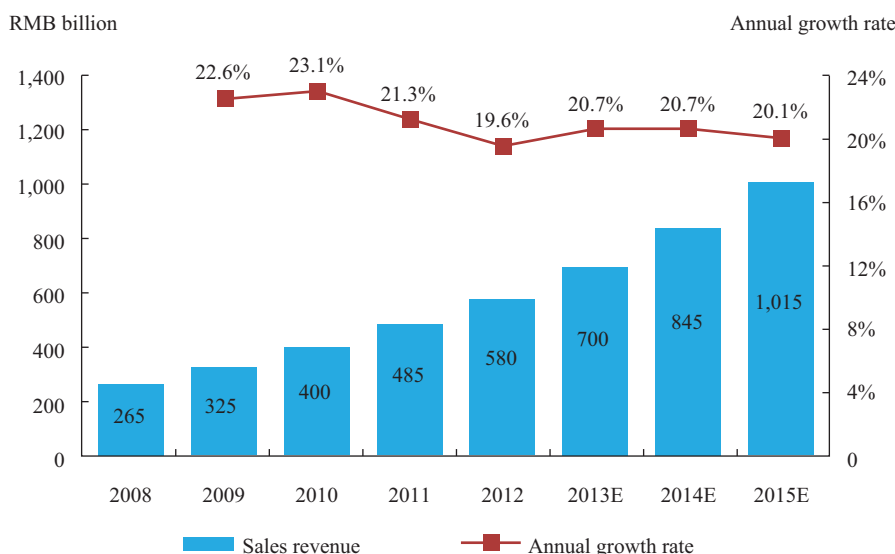


Sources: CFDA; SMERI Report

INDUSTRY OVERVIEW

According to the SMERI Report, nutritional supplement sales in China experienced significant growth, increasing from RMB265 billion in 2008 to RMB580 billion in 2012, representing a CAGR of 21.6% over this five-year period. It is believed that China's total nutritional supplement sales will continue to increase rapidly as a result of a combination of various favorable factors, including increasing disposable income and middle class population, rising health consciousness, rising levels of health problems and an increasingly aging population. According to the SMERI Report, total nutritional supplement sales in China are estimated to grow at a CAGR of 20.5% from 2012 to 2015, and reach RMB1,015 billion in 2015. The following chart illustrates the historical and projected nutritional supplement sales and its annual growth rate in China for the periods indicated.

Nutritional supplement sales and annual growth rate in China



Source: SMERI Report

According to the SMERI Report, although the nutritional supplements market in China has experienced tremendous growth in recent years, China's per capita nutritional supplement expenditures were substantially lower than that of the United States during the same periods. With one-fifth of the world's population and a combination of favorable social and economic factors, China's per capita nutritional supplement expenditures increased at a CAGR of 21.0% from 2008 to 2012 and are estimated by SMERI to continue to experience strong growth in the near future. According to the SMERI Report, China has become the most attractive nutritional supplements market in the world in terms of potentials for future growth.

INDUSTRY OVERVIEW

Sales Channels of Nutritional Supplements in China

The market players in the nutritional supplements industry in China have been selling and marketing their products through various sales channels, including supermarkets and convenience stores, retail pharmacies, direct retailing, specialty stores (including franchises and self-managed retail stores), e-commerce platforms, trade fairs and telemarketing. The following table sets forth the percentages of sales through various channels to the total nutritional supplements sales in China from 2008 to 2012.

Sales channels	2008	2009	2010	2011	2012
Supermarkets, convenience stores and retail pharmacies	81.9%	81.3%	81.0%	81.0%	81.0%
Direct retailing ⁽¹⁾	9.1%	9.2%	9.3%	9.3%	9.5%
Specialty stores ⁽²⁾	1.5%	1.5%	1.5%	1.5%	1.6%
E-commerce platforms	0.6%	0.8%	1.0%	1.2%	1.4%
Others	7.0%	7.2%	7.3%	7.0%	6.6%

Source: SMERI Report

Notes:

- (1) Represents a sales channel where most sales are made directly by manufacturers to end-consumers.
 (2) Includes self-managed and franchised retail stores.

Among the market players that mainly sell their nutritional supplements through specialty stores, the vast majority have been selling and marketing their nutritional supplements through franchises due to the relatively high initial investment for self-managed retail stores. According to the SMERI Report, self-managed retail stores typically are more effective in building and strengthening their brand images and enjoy higher turnover and profit per store. The following table sets forth turnover related information of major market players that mainly sell their nutritional supplements through self-managed retail stores for the periods indicated.

Rank	Company name	Product type	Sales channel	Number of retail stores as of December 31, 2012	Turnover in 2012 (RMB million)	CAGR (turnover growth from 2010 to 2012)	Annual turnover per store in 2012 (RMB million) ⁽¹⁾
1	Shandong Dong-E E-jiao Co., Ltd.	E-jiao products	Self-managed retail stores	104	380	9.0%	3.7
2	Fancl (China) Co., Ltd.	Collagen products	Self-managed retail stores	140	350	32.3%	2.5
3	DHC Co., Ltd.	Collagen products	Self-managed retail stores	590	200	41.4%	0.3
4	Hangzhou Bee Words Bee Industry Co., Ltd.	Honey products	Self-managed retail stores	210	180	22.5%	0.9
5	The Company	Multiple products	Self-managed retail stores	39	150	50.0%	3.9

Source: SMERI Report

Note:

- (1) Turnover per store is calculated using the total turnover for the year of a given company divided by its number of retail stores at the end of the same year.

Competitive Landscape of the Nutritional Supplements Industry in China

The nutritional supplements industry in China is still in its early stage of development, highly fragmented, experiencing fast changes and observing high margin. The government regulation for the overall industry is relatively loose, except that the health food products approved by CFDA are highly regulated in China. As there are no significant entry barriers for small enterprises, the nutritional supplements market is currently saturated with small enterprises with a limited variety of product types, lower product quality, and weak research and development capability. The barriers to entry, however, exist for the market of CFDA-approved health food products as it usually takes two years to apply for CFDA approval for health food products and the upfront costs and time required for establishing strong brand name, consumer recognition and a national distribution network are significant. These barriers to entry cannot be easily overcome within a short period of time. The competition in the nutritional supplements industry is mainly focused on product and service quality, sales channels and product development capability. The entry of global industry leaders such as Amway, GNC Holdings, Inc., and NBTY, Inc. into China has further intensified industry competition as these market players generally possess significant advantages in terms of capital resources, sales and distribution model, and research and development capability.

The nutritional supplements industry is highly fragmented with more than 10,000 market players in 2012. Small enterprises that lack competitive advantages both in sales channels and product research and development capacity will eventually be eliminated from the nutritional supplements market, whereas large enterprises with sufficient resources may be able to further enhance their sales network and product research and development capability through organic growth or acquisitions and therefore strengthen their market leadership positions.

Growth Drivers of the Nutritional Supplements Market in China

Increasing disposable income and middle class population

According to the National Bureau of Statistics of China, per capita annual disposable income of urban households and per capita annual net income of rural households in China have increased significantly over the past years and reached RMB24,565 and RMB7,919, respectively, in 2012. The increase in disposable income is mainly a result of increase in China's nominal GDP and rising wages over the recent years. With the increased purchasing power, consumers are able to spend more on nutritional supplement products. Furthermore, according to the SMERI Report, China had a middle class population of 200 million in 2010 and such middle class population is estimated to increase by an additional 456 million by 2020. This middle class population is and will be one of the major consumer groups of nutritional supplements.

INDUSTRY OVERVIEW

Development of the healthcare industry and rising health consciousness

According to the SMERI Report, when a nation's GDP per capita exceeds US\$3,000, its health related industries will experience rapid growth and development. Since the GDP per capita in China reached US\$4,200 in 2010, a number of health related industries in China have entered into a fast track of growth and development. With the development of the health related industries and improving living standards, consumers in China are becoming more sophisticated and familiar with the concepts of wellness and holistic health, primarily as a result of consumer education programs and campaigns launched by nutritional supplements manufacturers and retailers, medical practitioners and the PRC government. Increased access to health-related information through widespread internet usage in China has also played an important role in enhancing consumers' knowledge and awareness of health and wellness issues. These trends are particularly pronounced in medium and large cities, where average disposable income and living standards are relatively higher and people there are willing to spend more on nutritional supplements in pursuit of healthier lifestyle. Along with the changes in perception of healthy lifestyle will come the changes in spending habit and, as a result, health related products will eventually become necessities rather than discretionary goods.

Rising levels of health problems

China's industrialization, economic growth and urbanization have been accompanied by rising pollution levels, increases in labor intensity and an increasingly fast-paced and stressful lifestyle, which in turn have led to an increasing prevalence of a variety of health problems. According to the SMERI Report, approximately 70% of the population in China experiences reduction in vitality and tolerance against illness without having been diagnosed as suffering a defined disease (a condition generally known as "sub-health"). According to SMERI, many of these people are in first or second tier cities and approximately 75% of young and highly-educated individuals in China are suffering from sub-health condition. This population group under sub-health condition is increasingly drawn to the benefits of nutritional supplements.

An increasingly aging population

According to the National Bureau of Statistics of China, population at age 60 or above in China reached 194 million at the end of 2012, representing approximately 14.3% of the total population of China. It is estimated by SMERI that by the end of 2020, the population at age 60 or above in China will reach 261 million, or 18.0% of the total population. As elderly population is one of the major consumer groups of nutritional supplements, SMERI estimates that the increasingly aging population, combined with the tendency of people becoming more health conscious as they grow older, is expected to generate a growing demand for nutritional supplements in the future.

INDUSTRY OVERVIEW

MARKET OF SELECTED PRODUCTS IN CHINA

Coenzyme Q₁₀

According to the SMERI Report, coenzyme Q₁₀ products are designed to help protect heart, alleviate physical fatigue, maintain blood flow, enhance immune system and provide antioxidant benefit. The coenzyme Q₁₀ market in China grew from RMB30 million in 2010 to RMB63 million in 2012, representing a CAGR of 44.5% from 2010 to 2012 and is estimated to reach RMB153 million in 2015, representing a CAGR of 34.4% from 2012 to 2015.

The following table sets forth the turnover and market share by turnover of the top three providers of coenzyme Q₁₀ products in China for the periods indicated.

Rank	Company name	2010		2011		2012		CAGR (2010 to 2012)
		Turnover	Market share	Turnover	Market share	Turnover	Market share	
(RMB in millions, except percentages)								
1	The Company ⁽¹⁾	18	59.4%	35	67.0%	42	67.1%	52.8%
2	Zhejiang Medicine Co., Ltd. ⁽²⁾	4	13.3%	5	9.7%	6	9.5%	22.5%
3	Luoyang Huayi Biological Engineering Co., Ltd..	4	13.3%	4	8.3%	5	7.6%	11.8%

Source: SMERI Report

Notes:

- (1) The Company's coenzyme Q₁₀ products consist of Coenzyme Q₁₀ Tablets and Coenzyme Q₁₀ Capsules.
- (2) The relevant data represents that of Xinchang Pharmaceutical Factory of Zhejiang Medicine Co., Ltd. only.

Grapeseed Extracts

According to the SMERI Report, the active ingredient of grapeseed extracts is oligo proanthocyanidine, which provides antioxidant benefit. Grapeseed extracts are designed to help protect cardiovascular system, prevent hypertension, and provide anti-tumor, anti-radiation, anti-wrinkle and anti-allergy benefit. The grapeseed extracts market in China grew from RMB303 million in 2010 to RMB444 million in 2012, representing a CAGR of 20.9% from 2010 to 2012 and is estimated by SMERI to reach RMB839 million in 2015, representing a CAGR of 23.6% from 2012 to 2015.

INDUSTRY OVERVIEW

The following table sets forth the turnover and market share by turnover of the major providers of grapeseed extracts in China for the periods indicated.

Rank	Company name	2010		2011		2012		CAGR (2010 to 2012)
		Turnover	Market share	Turnover	Market share	Turnover	Market share	
		(RMB in millions, except percentages)						
1	GNC.	77	25.4%	95	26.7%	120	27.1%	24.8%
2	Beiyida Biological Technology Co., Ltd. . .	65	21.4%	75	21.1%	88	19.8%	16.4%
3	Shanghai Spring Town Bioproducts Co., Ltd. . .	50	16.5%	55	15.5%	60	13.5%	9.5%
4	Beijing LTK Biological Technology Co., Ltd. . .	20	6.6%	23	6.5%	25	5.6%	11.8%
5	The Company ⁽¹⁾	0.3	0.1%	1	0.2%	20	4.5%	1,314.2%

Source: SMERI Report

Note:

(1) The Company's grapeseed product is Grapeseed Capsules.

Perilla Oil Products

According to the SMERI Report, perilla oil products are designed to help protect cardiovascular system and liver, provide anti-tumor, anti-allergy and anti-aging benefit, improve memory and relieve stress. The perilla oil market in China grew from RMB181 million in 2010 to RMB294 million in 2012, representing a CAGR of 27.3% from 2010 to 2012 and is estimated to reach RMB578 million in 2015, representing a CAGR of 25.3% from 2012 to 2015.

The following table sets forth the turnover and market share by turnover of the major providers of perilla oil products in China for the periods indicated.

Rank	Company name	2010		2011		2012		CAGR (2010 to 2012)
		Turnover	Market share	Turnover	Market share	Turnover	Market share	
		(RMB in millions, except percentages)						
1	Shanghai Tianlong Biological Technology Co., Ltd.	43	23.7%	53	23.5%	65	22.1%	22.9%
2	Xuchang Yuanhua Biological Technology Co., Ltd.	45	24.8%	50	22.1%	60	20.4%	15.5%
3	Hubei Li Shizhen Health Oil Co., Ltd. . . .	40	22.3%	46	20.4%	52	17.7%	14.0%
4	Sichuan Lihao Technology Co., Ltd. . .	28	15.4%	43	19.0%	50	17.0%	33.6%
5	The Company ⁽¹⁾	—	—	1	0.6%	24	8.3%	

Source: SMERI Report

Note:

(1) The Company's perilla oil product is Linolenic Acid Soft Capsules.

INDUSTRY OVERVIEW

Imported Nutritional Supplements

According to SMERI, the Company is among the very few companies in China which develop and offer products with olive leaf extract, emu oil and milk thistle as key ingredients. The following table sets forth the benefits of these ingredients:

Ingredients	Benefits
Olive leaf extract	Help enhance immune system, assist in cardiovascular system protection and provide antimicrobial and anti-oxidant supports
Emu oil	Help enhance the regeneration of cells and improve the metabolism of skin
Milk thistle	Help protect liver against toxic

Source: SMERI Report

SOURCES OF INFORMATION

SMERI, an experienced consultant in the PRC healthcare industry, has been engaged to provide the SMERI Report for use in whole or in part in this prospectus. Founded in 1979, SMERI has established its research network in China with a focus on pharmaceutical and healthcare industry. SMERI prepared its report based on data released by government institutions such as the National Bureau of Statistics of China and the NDRC, as well as data gathered by SMERI and analysis performed by SMERI based on the available data. The information derived from the SMERI Report and contained herein has been obtained from sources believed by SMERI to be reliable, but there can be no assurance as to the accuracy or completeness of such information. Forecasts and assumptions included in the SMERI Report are inherently uncertain because of events or combinations of events that cannot reasonably be foreseen, including, without limitation, the actions of government, individuals, third parties and competitors. Specific factors that could cause actual results to differ materially include, among others, risks inherent in the nutritional supplements industry, financing risks, labor risks, supply risks, and regulatory concerns.

This prospectus contains information extracted from the SMERI Report in sections such as “Industry Overview” and “Business”. We paid SMERI a fee of RMB600,000 for the preparation and update of its industry report.

REGULATORY OVERVIEW

PRC LAWS AND REGULATIONS

This section discloses the PRC laws and regulations which may be applicable to our operations in the PRC.

Laws and Regulations Relating to Production and Sales of Health Food Products

Prior to June 1, 2009, the regulatory system for the food industry was stipulated by the Food Hygiene Law of the PRC (中華人民共和國食品衛生法) (“Food Hygiene Law”) promulgated by the Standing Committee of the National People’s Congress of the PRC (“SCNPC”) and effective on October 30, 1995. According to the Food Hygiene Law, the Health Administration of the State Council was in charge of overall supervision and management of food hygiene in the PRC. On June 1, 2009, the Food Hygiene Law was replaced by the PRC Food Safety Law (中華人民共和國食品安全法) (“Food Safety Law”) promulgated by SCNPC on February 28, 2009 and effective on June 1, 2009. According to the Food Safety Law, enterprises engaging in food production and processing are subject to the supervision and administration of quality supervision departments, industry and commerce administrative departments and food and drug supervision and administration departments at the county level.

The Food Safety Law provides various forms of penalties for any violation of such law, including warnings, orders to rectify, confiscations of illegal gains, confiscations of utensils, equipment and raw materials used for illegal production and operation, fines, recalls and destructions of food in violation of laws and regulations, orders to suspend production and/or operation, revocations of production and/or operation license, and even criminal sanctions.

According to the Implementation Rules of the Food Safety Law of the PRC (中華人民共和國食品安全法實施條例) (“Implementation Rules of the Food Safety Law”) promulgated by the State Council and effective on July 20, 2009, CFDA will exercise strict supervision for the food claimed to have particular health benefit and specific measures shall be separately formulated by the State Council of the PRC.

Pursuant to the Administrative Measures on Food Hygiene Permits (食品衛生許可證管理辦法), a manufacturer or seller of general food products must obtain a food hygiene permit issued by the local health administrative department for general food manufacturing and operating activities. The Food Safety Law abolished the food hygiene permit requirement from June 1, 2009, replacing it with a new regulatory regime requiring manufacturers to obtain a food manufacturing permit, traders to obtain a food circulation permit, and catering service providers to obtain a food catering service permit. However, food hygiene permits issued to manufacturers, traders or catering service providers before June 1, 2009 remain valid until expiration.

Pursuant to the Regulations of the PRC on the Administration of Production License for Industrial Products (中華人民共和國工業產品生產許可證管理條例) promulgated by the State Council of the PRC on July 9, 2005 and effective on September 1, 2005, China has put in place a production licensing system for enterprises engaging in the production of processed food such as dairy products, meat products, beverage, rice, noodles, cooking oil, wine, and other products, the consumption of which may directly affect human health.

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Food manufacturing permit

According to the Implementation Rules for the Supervision and Administration on Quality and Safety of Food Production and Processing Enterprises (Trial) (食品生產加工企業質量安全監督管理實施細則(試行)) promulgated by the AQSIQ and effective on September 1, 2005, those who engage in food production and processing for purpose of sale within the territory of the PRC must comply with the rules. Pursuant to such rules, China has adopted a market access system for food quality and safety. Enterprises engaging in food production and processing must possess the requisite production conditions that guarantee food quality and safety, and must obtain the Production License for National Industrial Products (全國工業產品生產許可證) (“Food Manufacturing Permit”). Food produced and processed must be inspected and imprinted (or adhered) with the market access logo for food quality and safety upon passing the test before leaving the production site for sale. Food subject to production license administration implemented in China may not be produced by enterprises that have not obtained the Food Manufacturing Permit. Accordingly, our Company and some of our subsidiaries are required to apply for the Food Manufacturing Permit for engaging in the health food products manufacturing business.

Food circulation permit

The Measures for the Administration of Food Circulation Permit (食品流通許可證管理辦法) promulgated by the State Administration of Industry and Commerce of the PRC and effective on July 30, 2009, provide that sellers of food products must obtain food circulation permits. Accordingly, our Company and some of our subsidiaries shall apply for the food circulation permit for engaging in the health food products trading business.

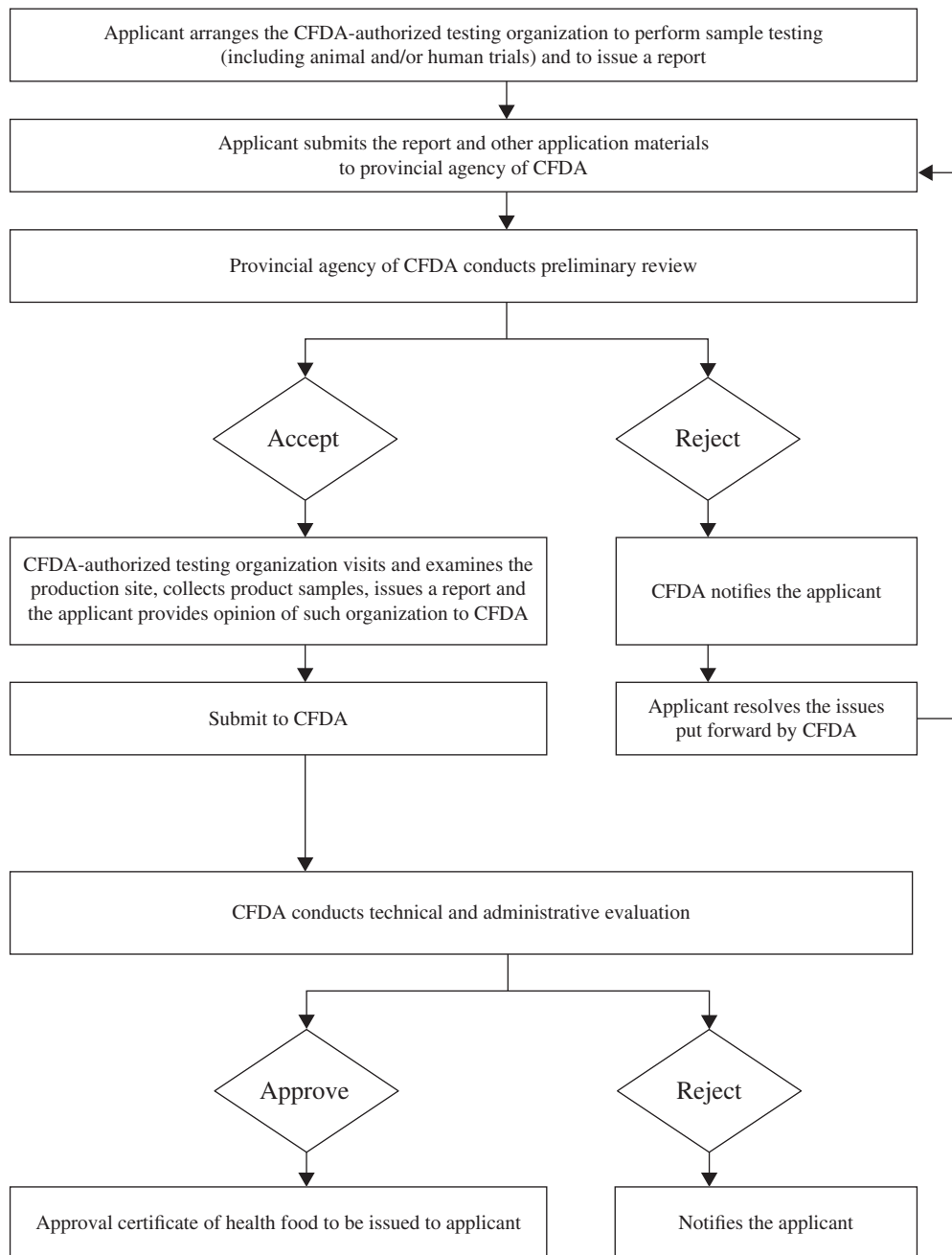
Approval and registration for health food product

Pursuant to the Administration Measures on the Registration of Health Food Products (for Trial Implementation) (保健食品註冊管理辦法(試行)) (“Administration Measures”) promulgated by CFDA on April 30, 2005 and effective on July 1, 2005, health food products are those claimed to have certain health benefit or food with the purpose of supplementing vitamins and mineral substances. In addition, according to the Administration Rules of Health Food Products (保健食品管理辦法) issued by NHFPC on March 15, 1996, the approval of a health food product is subject to the satisfaction of certain criteria, including (i) the product must be proved with specific and stable health benefits after necessary testing, and (ii) all the ingredients and the finished product shall have no adverse effect to human health.

Pursuant to the Administration Measures, if a manufacturer wishes to claim that its food product has certain health benefits, the food product must be approved by and registered with CFDA as a health food product. Upon completion of the approval and registration of the product, the product will receive an approval certificate with a health food product registration number and a “health” (“健”) mark may be affixed on the product’s packaging. If a manufacturer fails to obtain the requisite approvals and complete the registration for manufacturing or selling a food product claiming to have certain health benefits, such manufacturer is subject to various penalties including suspension of operations, confiscation of illegal earnings and imposition of a fine in an amount between one and five times of the illegal earnings.

REGULATORY OVERVIEW

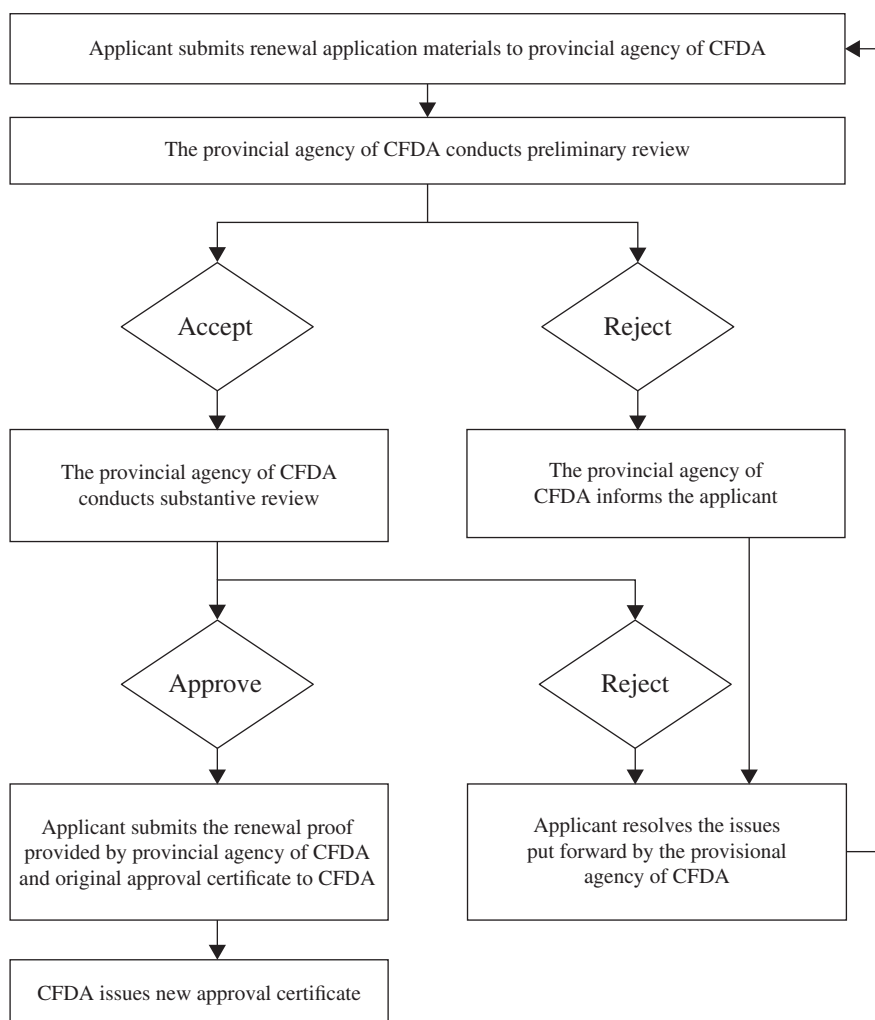
The following chart illustrates the application procedures for approval and registration of health food products based on applicable PRC laws and regulations:



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Pursuant to the Administration Measures, approvals of health food products issued on or after July 1, 2005 have a term of five years, and approvals of health food products issued before July 1, 2005 have no explicit term of validity. With respect to the extension of the term of health food product approvals when due, the applicants shall submit renewal applications within the three months before expiry. Pursuant to the Notice Regarding Certain Issues of the Renewal of Health Food Product Approvals (關於保健食品再註冊工作有關問題的通知) issued by CFDA on July 23, 2010, once the renewal application for health food product approvals is duly filed with CFDA, the existing health food product approvals remain effective before any renewal decision is made by CFDA.

The following chart illustrates the renewal procedures of an approval certificate for health food products based on applicable PRC laws and regulations:



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Health Food GMP Standards

Pursuant to Good Manufacturing Practice of Health Food Products (保健食品良好生產規範) promulgated by NHFPC on May 5, 1998 and effective as of January 1, 1999 and the Censoring Method and Valuating Criterion of Good Manufacture Practice for Health Food Products (保健食品良好生產規範審查辦法和評價準則) issued by NHFPC on April 2, 2003, manufacturers of health food products shall meet GMP standards. GMP standards cover the qualifications and standards relating to manufacture premises, facilities and staff, raw material, management, hygiene and quality control. Pursuant to the Regulations of the PRC on the Administration of Production License for Industrial Products and the Circular on Revised Procedure of Good Manufacturing Practice and Examination of Health Food and Approval Procedure of Hygiene Administrative License for Health Food Producing Enterprises (關於調整保健食品良好生產規範審查和保健食品生產企業衛生行政許可審批程序的通知) issued by the Jiangsu provincial agency of NHFPC on February 2, 2008, the satisfaction of GMP standards is one of the pre-conditions for the issuance of a Food Manufacturing Permit. As such, a company that has obtained a Food Manufacturing Permit is deemed to have satisfied the GMP standards and no separate GMP certificates are issued.

Regulations on Food Safety

According to the Food Safety Law, and the Measures for Archival Filing of the Enterprises Food Safety Standards (食品安全企業標準備案辦法), promulgated by the NHFPC on and effective on June 10, 2009, the health administrative department of the State Council of the PRC and its provincial counterparts shall be responsible for enacting and promulgating national food safety standards and local food safety standards, respectively. In the event of absence of national food safety standards or local food safety standards, enterprises must formulate their own enterprise food safety standards to regulate their food manufacturing process. Manufacturers of food products must file their food safety standards with provincial health administrative departments. Such filing is valid for a term of three years and must be renewed prior to the expiration of that term. The food safety standards filed with health administrative departments before June 1, 2009 remain valid until expiration.

Pursuant to the Regulations on the Implementation of the Food Safety Law of the PRC (中華人民共和國食品安全法實施條例), promulgated by the State Council on and effective as of July 20, 2009, food manufacturers and sellers shall establish a food safety management system and shall be responsible for the safety of the food products they produce or sell.

Laws and Regulations Relating to Safety of Imported Food

According to the Food Safety Law, the Implementation Rules of the Food Safety Law and the Administration Measures on the Safety of Import and Export Foods (進出口食品安全管理辦法) promulgated by AQSIQ on September 13, 2011 and effective on March 1, 2012, custom clearance for imported foods is subject to a clearance certificate issued by CIQ upon inspection of such food. In addition, according to the Regulations for the Implementation of the Law of the People's Republic of China on Import and Export Commodity Inspection (中華人民共和國

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進出口商品檢驗法實施條例), imported foods are required to pass the quality inspection of CIQ before entering China. Upon passing the quality inspection of CIQ, the CIQ will issue a sanitary certificate for such imported food. The entities exporting food to China are required to file an application with AQSIQ, and the overseas food manufacturers exporting foods to China need to register with CIQ. Prepackaged food imported to the PRC must be affixed with labels and instructions in Chinese and must state the origins of the food and contact information of the importing agents. Food importers shall prepare a food importing and sales record system recording the names of the food products, specifications, quantities, production dates, production or import lot numbers, shelf life, names and contact information of exporters and purchasers and delivery dates. Such record must be made on a truthful basis and the products shall have a shelf life of at least two years.

Laws and Regulations Relating to Environmental Protection

The major environmental laws and regulations applicable to our Company include the Environmental Protection Law of the PRC (中華人民共和國環境保護法) promulgated by the SCNPC on December 26, 1989, the Law on the Prevention and Control of Water Pollution of the PRC (中華人民共和國水污染防治法) promulgated by the SCNPC on May 11, 1984 and amended on February 28, 2008, the Law on the Prevention and Control of Air Pollution of the PRC (中華人民共和國大氣污染防治法) promulgated by the SCNPC on September 5, 1987, and amended on August 29, 1995 and April 29, 2000, and the Law on the Prevention and Control of Solid Waste Pollution of the PRC (中華人民共和國固體廢物污染環境防治法) promulgated by the SCNPC on October 30, 1995, and amended on December 29, 2004. These laws and regulations set out detailed procedures that must be implemented throughout a project's construction and operation phases.

Pursuant to the above environmental laws and regulations, any company or enterprise which causes environmental pollution and discharges polluting materials that endanger the public shall implement environmental protection methods and procedures into their business operations. Enterprises must prepare environmental impact study report setting forth the impact the proposed construction project may have on the environment and the measures to prevent or mitigate the impact for approval by the government authority prior to commencement of construction of the relevant project. New facilities built pursuant to this approval are not permitted to operate until the relevant environmental authority has performed an inspection and is satisfied that the facilities comply with environmental standards.

Enterprises are also required to apply to the competent environmental authorities and file information on the types and quantities of liquid, solid and gaseous wastes they plan to discharge, and the manner of discharge and disposal, as well as industrial noise and other related issues. If the authorities are satisfied these types of wastes and noises are within regulated levels, they will issue renewable discharge permits for a specified period. If enterprises discharge liquid, solid and gaseous waste at levels above the permitted levels, they may be subject to penalties such as fines. Further, if they do not correct such activities within a specified period, PRC authorities may suspend their operations.

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Laws and Regulations Relating to Advertisement

The advertising of general food products and health food products are mainly regulated by the CFDA, the SAIC, the NHFPC and State Administration of Radio Film and Television of the PRC (國家廣播電影電視總局). The relevant PRC laws and regulations governing the advertising of health food products include Advertising Law of the PRC (中華人民共和國廣告法) promulgated by the SCNPC on October 27, 1994 and effective on February 1, 1995, the Administrative Regulations on Advertising (廣告管理條例) promulgated by the State Council on October 26, 1987 and effective on December 1, 1987, the Food Safety Law, Interim Regulations on Publication of Food Advertisement (食品廣告發佈暫行規定) promulgated by SAIC on December 3, 1998 and effective on December 3, 1998, Interim Regulations on the Review of Advertisements of Health Food (保健食品廣告審查暫行規定) promulgated by CFDA on May 24, 2005 and effective on July 1, 2005, the Measures for the Supervision and Administration of Food Safety in the Circulation Links (流通環節食品安全監督管理辦法) promulgated by the SAIC and effective on July 30, 2009, and the Measures for the Administration of Radio and Television Advertising (廣播電視廣告播出管理辦法) promulgated by State Administration of Radio, Film and Television of the PRC (國家廣播電影電視總局) on September 8, 2009, which became effective as of January 1, 2010.

An enterprise shall file with CFDA or its local counterparts to obtain the approval for the advertising of health food products (“Advertising Approval”). The Advertising Approval will be issued to a specific health food product and will contain an approval number (保健食品廣告批准文號) which has a one-year validation period. Without the Advertising Approval, no enterprise or institution can publish or broadcast any advertisement relating to health food products.

The contents of advertisement for health food products shall be true and accurate, and shall not be misleading. The advertisement of health food products shall not include false description, assertions or assurances of any particular function or exaggeration of function or benefit, otherwise CFDA or its local agencies may issue a warning and even revoke the Advertising Approval under extreme circumstances in accordance with the Advertising Law (廣告法), Interim Provisions for Review of Health Food Advertising (保健食品廣告審查暫行規定) and certain other applicable regulations. Once a health food product advertising approval is revoked, the advertising approval number allocated to the specific health food product is no longer effective and the affected company is prohibited from making advertisements for such health food product until a new advertising approval is granted. Any enterprise or related persons in breach of the aforesaid laws, rules or regulations are likely to be subject to legal liabilities including, among others, orders to stop advertising, confiscation of illegal income, fines or criminal punishment. However, the affected company may continue to manufacture and sell the health food product which does not have a health food product advertising approval, and may be involved in marketing activities for such product as long as no advertisement is made.

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The Administrative Measures on Credibility of Enterprises Publishing Advertisements of Pharmaceutical Products, Medical Apparatus and Health Food (藥品、醫療器械、保健食品廣告發佈企業信用管理辦法) promulgated by CFDA on October 16, 2007 and effective on January 1, 2008, provides that the enterprises which engage in publishing advertisements of pharmaceutical products, medical apparatus and health food products will be rated as “trustworthy”, “untrustworthy” and “seriously untrustworthy” upon annual review. An enterprise is rated as “trustworthy” if none of its advertisements in a given year has violated any laws or regulations governing advertisement by the supervision of CFDA. An enterprise is rated as “untrustworthy” if its advertisements in a given year have violated such laws and regulation, and such violation is not serious. An enterprise is rated as “seriously untrustworthy” if its advertisements in a given year have seriously violated such laws and regulations, such as false statement of suitability in the advertisement, assertions or assurances of any health benefit. CFDA and its local agencies shall order the enterprises which are rated as untrustworthy or serious untrustworthy to remedy the illegal acts within a prescribed period, publish their trustworthiness ratings and put emphasis on inspection of their advertisement and relevant sales.

Laws and Regulations Relating to Product Quality and Consumers Protection

Pursuant to the Product Quality Law of the PRC (中華人民共和國產品質量法) promulgated by SCNPC in February 22, 1993 and amended in July 8, 2000 and August 27, 2009, a manufacturer shall establish a comprehensive internal management system for product quality, and implement internal policies of quality, responsibility and assessment. Violation of the Product Quality Law of the PRC may result in various penalties, including imposition of fines, suspension of business operations, revocation of business licenses and criminal liabilities.

The Consumer Protection Law of the PRC (中華人民共和國消費者權益保護法) promulgated by SCNPC on October 31, 1993, effective on January 1, 1994, prescribes that businesses must comply with laws and regulations regarding personal safety and protection of property. Consumer shall be provided with truthful information in relation to goods and services. Consumers who suffer personal injury or property damage due to product defects may demand compensation from either the manufacturer or the seller.

Laws Relating to Tort Liability

Pursuant to the Tort Liability Law of the PRC (中華人民共和國侵權責任法) promulgated by SCNPC on December 26, 2009, effective on July 1, 2010, manufacturers are liable for damages caused by defects in their products and sellers are liable for damages attributable to their fault. If the defects are caused by the fault of third parties such as the transporter or storekeeper, manufacturers and sellers are entitled to claim for compensation from these third parties after paying the compensation amount. The manufacturers and sellers are obligated to take remedial measures such as issuing warnings or recalling the products in a timely manner if defects are found in products in circulation. If the products are manufactured and sold with known defects that cause death or severe personal injury to others, the infringed person has the right to claim punitive compensation.

REGULATORY OVERVIEW

Laws and Regulations Relating to Intellectual Property Rights

Pursuant to the PRC Trademark Law (中華人民共和國商標法) promulgated by SCNPC on August 23, 1982, effective on March 1, 1983 and amended on February 22, 1993 and October 27, 2001, and Regulation for the Implementation of the PRC Trademark Law (中華人民共和國商標法實施條例) promulgated by State Council on August 3, 2002 and effective on September 15, 2002, the period of validity of a registered trademark is ten years, calculated from the date of approval of the registration. If a registrant needs to continue to use the registered trademark after the period of validity, an application for renewal of registration shall be made within six months before the expiration. The SAIC has the power to investigate and handle any act of infringement of the exclusive right to use a registered trademark. Violation of the Trademark Law of the PRC may result in the imposition of fines and, confiscation and destruction of the infringing commodities.

Under the revised Patent Law of the PRC (中華人民共和國專利法) promulgated by SCNPC on December 27, 2008, there are three types of patents, including invention patents, design patents and utility model patents. Invention patents are valid for twenty years, while design patents and utility model patents are valid for ten years, in each case commencing on their respective application dates. Persons or entities who use patents without the consent of the patent owners, make counterfeits of patented products, or engage in activities that infringe upon patent rights are held liable to the patent owner for compensation and may be subject to fines and even criminal liabilities.

Laws and Regulations Relating to Labor and Production Safety

Pursuant to Labor Law of the PRC (中華人民共和國勞動法) promulgated by SCNPC on July 5, 1994 and effective on January 1, 1995 and the Labor Contract Law of the PRC (中華人民共和國勞動合同法) effective on January 1, 2008 and amended on December 28, 2012, enterprises and institutions shall ensure safety and hygiene of workplace, strictly comply with applicable rules and standards on workplace safety and hygiene in China, and educate employees on such rules and standards. Furthermore, employers and employees shall enter into written employment contracts to establish their employment relationship with the employers. Employers are required to inform the employees about their job duties, working conditions, occupational hazards, remuneration and other matters with which employees may be concerned. Employers shall pay remuneration to employees on time and in full in accordance with the commitments set forth in the employment contracts and the PRC regulations.

Pursuant to the PRC Production Safety Law (中華人民共和國安全生產法) (the "Production Safety Law") promulgated by SCNPC on June 29, 2002, effective on November 1, 2002 and amended on August 27, 2009, enterprises and institutions shall be equipped with the conditions for safe production as provided in the Production Safety Law and other relevant laws, administrative regulations, national standards and industrial standards. Any entity that is not equipped with such conditions is not allowed to engage in production and business operation activities. Enterprises and institutions shall educate their employees regarding production safety. In addition, enterprises and institutions shall provide personal protective equipment that attains national standards or industrial standards to the employees, and supervise and educate them to use such equipment.

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Pursuant to the Social Insurance Law of the PRC (中華人民共和國社會保險法) promulgated by SCNPC on October 28, 2010, effective on July 1, 2011, and the Regulations on the Administration of Housing Accumulation Funds (住房公積金管理條例) promulgated by the State Council, effective on April 3, 1999 and amended on March 24, 2002, employers in the PRC shall provide their employees with welfare schemes covering pension insurance, medical insurance, unemployment insurance, maternity insurance, occupational injury insurance and housing fund.

AUSTRALIAN LAW

Across Australia, AQIS is responsible for the regulation of food imports and exports. Each AQIS enforces a set of legislation that is applicable to all jurisdictions and businesses in Australia. However, in some areas, execution of this responsibility requires interaction with other authorities including Food Standards Australia New Zealand (“FSANZ”) or delegated inspection agencies and state dairy authorities in Australia.

Exporting Food

In general, the conditions and restrictions for exporting goods are operated by AQIS under the Export Control Act 1982 (the “Act”). The Act classified goods into two categories, “prescribed” and “non-prescribed”. AQIS only assists in the export of prescribed goods, and depending on the type of goods to be exported, the requirements will vary.

Prescribed goods include dairy, live animals, fish and fish products, plants and plant products, eggs and egg products, meat and meat products, grain, animal food (frozen raw meat), food labelled as organic, fresh fruit and vegetables, dried fruit and pharmaceuticals (raw animal material). Aside from these prescribed goods, all other goods are classified as non-prescribed. The dairy products under our Cobayer series products are prescribed goods and the remaining Cobayer series products are non-prescribed.

Prescribed goods are subject to the Act and associated regulations when preparing for exporting. Non-prescribed goods are not regulated under the Act and may be exported to other countries without the involvement of the Australian Government Department of Agriculture, Fisheries and Forestry (“DAFF”). However, if an importing country requires certification for certain non-prescribed goods, such non-prescribed goods will be regulated under the applicable commodity order issued by the Office of Legislative Drafting Attorney-General’s Department in Canberra. Documents or certificates required for exporting products vary depending on the requirements imposed by the importing countries. Required documents and certificates for exporting our Cobayer series products to China are set forth below:

- ZDCN02 – for dairy products (other than infant formula) for human consumption;
- ZDCN01 – for dairy infant formula for human consumption;
- ZD001 – for non-prescribed goods;

REGULATORY OVERVIEW

- ZD015 – for animal food; and
- ZD016 – for manufacturing grade products.

AQIS can assist with the export of non-prescribed goods whenever the importing country requires AQIS certification or documents. However, it is the responsibility of the exporter to obtain specific certification or documentation as required by the importing country, and provide such information to AQIS.

In addition, baby food (such as dried milk powder), dried milk products, mineral supplements for food stuff for human consumption and other milk products are also regulated under Regulations 3.1 and 3.2 of the Export Control (Milk and Milk Product) Order 2005 and the Export Control (Milk and Milk Products) Amendment Order 2007 (No. 1) issued by the Office of Legislative Drafting and Publishing, Attorney-General's Department in Canberra on October 12, 2007 ("Order 2005"). According to Order 2005,

- (a) products for export as food are fit for human consumption or are manufacturing grade milk and milk products and are identified as manufacturing grade for export for further processing;
- (b) a complete accurate trade description for products shall be provided;
- (c) the requirements under the laws and regulations of the relevant importing country shall be complied with;
- (d) the products shall be able to be accurately identified and effectively traced if required; and
- (e) any statement made regarding the condition and preparation of products for export as food shall be accurate.

Further, products exported from Australia must be suitable under the Australia New Zealand Food Standards Code as defined in Section 3 of the Food Standards Australia New Zealand Act 1991 and under Order 2005. The major requirements include requirements on labelling, substances added to food and contaminants and residues.

Export Fees and Charges

Cost Recovery Impact Statements (CRISs) outline the DAFF Biosecurity's proposal to amend fees in relation to Import Clearance Program and Seaports Program quarantine services from July 1, 2009. These CRISs demonstrate the compliance of DAFF Biosecurity's cost recovery as set out in the Australian Government Cost Recovery Guidelines (2005).

There is a range of fees for exports of goods from Australia or New Zealand to other countries. These fees include fees for services, documentation and registration of premises, and vary substantially in both amount and complexity between industries. Some export

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requirements that incur fees are not directly related to food safety and may be required of some non-food exporters – for example, export declarations, export permits or export licensing of premises. However, depending on the product and its destination market, a food exporter may also incur food safety related export costs associated with the following requirements:

- an approved arrangement – an arrangement between AQIS and the exporter that details, for each stage of production, controls that should be used to ensure that food safety and other legislative and importing country requirements are met. For food processors, this includes a Hazard Analysis and Critical Control Points (HACCP) plan;
- registration of premises for export – required for most primary production of food for export. Registration requirements govern the need for approved arrangements, keeping of records, and the construction and operation of establishments;
- inspection of prescribed goods to ensure that the goods are “safe, wholesome, accurately described and meet international market conditions and obligations” (AQIS 2009a). For example, AQIS is required to inspect all meat carcasses (under the Export Control (Meat and Meat Products) Orders 2005); and
- export certification – government to government assurance by AQIS to the importing country that the exported food is wholesome, prepared under hygienic conditions and meets all health and safety standards of Australia and the importing country under Australian Meat and Live-Stock Industry Act 1997.

NEW ZEALAND LAW

In New Zealand, the Ministry of Primary Industries (“MPI”) is responsible for the regulation of food exports and imports, as well as food manufacturing. Legislation that governs the production and sale of food includes the Food Act 1981 and assorted codes and regulations, including the Food Regulations 1984 and the Australia New Zealand Food Standards Code 2002.

Food exporting is regulated through the Food Act 1981, the Wine Act 2003, and the Animal Products Act 1999 (which applies to animal products including meat, dairy products, seafood, honey and bee products, petfood and inedibles).

The relevant rules for manufacturing, processing and exporting food apply to businesses that conduct these activities in New Zealand.

Exporting Food

Businesses that export food or food related products from New Zealand, or businesses that store, process or transport food products for export must meet the New Zealand regulatory requirements for exporting. Regulations relating to food exporting are administered by MPI.

Food products intended for export must comply with general requirements, as well as requirements specific to the products being exported.

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The general requirements for businesses to export food products from New Zealand may include:

- registering with MPI as an exporter;
- complying with all relevant legislation and regulations;
- operating under a safety or risk management plan or programme that is registered with MPI; and
- meeting all requirements of the destination country.

Businesses will also need to comply with food safety, biosecurity, customs and other requirements before their products will be eligible for export.

Registration as an Exporter

In most cases businesses that want to export food products must be registered as an exporter with MPI. Only registered exporters may access information that sets out the requirements to export to other countries, which are called the Overseas Market Access Requirements (“OMARs”).

Operation Under a Registered Plan or Programme

Businesses that manufacture, store or transport food products for export usually operate under a MPI-registered plan or programme. This could be a:

- Risk Management Programme;
- Regulated Control Scheme;
- Food Safety Programme; or
- Approved Premises Notice.

Specific Requirements Relating to the Export of Dairy Material

If a business intends to export dairy material from New Zealand, there are requirements under the Animal Products Act 1999 that the business will need to meet. “Dairy material” for the purposes of the Animal Products Act 1999, includes milk powder and infant formula. Only businesses registered with the MPI under the Animal Products Act 1999 are legally allowed to export dairy products.

Once registered, businesses need to check whether MPI has any specific export requirements for the country the product is being exported to. Any material that is exported will need to comply with any additional requirements of the destination country that must be followed (for example relating to labelling and composition of the products).

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In order to be exported to the PRC, dairy materials must originate from a manufacturer or wholesaler that operates under an export Risk Management Programme (“RMP”) verified by MPI or its agents. The products must be under the control of entities operating under a RMP until the point of export.

An export certificate must be obtained from MPI for each export consignment. Dairy products cannot be exported to the PRC without an export certificate from MPI. To receive an export certificate, the products must stay with a RMP holder continuously prior to export.

The information on an export certificate depends on the food product and the destination market. It may carry information such as:

- the country of origin of the product and its ingredients;
- the heat treatment or other processes used when manufacturing the product;
- the microbiological status of the product; or
- the product’s health status – for example, whether or not certain animal disease is present in New Zealand.

Dairy products or other animal products that are intended for export must be packed and labelled in such a way as to ensure that they are secure and that the contents can be traced to the export certificates that apply to them. This helps to protect the integrity of the products. The business’s RMP must set out the security devices and packaging methods that will be used when the products are exported.

Exporters will also need to be registered with customs or employ a customs broker to complete the necessary customs clearance documentation.

The offence for exporting animal materials or products without registration has a penalty of up to NZ\$300,000 for corporations and NZ\$50,000 for individuals. There are also significant penalties for failing to comply with a RMP under the Animal Products Act 1999 and fines for doing so are up to NZ\$100,000 for corporations and NZ\$25,000 for individuals.

HISTORY AND DEVELOPMENT

OUR BUSINESS DEVELOPMENT

Our Group was founded by Mr. Gui with his own financial resources in May 1999 through the establishment of our Company, a then stock company which commenced business in the sale of nutritional supplements. In November 1999, Ms. Wu, the spouse of Mr. Gui, acquired 10.00% of the then equity interests in our Company and became one of our then equity holders. As of the Latest Practicable Date, Mr. Gui owned our Company as to 78.00% and Ms. Wu as to 8.67%.

In 2001, we introduced our own branded nutritional supplement products, the Zhongsheng series products, a product line which aims to offer safe and reliable nutritional supplements to consumers in or over middle ages with a focus on helping alleviate physical fatigue and improving immune system. Between 2003 and 2005, we engaged Nanjing Zhongsheng, then owned by Mr. Zhang Xiesheng, Mr. Wang Weisheng, Mr. Yao Jianru, Nanjing Xiansheng Nutritional Supplements Co., Ltd.* (南京先聲保健品有限公司) and Hainan Xiansheng Investment Group Co. Ltd.* (海南先聲投資集團有限公司) as of 2005, who are Independent Third Parties, to manufacture the Zhongsheng series products. In February 2007, in view of the increase in our size of operation as well as our aim to enhance product quality, we acquired 51.00% of the equity interests in Nanjing Zhongsheng, being 9.18% from Mr. Zhang Xiesheng, 5.10% from Mr. Wang Weisheng, 5.10% from Mr. Yao Jianru, 4.08% from Nanjing Xiansheng Nutritional Supplements Co., Ltd. and 27.54% from Hainan Xiansheng Investment Group Co. Ltd. at par for a consideration of RMB10,200,000. We subsequently acquired the remaining 49.00% equity interests from Nanjing Xiansheng Dongyuan Technology and Commerce Co., Ltd.* (南京先聲東元科技商貿有限公司) at par for a consideration of RMB9,800,000 in May 2008. The above transfers were properly and legally completed and settled, and Nanjing Zhongsheng has then become one of our wholly-owned subsidiaries.

Following the acquisition of Nanjing Zhongsheng, we obtained the CFDA approval of Coenzyme Q₁₀ Tablets/Capsules (輔酶Q₁₀片/膠囊) on November 14, 2007. We commenced the production and sale of Coenzyme Q₁₀ Capsules in June 2008, a product which later became one of our best-selling products and was approved as a “High-Tech Product” by Jiangsu Provincial Department of Science and Technology in 2012. Throughout 2008 to 2009, we continued to expand our retail network by opening Zhongsheng retail stores in first- and second-tier cities including Beijing, Guangzhou, Shenzhen, Suzhou, Wuxi, Hangzhou and Jinan.

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Following the success of our Zhongsheng series products and amid increasing demand of high-quality nutritional supplements in China, in March 2009, Mr. Gui incorporated Cobayer Health Food Company in Australia and launched the Cobayer series product, a nutritional supplements product line manufactured in and imported from Australia. Mr. Gui believes that Australia is a country with strict product quality control and is normally associated with natural and clean environment, and that by leveraging the technical knowhow and advanced research ability of Australian nutritional supplement manufacturers, we are able to introduce high quality nutritional supplements with leading nutritional concept to China. Positioned as high-end and fast moving natural nutritional supplements, and marketed to affluent and younger individual and families, Mr. Gui believes Cobayer series products would be able to reach a wider range of customers in China and further expand and enrich our target customer groups. We began selling Cobayer series products in our Zhongsheng retail stores in August 2009 and opened our first Cobayer retail store in Nanjing in June 2012. As of June 30, 2013, 14 Cobayer retail stores were established in different parts of the PRC, such as Jiangsu, Guangdong, Zhejiang, Shandong and Yunnan provinces.

In July 2011, Ms. Wu Wenting, a niece of Ms. Wu, established Nanjing Deao to engage in wholesale and retail of packaged food, and importing nutritional supplements from Australia for our Company. On September 27, 2012, we entered into an equity transfer agreement with Ms. Wu Wenting pursuant to which Ms. Wu Wenting agreed to transfer all of her equity interests in Nanjing Deao to our Company for a consideration of RMB1,840,000. The consideration was determined based on the net asset value of Nanjing Deao as at August 31, 2012. Approval for such transfer was obtained on September 27, 2012 from the relevant PRC regulatory authorities, whereby such transfer was properly and legally completed and settled. Nanjing Deao has then become one of our wholly-owned subsidiaries.

As our business grew and developed, we encouraged our employees to participate in the investment in our Group as equity holders. Our employees invested in our Company by subscribing its registered capital at a fixed price through their shareholding in Zhongyan Investment.

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Zhongyan Investment was established on June 27, 2012 as an investment vehicle, which was owned by certain of our Directors, Supervisors, senior management members and employees as set out in the following table. On July 2, 2012, Mr. Gui and Ms. Wu resolved to increase the registered capital of our Company from RMB26,000,000 to RMB27,000,000, for which Zhongyan Investment agreed to subscribe for the increased registered capital of RMB1,000,000 for a consideration of RMB6,193,700. Such consideration was settled on July 13, 2012. The indirect investment amount and indirect equity interest held by the limited partners of Zhongyan Investment in our Company upon completion of subscription of share capital are also set out in the following table:

Name	Position in our Company	Investment amount in Zhongyan Investment (RMB)	Equity interest (%)	Indirect investment amount in our Company (RMB) ⁽¹⁾	Indirect equity interest in our Company at June 30, 2013 (%)
Ms. Zhang Yuan	Executive Director	2,017,200	32.43%	2,008,509	1.080%
Ms. Xu Li	Executive Director	1,681,000	27.02%	1,673,758	0.900%
Ms. Zhu Feifei	Executive Director	201,800	3.24%	200,931	0.108%
Ms. Yu Min	Supervisor	201,800	3.24%	200,931	0.108%
Ms. Ge Hongxia	Employee	201,800	3.24%	200,931	0.108%
Mr. Shen Yehai	Employee	201,800	3.24%	200,931	0.108%
Ms. Zhou Qian	Employee	201,800	3.24%	200,931	0.108%
Mr. Zhu Yu	Employee	201,800	3.24%	200,931	0.108%
Ms. Wang Tingting	Employee	201,800	3.24%	200,931	0.108%
Ms. Wu Xuemei	Supervisor	168,100	2.71%	167,376	0.090%
Ms. Liang Lijun	Employee	168,100	2.71%	167,376	0.090%
Ms. Zhang Tinghua	Employee	168,100	2.71%	167,376	0.090%
Ms. Duanmu Chuan Fen	Employee	134,500	2.17%	133,921	0.072%
Ms. Zhi Hui	Senior management and one of our joint company secretaries	134,500	2.17%	133,921	0.072%
Mr. Song Jiming	Senior management	84,100	1.35%	83,738	0.045%
Ms. Gao Zhen	Employee	84,100	1.35%	83,738	0.045%
Ms. Wang Li	Employee	84,100	1.35%	83,738	0.045%
Ms. Chen Hairong	Employee	84,100	1.35%	83,738	0.045%
Total		6,220,500	100%	6,193,700⁽¹⁾	3.33%

Note:

(1) Any discrepancy between the total and the sum of investment amounts set out above is due to rounding.

In order to avoid potential business competition between Cobayer Health Food Company and our Company and to consolidate Mr. Gui's interests in the nutritional supplements business, on August 28, 2012, we entered into an equity transfer agreement with Mr. Gui

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pursuant to which Mr. Gui transferred all of his shares in Cobayer Health Food Company to us, being 2,000 shares at a consideration of RMB4,100,000 based on the approximate net asset value of Cobayer Health Food Company. After being registered with the relevant Australian regulatory authorities on December 24, 2012, such transfer was properly and legally completed and settled and Cobayer Health Food Company then became a wholly-owned subsidiary of our Company.

On November 19, 2013, Zhongyan Investment entered into an equity transfer agreement with each of its 18 limited partners pursuant to which Zhongyan Investment transferred its entire interests in our Company, to its limited partners at the same consideration in which Zhongyan Investment subscribed the registered capital of our Company on July 2, 2012. The transfer was properly and legally completed and fully settled on November 26, 2013 as advised by our PRC legal advisor, Yongheng Partners. The transfer would not change any of the 18 limited partners' ultimate interest in our Company. Upon completion of such transfer, the interests of our Company held by the abovementioned 18 limited partners are as follow:

Name	Position in our Company	Investment amount in our Company (RMB) ⁽¹⁾	Interest in our Company at June 30, 2013 (%)	Number of Domestic Shares held
Ms. Zhang Yuan	Executive Director	2,008,631	1.080%	659,955
Ms. Xu Li	Executive Director	1,673,538	0.900%	549,857
Ms. Zhu Feifei	Executive Director	200,676	0.108%	65,934
Ms. Yu Min	Supervisor	200,676	0.108%	65,934
Ms. Ge Hongxia	Employee	200,676	0.108%	65,934
Mr. Shen Yehai	Employee	200,676	0.108%	65,934
Ms. Zhou Qian	Employee	200,676	0.108%	65,934
Mr. Zhu Yu	Employee	200,676	0.108%	65,934
Ms. Wang Tingting	Employee	200,676	0.108%	65,934
Ms. Wu Xuemei	Supervisor	167,848	0.090%	55,148
Ms. Liang Lijun	Employee	167,848	0.090%	55,148
Ms. Zhang Tinghua	Employee	167,848	0.090%	55,148
Ms. Duanmu Chuan Fen	Employee	134,402	0.072%	44,159
Ms. Zhi Hui	Senior management and one of our joint company secretaries	134,402	0.072%	44,159
Mr. Song Jiming	Senior management	83,613	0.045%	27,472
Ms. Gao Zhen	Employee	83,613	0.045%	27,472
Ms. Wang Li	Employee	83,613	0.045%	27,472
Ms. Chen Hairong	Employee	83,613	0.045%	27,472
Total		6,193,700⁽¹⁾	3.33%	2,035,000

Note:

(1) Any discrepancy between the total and the sum of investment amounts set out above is due to rounding.

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The following table summarizes the key milestones in our business development:

Time	Event
May 1999	Our Company was established and our first Zhongsheng retail store was opened in Nanjing
February 2007	Acquisition of 51% of the equity interests in Nanjing Zhongsheng
November 2007	Obtained CFDA approval for Coenzyme Q ₁₀ Tablets/Capsules
May 2008	Acquisition of the remaining 49% of equity interests in Nanjing Zhongsheng, as a result of which Nanjing Zhongsheng became our wholly-owned subsidiary
March 2009	Incorporation of Cobayer Health Food Company in Australia by Mr. Gui
August 2009	Commenced selling Cobayer series products in Zhongsheng retail stores
October 2009	Establishment of centralized customer service database
Up to December 31, 2010	A total of 15 Zhongsheng retail stores were opened in Jiangsu province, Beijing, Shandong province, Guangdong province and Zhejiang province
Up to December 31, 2011	A total of 24 Zhongsheng retail stores were opened in Jiangsu province, Beijing, Shandong province, Guangdong province, Zhejiang province, Sichuan province and Hubei province
February 2012	Establishment of the enterprise resource planning system
June 2012	The first Cobayer retail store was opened in Nanjing, Jiangsu province

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Time	Event
August 2012	Coenzyme Q ₁₀ Capsules were approved as a “High-Tech Product” by Jiangsu Provincial Department of Science and Technology* (江蘇省科學技術廳)
September 2012	Acquisition of the entire equity interests in Nanjing Deao by our Company, as a result of which Nanjing Deao became our wholly-owned subsidiary
December 2012	Acquisition of the entire share capital in Cobayer Health Food Company by our Company from Mr. Gui, as a result of which Cobayer Health Food Company became our wholly-owned subsidiary
Up to December 31, 2012	A total of five Cobayer retail stores were opened in Jiangsu province A total of 34 Zhongsheng retail stores were opened in Jiangsu province, Beijing, Shandong province, Guangdong province, Zhejiang province, Sichuan province and Hubei province
May 2013	Opening of our first online store at the business website of http://tmall.taobao.com (天貓商城)
Up to June 30, 2013	A total of 14 Cobayer retail stores were opened in Jiangsu province, Shandong province, Guangdong province, Zhejiang province and Yunnan province A total of 35 Zhongsheng retail stores were opened in Jiangsu province, Beijing, Shandong province, Guangdong province, Zhejiang province, Sichuan province and Hubei province

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OUR CORPORATE HISTORY

As of the Latest Practicable Date, our Group comprised our Company, 15 PRC subsidiaries and one Australian subsidiary. The PRC subsidiaries are set up mainly for the purposes of our retail business in different provinces in China. The following table contains some brief details of our Company and our subsidiaries as of the Latest Practicable Date:

Entity/Date and place of establishment/ incorporation	Amount of registered and paid-up capital/issued share capital	Principal activities
Our Company May 24, 1999 (PRC)	RMB61,111,100	Manufacture, processing, sale, research and development of health food products
Nanjing Zhongsheng June 17, 2003 (PRC)	RMB20,000,000	Manufacture, processing and sale of health food products
Suzhou Zhongsheng March 26, 2008 (PRC)	RMB600,000	Retailing of health food products
Hangzhou Zhongsheng April 2, 2008 (PRC)	RMB600,000	Retailing of health food products
Beijing Zhongsheng April 9, 2008 (PRC)	RMB600,000	Retailing of health food products
Wuxi Zhongsheng April 10, 2008 (PRC)	RMB600,000	Retailing of health food products
Changzhou Zhongsheng April 22, 2008 (PRC)	RMB600,000	Retailing of health food products
Jinan Zhongsheng April 30, 2008 (PRC)	RMB600,000	Retailing of health food products
Guangzhou Zhongsheng June 27, 2008 (PRC)	RMB600,000	Retailing of health food products
Cobayer Health Food Company March 2, 2009 (Australia)	AUD2,000	Trading of food products

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Entity/Date and place of establishment/ incorporation	Amount of registered and paid-up capital/issued share capital	Principal activities
Shenzhen Zhongsheng April 23, 2009 (PRC)	RMB600,000	Retailing of health food products
Chengdu Zhongsheng April 6, 2011 (PRC)	RMB500,000	Retailing of health food products
Zhenjiang Zhongsheng April 28, 2011 (PRC)	RMB100,000	Retailing of health food products
Wuhan Zhongsheng May 23, 2011 (PRC)	RMB100,000	Retailing of health food products
Qingdao Zhongsheng June 24, 2011 (PRC)	RMB100,000	Retailing of health food products
Nanjing Deao July 15, 2011 (PRC)	RMB1,000,000	Importing of food products
Shanghai Zhongsheng November 18, 2013 (PRC)	RMB100,000	Retailing of health food products

Details of the corporate history of our Group are set out in the paragraph headed “Corporate history” in Appendix VII to this prospectus.

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PRE-IPO INVESTMENT

The table below sets forth details of our Pre-IPO investment:

Name of our Pre-IPO Investor	Date of Shanghai Fosun Pre-IPO Investment Agreement	Consideration paid (RMB)	Class of Shares	Settlement date of consideration	Use of proceeds	Approximate cost per Share paid by our Pre-IPO Investor	Discount to Offer Price ⁽¹⁾	Approximate percentage of shareholding interests held by our Pre-IPO Investor in our Company upon Listing ⁽²⁾
Shanghai Fosun	March 31, 2013 (as amended and supplemented on July 31, 2013)	50 million	Domestic Shares	May 22, 2013	(1) Daily operation (2) Renovation costs for new stores opened (3) Payment of listing fees	RMB0.82	30.7% to 48.0%	7.50%

Notes:

- (1) Such discount was calculated based on the Offer Price of not more than HK\$2.00 per Offer Share but not less than HK\$1.50 per Offer Share unless otherwise announced by our Company.
- (2) Assuming there is no exercise of the Over-allotment Option.

Shanghai Fosun Pre-IPO Investment Agreement

On March 31, 2013, Mr. Gui, Ms. Wu, Zhongyan Investment, our Company and Shanghai Fosun entered into the Shanghai Fosun Pre-IPO Investment Agreement, as amended by the supplemental agreement dated July 31, 2013. Pursuant to the Shanghai Fosun Pre-IPO Investment Agreement, Shanghai Fosun agreed to subscribe for RMB6,111,100 of the additional registered capital of our Company at a consideration of RMB50 million. The major terms of the Shanghai Fosun Pre-IPO Investment Agreement are set out below:

(1) Cash flow undertaking

Our Company undertakes that our operational cash flow for the four financial years ending December 31, 2016 shall be positive.

(2) Negative pledge

Before Listing, Mr. Gui and Ms. Wu shall retain control over our Company. They shall not create any pledge or transfer any of their Shares without the written consent of Shanghai Fosun.

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(3) Prior consent for declaration of dividend

Our Company is required to declare dividend of not less than 30% of net profits after tax of that financial year by way of cash from 2013 onwards. With the consent of Shanghai Fosun, Mr. Gui and Ms. Wu may decide to lower the percentage of dividend declaration or not to declare any dividend in view of the business development needs of our Company.

(4) Information rights

- (i) From the date of completion of the Shanghai Fosun Pre-IPO Investment Agreement, our Company has to provide to Shanghai Fosun the following:
 - (a) within 120 days of each financial year end, the (i) audited balance sheet, income statement, cash flow statement, statement of changes in equity and notes to financial statements; (ii) operation report of that financial year; and (iii) the implementation status of the budget of that financial year and a detailed budget of the coming financial year;
 - (b) not later than 10 working days after our Shareholders' meetings, meetings of our Board of Directors and meetings of Supervisors, the original or a copy with our Company chop confirming the relevant agendas and resolutions;
 - (c) not later than 10 working days after registration of corporate changes of our Company, the original or a copy with our Company chop confirming the relevant documents, which are namely business licence with a chop of the relevant PRC government authorities, business registration materials and the Articles of Association as well as a copy of the certificate of approval and approvals issued by the relevant PRC government authorities; and
 - (d) within 30 working days upon receiving the written request of Shanghai Fosun, information that our Company has and is suitable for disclosure.
- (ii) From the date of signing of the Shanghai Fosun Pre-IPO Investment Agreement, Shanghai Fosun may at any time inspect our Company's facilities, records and accounts provided that 10 working days of prior written notice is given and our Company's normal course of business is not affected within normal working hours.
- (iii) Shanghai Fosun is entitled to discuss with our Directors, management, employees, external auditors, legal advisors and securities dealer regarding our Company's business and operation.
- (iv) If the annual audit report prepared by a qualified accounting firm cannot be provided by our Company timely, Shanghai Fosun has the right to employ a qualified accounting firm to conduct audit on our Company. However, such audit must not affect the normal business operation of our Company.

HISTORY AND DEVELOPMENT

- (v) Shanghai Fosun is entitled to conduct audit checks on undertakings made by our Company, Mr. Gui and Ms. Wu pursuant to the Shanghai Fosun Pre-IPO Investment Agreement, including the cash flow undertaking and negative pledge as mentioned above. Our Company, Mr. Gui and Ms. Wu shall provide evidence of undertakings completed and coordinate with Shanghai Fosun for any audit check conducted.
- (vi) Our Company's management shall have meetings and/or discussion with the representatives of Shanghai Fosun and address their questions upon reasonable request of Shanghai Fosun.

(5) *Representation/attendance rights*

Shanghai Fosun has the right to assign representatives to attend meetings of our Board of Directors and operational meetings of our general managers and attend conferences relating to Listing convened by our Sponsor, our Company's accounting firm and legal advisors.

(6) *Right of first refusal*

In the course of Listing, if the CSRC, relevant securities and futures commission or other regulatory authorities raise questions on any of our Shareholder's identity, qualification, historical record or other areas which would constitute actual obstacles to Listing, such Shareholder has to take all necessary actions to transfer his Shares to a qualified investor within 10 days after the aforementioned authorities have issued a written advice. If such transfer cannot be completed within 30 days after receiving the written advice, Mr. Gui, Ms. Wu or Shanghai Fosun shall have the right to purchase the Shares of that Shareholder with the initial subscription price.

(7) *Duration*

All of the above rights and benefits of Shanghai Fosun pursuant to the Shanghai Fosun Pre-IPO Investment Agreement shall be terminated upon completion of Listing.

The consideration payable under the Shanghai Fosun Pre-IPO Investment Agreement was determined after arm's length negotiation between the parties and based on our past financial performance and market valuation of comparable companies.

The consideration payable by Shanghai Fosun under the Shanghai Fosun Pre-IPO Investment Agreement was settled on May 22, 2013. At the time of entering into the Shanghai Fosun Pre-IPO Investment Agreement and as of the Latest Practicable Date, Shanghai Fosun was independent from us and our Shareholders.

HISTORY AND DEVELOPMENT

Effect on Public Float

The PRC Company Law provides that in relation to a global offering of a company, the shares issued by a company prior to the global offering shall not be transferred within a period of one year from the date on which the publicly offered shares are traded on any stock exchange. Therefore, our Shares held by the Pre-IPO Investor would be subject to a lock-up period of one year after Listing. These Shares would not be considered as part of the public float for the purposes of Rule 8.08(1) of the Listing Rules as such are Domestic Shares which would not be listed and traded in Hong Kong.

Background of our Pre-IPO Investor

As of the Latest Practicable Date, Shanghai Fosun, an Independent Third Party, was principally engaged in share investment and investment consultation. Shanghai Fosun was established with one general partner, namely Fosun Capital Investment & Management Company Limited* (上海復星創富投資管理有限公司), which is principally engaged in investment management and invested RMB16 million in Shanghai Fosun, and other limited partners, including Shanghai Fosun Industrial Investment Company Limited* (上海復星產業投資有限公司) and Nanjing Steel Share Company Limited* (南京鋼鐵股份有限公司), which invested RMB484 million and RMB200 million in Shanghai Fosun respectively.

Immediately following completion of the Global Offering and assuming there is no exercise of the Over-allotment Option, Shanghai Fosun will beneficially hold 61,111,000 Domestic Shares, representing approximately 7.50% of the enlarged share capital of our Company.

Reasons and benefits of introduction of the Pre-IPO Investor

At the relevant time, we have been looking for investors to broaden our shareholding base and to provide financial resources for our business development. Shanghai Fosun invests in various industries including pharmacy and medicine, and possesses resources and experience in the pharmaceutical and related industries, which we believe would be beneficial to the development of our business in the nutritional supplements industry. Therefore, we entered into the Shanghai Fosun Pre-IPO Investment Agreement with the Pre-IPO Investor.

The Sole Sponsor confirmed that the transactions contemplated under the Shanghai Fosun Pre-IPO Investment Agreement are in compliance with the “Interim Guidance on Pre-IPO Investments” issued by the Listing Committee of the Hong Kong Stock Exchange as the consideration in relation to the Shanghai Fosun Pre-IPO Investment Agreement was settled on May 22, 2013, which was more than 28 clear days before the submission of the first application form to the Listing Division of the Hong Kong Stock Exchange in relation to the Listing.

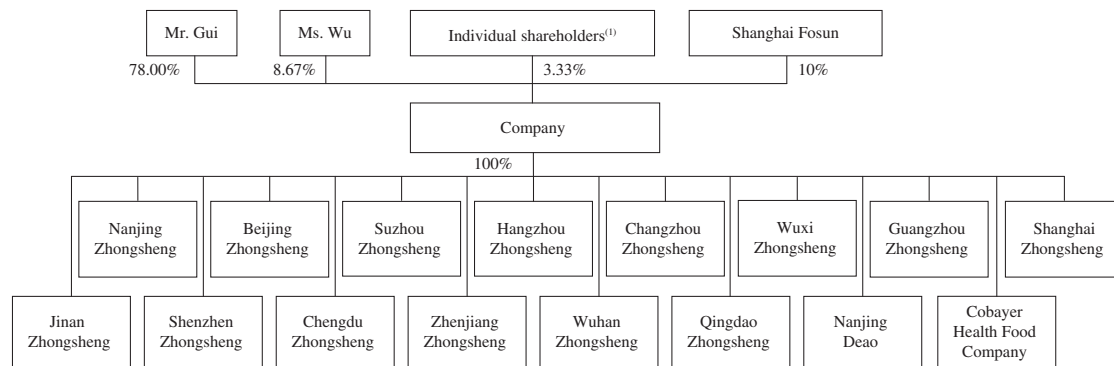
HISTORY AND DEVELOPMENT

After we received the proceeds from the pre-IPO investment, we have used a portion of such proceeds for our daily operation, establishment of new stores and payment of listing fees. Since late May 2013 and up to the Latest Practicable Date, we made total payments of approximately RMB15.9 million in relation to: (i) our daily operation, including tax payment of approximately RMB0.6 million and procurement of inventories of approximately RMB6.4 million; (ii) payment of renovation costs of approximately RMB0.6 million for new stores opened; and (iii) payment of listing fees of approximately RMB8.3 million.

OUR SHAREHOLDING AND GROUP STRUCTURE

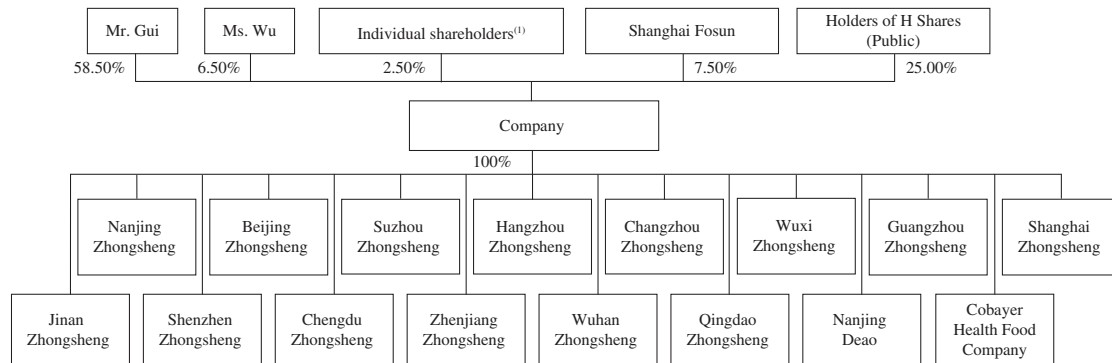
The subsidiaries of our Company did not undergo any reorganization prior to completion of the Global Offering.

The following chart sets out the shareholding and the structure of our Group immediately prior to completion of the Global Offering.



HISTORY AND DEVELOPMENT

The following chart sets forth the shareholding and the structure of our Group upon completion of the Global Offering, assuming the Over-allotment Option is not exercised.



Note:

- (1) The identity and shareholding of each of such individual shareholders of our Company prior to completion of the Global Offering and upon completion of the Global Offering are set out as follow, assuming the Over-allotment Option is not exercised:

Name	Position in our Company	Shareholding prior to completion of the Global Offering (%)	Shareholding upon completion of the Global Offering (%)
Ms. Zhang Yuan	Executive Director	1.080%	0.811%
Ms. Xu Li	Executive Director	0.900%	0.676%
Ms. Zhu Feifei	Executive Director	0.108%	0.081%
Ms. Yu Min	Supervisor	0.108%	0.081%
Ms. Ge Hongxia	Employee	0.108%	0.081%
Mr. Shen Yehai	Employee	0.108%	0.081%
Ms. Zhou Qian	Employee	0.108%	0.081%
Mr. Zhu Yu	Employee	0.108%	0.081%
Ms. Wang Tingting	Employee	0.108%	0.081%
Ms. Wu Xuemei	Supervisor	0.090%	0.068%
Ms. Liang Lijun	Employee	0.090%	0.068%
Ms. Zhang Tinghua	Employee	0.090%	0.068%
Ms. Duanmu Chuan Fen	Employee	0.072%	0.054%
Ms. Zhi Hui	Senior management and one of our joint company secretaries	0.072%	0.054%
Mr. Song Jiming	Senior management	0.045%	0.034%
Ms. Gao Zhen	Employee	0.045%	0.034%
Ms. Wang Li	Employee	0.045%	0.034%
Ms. Chen Hairong	Employee	0.045%	0.034%
Total		3.330%	2.502%

OVERVIEW

We are a fast-growing nutritional supplements retailer in a large and rapidly growing nutritional supplements industry in China. The nutritional supplements industry in China had a market size of over RMB580 billion in 2012, according to SMERI. We manufacture and sell high quality and safe nutritional supplements under our two key brands, namely Zhongsheng (中生) and Cobayer (康培爾), through self-managed retail stores in first- and second-tier cities in China, and a number of our key products are among the top selling products in their respective product categories in China.

We have adopted a branding-focused specialty store business model under which we manage all of our retail stores through our centralized management system, whereby our policies concerning customer services, marketing strategy, business development and financial management are formulated by our headquarters and executed by our self-managed retail stores on a uniform and consistent basis. Our branding-focused specialty store business model enables us to enhance our brand image and effectively provide a comprehensive selection of nutritional supplements and personalized health solutions to our customers. As of June 30, 2013, we operated a total of 49 self-managed retail stores under our two brands, namely Zhongsheng and Cobayer, in first- and second-tier cities in China with key focuses on Jiangsu and Zhejiang provinces, two of the most affluent regions in China. Our self-managed retail stores are strategically located in densely populated areas of our target markets to target affluent individuals, middle to high income families, elderly population and population under sub-health condition. Over the past few years, we have identified and captured market opportunities by successfully developing and launching a number of products in China ahead of our competitors. As a result of our first-mover advantages, we have achieved a leading market position with respect to some of our best-selling products in their respective product categories in China. According to SMERI, our Coenzyme Q₁₀ Tablets/Capsules (輔酶Q₁₀片/膠囊) accounted for the largest market share of 67.1% of coenzyme Q₁₀ products in China by sales revenue in 2012, representing 7.1 times of the market share of the second largest player for the same year. We are also among the very few companies in China which offer Olive Leaf Extract, Liver Tonic (Milk Thistle) Capsules and Emu Oil Capsules, or products similar to these products in terms of key ingredients and formula.

We have commenced our offering of Zhongsheng series products, a nutritional supplements product line developed and manufactured in China and designed for consumers in or over middle ages, since 2001. Following the success of our Zhongsheng series products, in 2009, we launched the Cobayer series products, a nutritional supplements product line manufactured in and imported from Australia. Through this product line, we aim to target a wider range of customers in China, in particular younger and affluent customers, in anticipation of increased customer demand for imported, high-quality nutritional supplements amid rising food safety concerns in China in recent years. In addition to the particular groups of customers we intend to target through our two product lines, we believe our potential customers also include those who are health-conscious or under sub-health condition. We currently own a total of 27 health food product approvals issued by CFDA, which approvals represent the highest product and regulatory standards imposed in China on nutritional supplements. We are currently in the process of applying for ten additional health food product approvals.

As of June 30, 2013, our product offerings included:

- *Zhongsheng series*: consisting of 14 nutritional supplements developed and manufactured in China under our Zhongsheng, Keda and Guishi brands, of which ten were approved by CFDA as health food products; and
- *Cobayer series*: consisting of 24 nutritional supplements under our Cobayer, Conbair,  and CoKanga brands, of which 23 were manufactured in and imported from Australia and one was manufactured in and imported from New Zealand.

By leveraging our in-depth industry and operating experience, we have successfully replicated our branding-focused specialty store business model from our headquarters in Nanjing, Jiangsu province, to other areas of China. As of June 30, 2013, our branding-focused retail network covered 25 cities in eight provinces and centrally administered municipalities in China, consisting of:

- 35 self-managed retail stores under our Zhongsheng brand, comprising 20 specialty stores, 13 regional sales offices and two department store concession counters, in which we sell our Zhongsheng series products as well as selected Cobayer series products; and
- 14 self-managed retail stores under our Cobayer brand, all located in premium shopping malls, in which we sell our Cobayer series products.

In addition to self-managed retail stores, we currently have one distributor which exclusively markets and sells our Zhongsheng and Cobayer series products in Shanghai only. We also started operations of our online shopping platform at <http://conbair.tmall.com> to sell our Cobayer series products in May 2013.

We utilize a combination of our own production facilities and third-party manufacturing capabilities to maintain operating flexibilities and reduce fixed costs, which also enables us to respond quickly to evolving industry trends and customer demands to launch products with different quantities, sizes and packaging configurations. Currently substantially all of our Zhongsheng series products are manufactured in our own production facilities in Nanjing, Jiangsu province and all of our Cobayer series products are manufactured by third-party manufacturers in Australia or New Zealand. As part of our efforts to further strengthen our control of product quality and safety, we are in the process of expanding our in-house production capabilities to add a new production line for our PRC manufactured nutritional supplements in the forms of soft gelatin capsules, canned powder and miniature bottled drinks, so as to reduce our outsourcing of production to third party manufacturers in China. We intend to continue to outsource the production of our Cobayer series products to third party manufacturers in Australia and New Zealand in the near future.

Benefiting from our competitive advantages and the favorable economic and industry trend in China, we have achieved rapid growth in recent years. From 2010 to 2012, our turnover increased from RMB66.9 million to RMB150.4 million and our net profit increased from RMB15.8 million to RMB57.2 million, representing a CAGR of 49.9% and 90.3%, respectively, outpacing the CAGR of the total revenue generated from the nutritional supplements industry in China of 17.3% during the same period. Our turnover increased by 32.7% from RMB64.8 million for the six months ended June 30, 2012 to RMB86.0 million for the six months ended June 30, 2013 and our net profit increased by 13.4% from RMB26.2 million to RMB29.7 million during the same period.

COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and distinguish us from our competitors:

We are well positioned to capitalize on high growth opportunities in the large and fast-growing nutritional supplements industry in China.

We operate in a large and fast-growing nutritional supplements industry. According to SMERI, the total sales revenue of the PRC nutritional supplements industry grew at a CAGR of 20.4% from 2010 to 2012 and reached approximately RMB580 billion in 2012, making the nutritional supplements industry one of the fastest growing industries in the PRC. SMERI estimates that the sales revenue of the nutritional supplements industry will continue to grow from 2013 to 2018 and reach approximately RMB1,730 billion in 2018. The growth of nutritional supplements industry in China is principally driven by the rising disposal income of consumers, increasing average age and life expectancy of the PRC population, growing population under sub-health condition in China and increasing awareness of nutritional supplements' benefits among the general population. According to the National Bureau of Statistics of China, per capita annual disposable income of urban households in China increased from RMB15,781 in 2008 to RMB24,565 in 2012, representing a CAGR of 11.7%. According to SMERI, China's per capita expenditure on nutritional supplements, however, remains significantly lower as compared with that of the United States and European countries. In addition, data from the National Bureau of Statistics indicates that the population in China over 60 years old, being part of our target customers, reached 194 million in 2012, representing 14.3% of the total PRC population in the same year, and is estimated by SMERI to further increase to 261 million by 2020. Furthermore, China's industrialization, economic growth and urbanization have been accompanied by rising pollution levels, increases in labor intensity and an increasingly stressful lifestyle, which in turn have led to a growing population under sub-health condition. According to SMERI, approximately 70% of the population in China are in sub-health condition and many of these people are in first- or second-tier cities. As a result of the combination of these factors, awareness of the benefits of and demand for nutritional supplements have been growing among populations of various age groups in China in recent years and are expected to further grow in the near future.

As a result of our 14-year operating history in the nutritional supplements industry in China, we have developed an in-depth understanding of this industry, which we believe affords us a significant competitive advantage to identify and capture high growth business opportunities in this industry. Driven in part by the favorable socio-economic factors and the rapid growth in the nutritional supplements industry, we have achieved significant growth in turnover and net profit in recent years, achieving a CAGR of 49.9% and 90.3%, respectively, from 2010 to 2012. We believe the growth in our industry will continue to be driven by consumers who increasingly embrace health and wellness as an important part of their lifestyles. By leveraging our branding-focused specialty store business model, broad and diversified product mix, wide spectrum of customers and solid knowledge and experience in the nutritional supplements industry, we believe we are well positioned to capture attractive market opportunities and deliver strong growth in terms of turnover, net profit and customer base.

We have established an effective brand-based marketing strategy and have achieved strong brand recognition in our target markets.

Through continuous brand building over the past years, we have successfully entrenched our brand with the core values which we have envisioned since our inception, and have won the recognition and trust of our target consumers. In particular, we believe our core value of promoting a healthier lifestyle and pursuing a higher standard of living is now shared by many of our customers. We place great emphasis on continuously strengthening the brand awareness of our two key brands, namely Zhongsheng and Cobayer, in our target markets and focus on product positioning, marketing, sales network and customer services:

- *Branding-focused sales chain:* We are focused on brand building through our own retail stores under Zhongsheng and Cobayer brands. By leveraging our centralized management structure, we have endeavored to consistently offer high quality, personalized shopping experience across all of our retail stores. We believe our branding-focused sales chain has significantly enhanced our brand awareness as compared with those competitors who are focused on wholesale distribution of products through supermarkets or drug stores.
- *Brand image and market positioning:* We believe product positioning is crucial to establish a distinctive and strong image of our brands against our competitors. Over the past years, in addition to our continuous endeavors to associate both Zhongsheng and Cobayer brands with high quality, safe nutritional supplements, we believe we have also successfully identified and built a distinctive brand image for each of these two brands and adopted differentiated marketing positioning strategies for these two product lines. We position our Zhongsheng series products as safe and reliable nutritional supplements for consumers in or over middle ages, a customer group which has a longer-term attention to health issues and demands in-depth education on nutritional supplements by our nutritionists. Our Cobayer series products, on the other hand, are positioned as high-end, fast-moving natural nutritional supplements and marketed to a wider range of consumers, in particular affluent and younger individuals and families who are more familiar with the

benefits of nutritional supplements and require less product education. We believe the fact that substantially all of our Cobayer series products are made in Australia, a country with strict product quality control and natural and clean environment, appeals to the Chinese consumers' ongoing demand for safe and reliable products. In addition, we strategically select premium shopping malls to open all of our Cobayer retail stores, which we believe would further strengthen our brand image of Cobayer as high-end nutritional supplements made in Australia.

- *Comprehensive customer services:* As part of our brand building efforts, we focus on developing lifetime relationships with our customers and emphasize serving their long-term health needs. Our personalized health solutions to customers are essential in promoting our brand name among target consumer groups. We have also endeavored to leverage the referrals of our existing customers to identify potential customers who may be interested in purchasing our products, and further promote our brand image among wider consumer groups and within a larger geographical area.
- *Top selling products:* Our proven track record in successfully launching top-selling products has also enabled us to further consolidate and enhance our brand image. With little product-specific advertisement in recent years, our Coenzyme Q₁₀ Tablets/Capsules accounted for the largest market share of 67.1% of coenzyme Q₁₀ products in China by sales revenue in 2012, representing 7.1 times of the market share of the second largest player for the same year, according to SMERI. In addition, according to SMERI, we are among the very few companies in China that offer Olive Leaf Extract, Liver Tonic (Milk Thistle) Capsules and Emu Oil Capsules, or products similar to these products in terms of key ingredients and formula. The proven sales record of these products has demonstrated our enhancement of brand building in these product categories.

We believe we are well positioned to further strengthen our brand awareness nationwide, consolidate and enhance market shares in the various product categories of nutritional supplements, and expand our customer base.

Our fast-growing retail network and diversified sales platform enable us to serve a broad customer base and meet growing and different customer demand.

We have a diversified sales platform with a wide geographic coverage of 25 cities in eight provinces and centrally administered municipalities in China as of June 30, 2013, which we believe effectively covers our target consumer groups and provides us with a strong base to further expand our network. Our diversified sales platform in China primarily consists of retail stores under our Zhongsheng brand, in the forms of specialty stores, regional sales offices and department store concession counters, and retail stores under our Cobayer brand, in the form of shopping mall stores. As of June 30, 2013, we had a total of 35 Zhongsheng retail stores in 22 cities and 14 Cobayer retail stores in 13 cities in China.

- In respect of our Zhongsheng retail stores, since we established our first Zhongsheng retail store in Nanjing, Jiangsu province in May 1999, we have successfully expanded our Zhongsheng retail stores to other major cities in Jiangsu and Zhejiang provinces, which we believe have a high concentration of affluent individuals with the ability and willingness to afford mid- to high-end nutritional supplements. We then expanded to first-tier cities in China including Shenzhen, Guangzhou and Beijing, and further to densely populated Shandong, Hubei and Sichuan provinces, which, our Directors believe, have significant growth potential in terms of consumer purchasing power. We strategically select the sites of our Zhongsheng retail stores with a view to maximizing retail coverage area while at the same time avoiding potential cannibalization amongst various locations. Most of our Zhongsheng retail stores are located in central business districts, well-established residential areas or local transportation centers. The number of our Zhongsheng retail stores grew from 13 as of January 1, 2010 to 35 as of June 30, 2013.
- In respect of our Cobayer retail stores, as our first store was opened recently in June 2012, we typically select markets that we are familiar with from our experience of operating Zhongsheng retail stores, or markets we believe have significant demand for high-end nutritional supplements. Unlike our Zhongsheng retail stores, we consistently choose to locate all of our Cobayer retail stores in large, premium shopping malls in the relevant cities in order to target relatively young and affluent shoppers and to establish and strengthen the brand image of our Cobayer retail stores as a provider of high-end imported nutritional supplements. We believe we have executed this business strategy successfully with a proven record to rapidly grow our Cobayer retail stores from one as of June 30, 2012 to 14 as of June 30, 2013.

We believe our branding-focused and self-managed retail network differentiates us from many of our competitors, in particular those relying on distributors to sell products through supermarkets or drug stores. Due to the product nature of nutritional supplements, we believe extensive interactions with customers and consumer education on nutritional ingredients and benefits are essential to enable target customers to make well-informed decisions. Unlike other types of sales channels such as wholesale distributorship through supermarket or drug store chains, our self-managed retail stores serve as an effective platform to allow our professional sales team to provide personalized customer services to our customers and have face-to-face interactions with customers to understand the rapidly changing consumer preferences, which in turn helps us respond quickly to market trends, deliver a personalized shopping experience to our customers, enhance our brand awareness and maintain high customer satisfaction level. All these benefits have further allowed us to price our products with more flexibility and achieve a high gross profit margin in the past few years. In addition, our Cobayer retail stores in premium shopping malls afford our customers a branding-focused shopping experience that is unlikely to be offered by many of our competitors focusing on sales channels in supermarkets or drug stores. As all of our retail stores are established and managed by us, we have gained significant experience over the past years in opening and managing our retail stores. We have formulated a set of comprehensive, standardized and effective procedures in managing and expanding our retail network, including location selection, day-to-day operations, training of

sales staff, inventory management and payment settlement arrangements, and have a well-trained, efficient team to execute these procedures in new markets. We believe we have successfully entered markets with different dynamics in recent years and are well positioned to replicate our sales model and expand into additional markets.

We provide comprehensive health solutions to a broad, age-balanced and loyal customer base.

Providing comprehensive health solutions to our customers is one of the core values of our Group which guides our operations from product development to customer service. When developing a new product, we assess, among other factors, whether it is complementary to our existing product offerings. Our current product offerings allow us to provide nutritional support to various age groups and meet a variety of health needs of our customers. In addition, we have also devoted substantial resources on customer interactions to understand the health status of our customers and their specific needs, introduce the ingredients and nutritional benefits of our products, and provide personalized healthcare solutions and product selection advice. From time to time, we invite customers to visit our production facilities and headquarters to form a positive perception of our corporate culture and production process. Furthermore, we offer extensive training programs to our employees, strongly encouraging them to obtain national public health nutritionist certificates (公共營養師國家職業資格證) so as to provide professional nutrition advice to our customers. As of June 30, 2013, 57 of our employees, representing approximately 18% of our sales representatives and customer service staff, obtained national public health nutritionist certificates. We believe all these efforts have allowed us to provide comprehensive health solutions to our customers and reinforced customer loyalty among our existing customers, which creates significant potential opportunities for us to up-sell and cross-sell our products, and promotes our brand reputation among potential new customers. These efforts also help us to charge a price premium for our nutritional supplements as compared with our industry peers who rely on supermarkets or drug stores operated by third parties to sell products to end consumers.

By leveraging our superb customer services, we have developed a broad, age-balanced and loyal customer base. Customers for our Zhongsheng series products are primarily consumers in or over middle ages, and customers for our Cobayer series products are relatively younger. We also leverage the customer base of our Zhongsheng retail stores to cross sell both of our Zhongsheng series products and Cobayer series products. Over the past years, we have endeavored to tailor our product offerings to the rapidly changing consumer preferences in the nutritional supplements industry, which in turn have helped us expand our customer base and attract customers with diversified preferences and health needs.

To further strengthen customer loyalty, we have also launched nationwide two customer loyalty programs for our customers of Zhongsheng retail stores and Cobayer retail stores, respectively. Members of these two programs not only enjoy discounts based on their aggregate purchase amounts, but also receive services we exclusively offer to our members such as free body check-up, invitation to our health seminars and special offers on birthdays. We believe our customer loyalty programs have further promoted the loyalty of our customers, motivating our customers to make repeat purchases and building and enhancing long-term relationships with our customers.

We offer a broad, diversified product mix with a number of top selling products in their respective product categories in China and maintain a strong pipeline of nutritional supplements for future development.

As of June 30, 2013, we offered 38 products, consisting of 14 Zhongsheng series products and 24 Cobayer series products. Our broad, diversified product offerings are designed to provide nutritional support to consumers in or over middle ages or consumers who are health conscious or are in sub-health condition. In particular, our Zhongsheng series products are focused on providing nutritional support to help alleviate physical fatigue and improve immune system, and the concept behind our Cobayer series products is to provide high-end nutritional supplements originated in Australia, which not only offers a variety of choices of imported nutritional supplements, but also contributes to a high-quality, healthy lifestyle that our consumers may be pursuing.

By leveraging our in-depth understanding of the PRC nutritional supplements industry from our 14-year operating history and our continuous study on the industry trend and customer preference, we have identified and captured market opportunities by successfully launching a number of products in China ahead of our competitors over the past few years. As a result of our first-mover advantages, we have achieved a leading market position with respect to some of our best-selling products in their respective product categories in China. For example, we obtained health food product approval from CFDA for our Coenzyme Q₁₀ Tablets/Capsules (輔酶Q₁₀片/膠囊) in November 2007, which was ahead of many of our competitors. Our Coenzyme Q₁₀ Tablets/Capsules accounted for the largest market share of 67.1% of coenzyme Q₁₀ products in China by sales revenue in 2012, representing 7.1 times of the market share of the second largest player for the same year, according to SMERI. Our Coenzyme Q₁₀ Capsules was approved as a “High-Tech Product” by Jiangsu Provincial Department of Science and Technology in 2012, making it the only coenzyme Q₁₀ product in China that has been approved as a “High-Tech Product” (高新技術產品) by provincial or national level authorities, according to SMERI. In addition, according to SMERI, some of our Cobayer series products, such as Olive Leaf Extract, Liver Tonic (Milk Thistle) Capsules and Emu Oil Capsules, are rarely offered by our competitors in China, which further afford us a competitive advantage to capture market shares in the relevant product categories and flexibility to price these products due to the lower degree of saturation of the relevant market segments.

In addition, we launched new products and introduced best-selling products with increased servings to meet the rapidly changing customer preferences from time to time in the past few years, which has further diversified our product mix and driven our turnover growth.

Furthermore, we currently have a strong pipeline of products that we plan to launch over the next several years depending on market demands and conditions. Product candidates of our Zhongsheng series products include five CFDA-approved vitamin products and three new products for which we are preparing to apply to the CFDA for approval as health food products, which are primarily designed to help maintain a normal, healthy blood glucose level, provide antioxidant supplements and improve immune system. Product candidates of our Cobayer series products primarily include certain dairy products, cereal products and bottled drinks. We are also in the process of applying for health food product approvals issued by CFDA for seven existing Cobayer series products. If and when approved by the CFDA, we intend to sell these Cobayer series products as health food products in China, which we believe should further enhance positive consumer perception of the safety and quality of these products. As of the Latest Practicable Date, we commenced sales of three honey products and two cereal products. For details of our product pipeline, see “– Our Product Pipeline”.

BUSINESS

Our experienced management team has strong execution capabilities and a proven track record of generating growth for us.

We have a relatively stable management team and the core members of our senior management team have worked together for more than a decade. Our senior management team possesses solid industry knowledge, extensive operational experience and a proven track record of generating rapid growth for us. Mr. Gui, our founder, chairman and executive Director, has over 14 years of experience in the nutritional supplements industry. By leveraging Mr. Gui's leadership and vision in business strategies, product selection, business operations and regulatory compliance, as well as his relationships with our suppliers and third-party manufacturers in China and Australia, we are able to understand and capitalize on the ever-evolving market trends in the nutritional supplements industry in China, and capture high growth market opportunities. Besides Mr. Gui, other members of our senior management team also have extensive experience in the nutritional supplements industry, and have successfully led and directed our sales and marketing, research and development, production and management of retail network.

We believe our senior management possesses the capabilities and expertise required to anticipate changes in consumer preferences, develop new products and expand our retail network, which has played and will continue to play a key role in the success of our business.

STRATEGIES

We intend to become a leading provider of nutritional supplements in China, offering comprehensive health-related products and solutions. To achieve this goal, we plan to pursue the following strategies:

Further expand our Zhongsheng and Cobayer sales network to enhance geographical and customer coverage

We intend to further replicate our self-managed retail stores in new and existing markets so as to consolidate our market position and enter new geographical areas. When entering new markets, we intend to consider, among other factors, the purchasing power and consumption level of the local consumers, demographic characteristics of the local region and competitive landscape of the local nutritional supplements markets, and set up appropriate forms of self-managed retail stores based on the consumption and spending habits of different cities and regions. Our target regions in the near future primarily include first-tier cities, provincial capitals and affluent second-tier cities in China. Due to the different product positioning strategies and target consumer groups, we intend to take different approaches to enhance turnover generated from our two sales chains:

- *Zhongsheng sales chain:* We plan to focus on same store sales growth for our existing Zhongsheng retail stores in the near future, which we believe will be supported by the forecasted industry growth, marketing and brand building initiatives we intend to take and future product introductions. We also seek to increase the number of our Zhongsheng retail stores to 45 by the end of 2014 and may use a portion of the proceeds from the Global Offering to open not less than 20 additional Zhongsheng retail stores in 2015 and 2016, depending on prevailing market conditions. The average investment amount per new Zhongsheng retail store, assuming the store has approximately 80 square meters, is RMB410,000, and the average payback period is approximately five months.

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To avoid over-saturation of markets in our target regions and based on our current estimates, we intend to open not more than four Zhongsheng retail stores in each first-tier city, such as Beijing, Shanghai, Guangzhou and Shenzhen, not more than three Zhongsheng retail stores in each target provincial capital and other centrally administered municipality of China and not more than two Zhongsheng retail stores in each of the other target cities in China. The following table sets forth a breakdown of our expansion plan of Zhongsheng retail stores from 2014 to 2016, based upon our current expectation and subject to prevailing market conditions.

Year	Number of new stores for each location	Location	Minimum capital required⁽¹⁾
2014	1	• Beijing, Chengdu, Wuhan, Xiamen, Hefei, Chongqing, Kunming, Shenyang and Zhengzhou	RMB3.7 million
	2	• Guangzhou	RMB0.8 million
2015	1	• Shaanxi province, Jiangxi province, Shandong province and Tianjin	RMB1.6 million
	3	• Jiangsu province and Fujian province	RMB2.5 million
2016	1	• Fujian province, Jiangxi province, Shandong province and Jiangsu province	RMB1.6 million
	2	• Anhui province, Guangdong province and Zhejiang province	RMB2.5 million
Total	31		RMB12.7 million

Note:

(1) Minimum capital required is calculated on the assumption that the minimum investment amount per Zhongsheng retail store is RMB410,000.

- *Cobayer sales chain:* Subject to market conditions, we plan to increase the number of our Cobayer retail stores to 72 by the end of 2014 and may use a portion of the proceeds from the Global Offering to open not less than 80 additional Cobayer retail stores in 2015 and 2016. The average investment amount per new Cobayer retail store, assuming the store has approximately 30 square meters, is RMB220,000, and the average payback period is approximately four months. In addition, we plan to devote more resources to the development of our online Cobayer store at <http://conbair.tmall.com>, which commenced operations in May 2013, so as to enhance sales through this new platform. Through our online Cobayer store, we expect to benefit from the rapidly growing e-Commerce business in China.

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To avoid over-saturation of markets in our target regions and based on our current estimates, we intend to open not more than eight Cobayer retail stores in each first-tier city, such as Beijing, Shanghai, Guangzhou and Shenzhen, not more than four Cobayer retail stores in each target provincial capital and other centrally administered municipality of China and not more than two Cobayer retail stores in each of the other target cities in China. The following table sets forth a breakdown of our expansion plan of Cobayer retail stores from 2014 to 2016, based upon our current expectation and subject to prevailing market conditions.

Year	Number of new stores for each location	Location	Minimum capital required⁽¹⁾
2014	1	• Jiangyin, Nantong, Taiyuan, Xi'an, Kunming, Changzhou and Fuzhou	RMB1.5 million
	2	• Chengdu, Chongqing, Hangzhou, Suzhou, Wuxi, Nanjing, Shenzhen, Guangzhou, Qingdao, Dalian, Changchun, Harbin and Shenyang	RMB5.7 million
	3	• Beijing, Tianjin and Shanghai	RMB2.0 million
2015	1	• Yunnan province	RMB0.2 million
	2	• Tianjin, Chongqing, Guangdong province, Heilongjiang province, Jilin province, Liaoning province, Shaanxi province and Anhui province	RMB3.5 million
	3	• Beijing, Shanghai, Shanxi province, Sichuan province and Shandong province	RMB3.3 million
	4	• Jiangsu province and Zhejiang province	RMB1.8 million
2016	1	• Yunnan province and Shaanxi province	RMB0.4 million
	2	• Tianjin, Chongqing, Heilongjiang province, Jilin province, Liaoning province, Shanxi province, Shandong province and Anhui province	RMB3.5 million
	3	• Beijing, Shanghai, Guangdong province and Sichuan province	RMB2.6 million
	5	• Jiangsu province and Zhejiang province	RMB2.2 million
Total	122		RMB26.7 million

Note:

- (1) Minimum capital required is calculated on the assumption that the minimum investment amount per Cobayer retail store is RMB220,000.

Enhance our brand recognition to attract new customers

We will focus on promoting our core brands Zhongsheng and Cobayer in the future, with a particular focus to associate these two brands with high-quality, safe nutritional supplements that contribute to a healthy lifestyle that our customers may pursue. To achieve these goals, we plan to make the following efforts:

- *Improving our research and development capabilities:* We intend to build a research, development and testing center in our current production base in Nanjing, Jiangsu province, to support our day-to-day research and development activities as well as our testing of raw materials and finished products. We intend to build three departments within our research, development and testing center, consisting of quality control department (質量研究室), technology research department (工藝研究室) and natural plant extract department (天然植物提取研究室). The quality control department is expected to be equipped with machines to carry out toxicity and stability analysis and testing, so as to improve product quality and assess the shelf life and storage criteria for our products. The technology research department will conduct research on manufacturing technologies with respect to products in the forms of tablets, soft gelatin and hard-shell capsules, powder and miniature bottled drinks, so as to upgrade our existing technologies and support our manufacturing of products in new forms. The natural plant extract department will be equipped with machines for extraction, evaporation, separation and drying, so as to enable us to extract ingredients from natural plants and carry out quality analysis of such extracts during product development stages. We also intend to establish an information and logistic control center to ensure timely collection and sound analysis of consumer preferences and market trends and a smooth process of taking product concept from the idea stage, to product development, to testing and trials and ultimately to the shelf to be sold to our customers in a timely manner. We plan to expand our research and development team from nine employees as of June 30, 2013 to approximately 30 employees within the next three years and continue collaborating with research institutions in China on new product developments;
- *Enhancing production capacity to reduce outsourcing of production to third-party manufacturers with a great emphasis on product safety:* To supplement our existing product capacity and support our continuously evolving and diversifying product portfolio, we are in the process of constructing a new production line in our production base in Nanjing, Jiangsu province. This new production line is expected to enable us to manufacture nutritional supplements in new forms that we currently have no capacity of manufacturing, consisting of soft gelatin capsules, canned powder and miniature bottled drinks with a designed annual capacity of 800,000 units, 650,000 units and 2.0 million units, respectively, which is expected to complete by the end of 2015. Upon completion of this new production line, we will be able to manufacture nutritional supplements in the forms of hard-shell capsules, soft gelatin capsules, tea bags, powders, canned powder and miniature bottled drinks. For product candidates of our Zhongsheng series products that we plan to offer in the forms of soft gelatin capsules, canned powder and miniature bottled drinks in the near future, see “– Our Product Pipeline – Zhongsheng Series Products”; and

- *Devoting more resources on advertising and other marketing efforts:* We intend to enhance our market efforts on nationwide television networks, newspapers, magazines, internet and other media that have broader geographic coverage, so as to enhance our brand awareness among new customers. In addition, we plan to design marketing campaigns consistent with our product promotion and branding strategies and, through extensive and uniform training courses, to ensure that such strategies are carried out consistently by our sales force.

Continue improving our customer services to maintain high customer satisfaction level and attract new customers

We believe superior customer services are critical to attracting new customers and retaining our existing customers so as to generate repeat businesses. We intend to continue providing in-house and external training courses to our sales representatives and customer service staff, covering general health knowledge, market trend of nutritional supplements, our corporate culture, information about our products and sales skills. Through these training courses, we expect that the number of our employees with national public health nutritionist certificates will continue to increase in the future, reaching 200 employees by the end of 2014. In addition, we intend to improve the efficiency and function of our centralized customer service database through technical upgrades on a regular basis to ensure that it will support our growing customer base and enable us to provide personalized services to our customers. Furthermore, we seek to enhance our services to members of our two customer loyalty programs by designing exclusive marketing activities for our members and evaluating our services to them through interviews, surveys and customer service hotlines.

Seek to develop new products with high growth potential to optimize and diversify our product offerings

We seek to continuously introduce new products with high growth potential to enhance our profitability. We believe our strong product pipelines will enable us to continue to enrich and diversify our product portfolio. These product pipelines primarily include five CFDA-approved vitamin products, 25 Zhongsheng product candidates which we intend to develop prior to 2016, seven Cobayer series products for which we are in the process of applying for imported CFDA health food product approvals, and certain other Cobayer series products we intend to launch in the near future. We also intend to launch new products from time to time that are complementary to, and can generate significant cross-selling potential for, our existing product offerings and match our brand image and product positioning. Furthermore, we plan to closely monitor the market trends in countries with a mature nutritional supplements industry, in particular, Australia, and analyze such trends with a view to introducing new product candidates and concepts into China.

Seek to identify compelling investment and acquisition opportunities

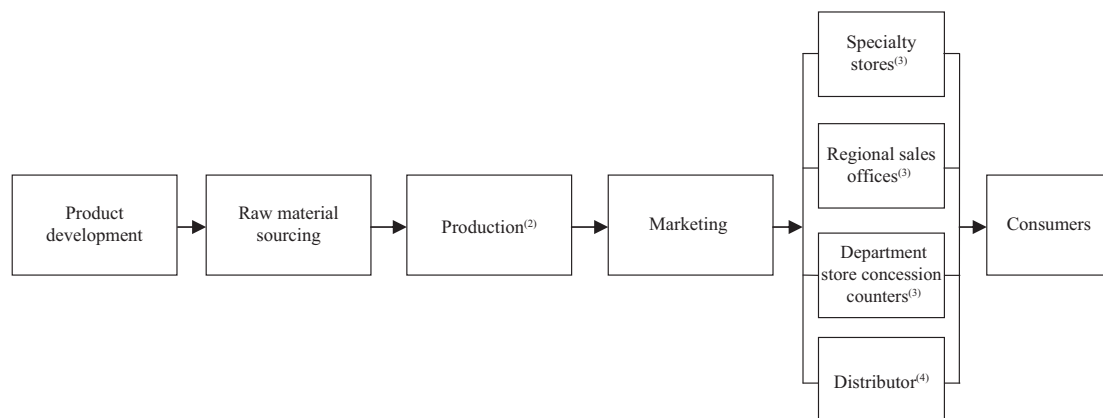
As the nutritional supplements industry in China continues to develop and has experienced increasing consolidation in recent years, we expect investment and acquisition opportunities will continue to emerge. We plan to devote resources to identify investment and acquisition opportunities, including without limitation, opportunities related to the expansion of retail network, improvement of research and development capabilities and vertical integration of supply chain, manufacturing process and other aspects of our business operations so as to further consolidate and develop our market position. In determining whether to make an investment or acquisition, we intend to take into account many factors, including the expected growth of the nutritional supplements industry, our management and financial resources and potential synergies with our current business.

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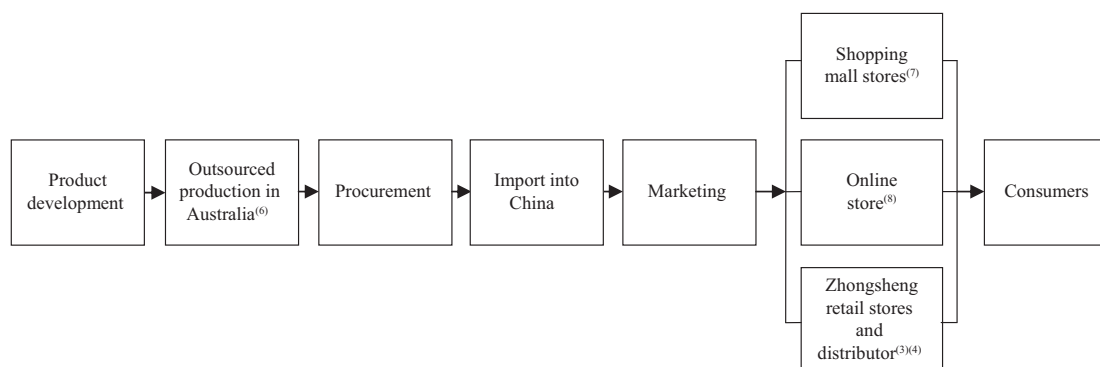
OUR BUSINESS MODEL

We have a branding-focused specialty store business model based on our two product lines. The following diagram illustrates our current business model.

Zhongsheng series products⁽¹⁾



Cobayer series products⁽⁵⁾



Notes:

- (1) All Zhongsheng series products are sold under our Zhongsheng, Keda and Guishi brands.
- (2) All Zhongsheng series products are manufactured in our own production facilities in Nanjing, Jiangsu province, except that production of three soft gelatin capsule products and two miniature bottled drinks is outsourced to certain Independent Third Parties.
- (3) These retail stores are operated under our own Zhongsheng brand. Both of our Zhongsheng series products and a selected number of Cobayer series products are sold in these Zhongsheng retail stores.
- (4) This distributor is authorized to exclusively market and sell our products, including both Zhongsheng series products and Cobayer series products, in Shanghai only.
- (5) Most of our Cobayer series products are sold under our own Cobayer brand and a small portion is sold under our Conbair,  and CoKanga brands.
- (6) During the Track Record Period, all of our Cobayer series products were manufactured by third-party manufacturers in Australia except one product which was manufactured in New Zealand.
- (7) All of our shopping mall stores are operated under our Cobayer brand.
- (8) Our online Cobayer store commenced operation in May 2013.

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OUR PRODUCTS

Overview

We are primarily engaged in (i) the development, production and sale of a wide range of nutritional supplements developed and manufactured in China under our Zhongsheng, Keda and Guishi brands, most of which are CFDA-approved health food products; and (ii) the import and offer of a variety of Australian made nutritional supplements in our retail stores under our Cobayer, Conbair,  and CoKanga brands. During the Track Record Period, we also offered a small number of third-party branded Australian nutritional food and gifts. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, substantially all of our turnover was generated from our sales of products in China.

The following table sets forth, for the periods indicated, selected financial information of our product lines.

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	<i>(RMB in thousands, except percentages)</i>				
Zhongsheng series products					
Turnover.	48,410	61,332	95,744	38,547	36,635
Gross profit.	41,399	55,147	88,843	35,802	33,563
Gross margin.	85.5%	89.9%	92.8%	92.9%	91.6%
Cobayer series products					
Turnover.	16,922	40,837	52,613	25,505	45,537
Gross profit.	11,570	27,849	40,782	18,909	38,711
Gross margin.	68.4%	68.2%	77.5%	74.1%	85.0%

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The following table sets forth, for the periods indicated, a breakdown of our turnover by product lines.

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
Zhongsheng series products										
Coenzyme Q ₁₀										
Tablets/Capsules	18,107	27.1	34,504	33.4	42,179	28.0	16,489	25.4	14,969	17.4
Linolenic Acid Soft										
Capsules	–	–	1,327	1.3	24,280	16.1	12,623	19.5	2,014	2.3
Grapeseed Capsules	253	0.4	574	0.6	20,076	13.4	5,063	7.8	7,391	8.6
Weisi Capsules	483	0.7	4,751	4.6	3,526	2.4	1,405	2.2	9,443	11.0
Others ⁽¹⁾	29,567	44.2	20,176	19.5	5,683	3.8	2,967	4.6	2,818	3.3
Subtotal	48,410	72.4	61,332	59.4	95,744	63.7	38,547	59.5	36,635	42.6
Cobayer series products										
Olive Leaf Extract	1,641	2.5	7,673	7.4	22,399	14.9	11,279	17.4	13,504	15.7
Emu Oil Capsules	–	–	3,980	3.9	10,311	6.8	6,600	10.2	10,312	12.0
Evening Primrose Oil										
Capsules	627	0.9	463	0.4	557	0.4	128	0.2	25	–
Liver Tonic (Milk Thistle)										
Capsules	2,127	3.2	6,767	6.6	5,276	3.5	931	1.4	5,339	6.2
Algal DHA Composite Oil	–	–	–	–	17	–	–	–	4,450	5.2
Squalene Capsules	3,533	5.3	7,076	6.9	1,662	1.1	937	1.4	712	0.8
Blueberry Capsules	3,680	5.5	5,766	5.6	1,323	0.9	622	1.0	860	1.0
Others ⁽²⁾	5,314	7.9	9,112	8.8	11,068	7.4	5,008	7.7	10,335	12.1
Subtotal	16,922	25.3	40,837	39.6	52,613	35.0	25,505	39.3	45,537	53.0
Others ⁽³⁾	1,518	2.3	1,075	1.0	2,015	1.3	767	1.2	3,793	4.4
Total	66,850	100.0	103,244	100.0	150,372	100.0	64,819	100.0	85,965	100.0

Notes:

- (1) Including primarily CFDA health food products such as Keda Green Capsules (科大牌綠芝膠囊), Natural α-Linolenic Acid Soft Capsules (天然α – 亞麻酸膠丸), Zhongsheng Goat Milk Calcium Tablets (中生牌羊乳鈣片), Zhongsheng Calcium and Magnesium/Vitamin D Tablets (中生牌鈣鎂/維D片) and Zhongsheng Propolis Soft Capsules (中生牌蜂膠軟膠囊), and regular nutritional supplements without health food product approvals issued by CFDA such as Zhongsheng Natto Oxytropis Argentata Capsules (中生牌納豆銀棘膠囊), Zhongsheng Cordyceps Capsules (中生牌蛹蟲草膠囊), Zhongsheng Collagen Capsules (中生牌膠原蛋白膠囊), Zhongsheng Prebiotics Yeast Extract Capsules (中生牌益生源酵母精膠囊), Zhongsheng Meridian Soft Capsules (中生牌通絡康軟膠囊), Zhongsheng Oyster Capsules (中生牌生蠔膠囊), Guishi Vegetable Extract Powder (桂氏蔬菜精粉), Keda Sea Cucumber Capsules (科大牌海參寶膠囊), Pomegranate Fruit Drink (石榴果飲) and Blueberry Fruit Drink (藍莓果飲).
- (2) Including primarily Australian Extra Virgin Olive Oil, Salmon Oil Capsules, Saw Palmetto Capsules, Omega-3 Capsules, Algal DHA Composite Oil, Cod Fish Oil Capsules, Organic Tasmania Leatherwood Honey and certain protein powder and milk powder products.
- (3) Representing third-party branded Australian nutritional food and gifts.

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The following table sets forth, for the periods indicated, the turnover of our CFDA-approved health food products and regular nutritional supplements, and their respective percentages of our total turnover.

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
CFDA-approved health food products										
Zhongsheng series products ⁽¹⁾	41,174	61.6	57,485	55.7	93,001	61.8	37,176	57.4	35,400	41.2
Regular nutritional supplements										
Zhongsheng series products ⁽²⁾	7,236	10.8	3,847	3.7	2,743	1.8	1,371	2.1	1,235	1.4
Cobayer series products	16,922	25.3	40,837	39.6	52,613	35.1	25,505	39.3	45,537	53.0
Others ⁽³⁾	1,518	2.3	1,075	1.0	2,015	1.3	767	1.2	3,793	4.4
Subtotal	25,676	38.4	45,759	44.3	57,371	38.2	27,643	42.6	50,565	58.8
Total	66,850	100.0	103,244	100.0	150,372	100.0	64,819	100.0	85,965	100.0

Notes:

- (1) All of our CFDA-approved health products are Zhongsheng series products.
- (2) During the Track Record Period, the regular nutritional supplements offered by us under Zhongsheng series products without health food product approvals issued by CFDA consisted of Zhongsheng Natto Oxytropis Argentata Capsules (中生牌納豆銀棘膠囊), Zhongsheng Cordyceps Capsules (中生牌蛹蟲草膠囊), Zhongsheng Collagen Capsules (中生牌膠原蛋白膠囊), Zhongsheng Prebiotics Yeast Extract Capsules (中生牌益生源酵母精膠囊), Zhongsheng Meridian Soft Capsules (中生牌通絡康軟膠囊), Zhongsheng Oyster Capsules (中生牌生蠔膠囊), Guishi Vegetable Extract Powder (桂氏蔬菜精粉), Keda Sea Cucumber Capsules (科大牌海參寶膠囊), Pomegranate Fruit Drink (石榴果飲) and Blueberry Fruit Drink (藍莓果飲).
- (3) Representing third-party branded Australian nutritional food and gifts.

Zhongsheng Series Products

During the Track Record Period, we offered 28 products under our Zhongsheng, Keda and Guishi brands, respectively, of which 18 were approved as health food products by the CFDA. All of these products were manufactured in our production facilities in Nanjing, Jiangsu province, except the production of certain products in the forms of soft gelatin capsules and miniature bottled drinks has been outsourced to certain Independent Third Parties. We commenced sales of Zhongsheng series products in 2001 and all of these products are sold in our Zhongsheng retail stores. Through this product line, we aim to offer a broad product mix to provide nutritional supports to consumers in or over middle ages with a focus on helping alleviate physical fatigue and improving immune system. During the Track Record Period, our best-selling products within this product line included Coenzyme Q₁₀ Tablets/Capsules (輔酶 Q₁₀片/膠囊), Linolenic Acid Soft Capsules (亞麻酸軟膠囊) and Grapeseed Capsules (葡芪膠囊) under our Zhongsheng brand, and Weisi Capsules (維思膠囊) under our Guishi brand.

Coenzyme Q₁₀ Tablets/Capsules (輔酶Q₁₀片/膠囊)



Our Coenzyme Q₁₀ Tablets/Capsules are designed to help alleviate physical fatigue. Our Coenzyme Q₁₀ Tablets/Capsules were approved as health food products by the CFDA in November 2007 and Coenzyme Q₁₀ Capsules was further approved as a “High-Tech Product” (高新技術產品) by Jiangsu Provincial Department of Science and Technology in August 2012. We have been manufacturing and selling our Coenzyme Q₁₀ Capsules since June 2008 and our Coenzyme Q₁₀ Tablets since October 2011, each under our Zhongsheng brand, and currently have a product liability insurance coverage of RMB1.0 million in aggregate for a one-year insurance period on these two products. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, turnover derived from our sales of Coenzyme Q₁₀ Tablets/Capsules was RMB18.1 million, RMB34.5 million, RMB42.2 million and RMB15.0 million, respectively, accounting for 27.1%, 33.4%, 28.0% and 17.4% of our total turnover for the same periods, respectively. The average selling price of our Coenzyme Q₁₀ Tablets/Capsules ranged from RMB232.5 per bottle to RMB388.9 per bottle during the Track Record Period.

Our Coenzyme Q₁₀ Tablets/Capsules primarily comprise coenzyme Q₁₀, lactose and microcrystalline cellulose. We are not involved in the fermentation process of coenzyme Q₁₀, the key raw material for our manufacturing of Coenzyme Q₁₀ Tablets/Capsules, and source post-fermentation coenzyme Q₁₀ from third-party suppliers. Every 100.0g of our Coenzyme Q₁₀ Tablets/Capsules contains 3.3g coenzyme Q₁₀. Our Coenzyme Q₁₀ Tablets/Capsules are available in tablets and hard-shell capsules forms and sold in the forms of 120 tablets per bottle, 30 capsules per bottle, and 90 capsules per bottle. Our Coenzyme Q₁₀ Tablets/Capsules have a shelf life of 24 months.

Linolenic Acid Soft Capsules (亞麻酸軟膠囊)



Our Linolenic Acid Soft Capsules are designed to assist in lowering blood lipid level. It was approved as a health food product by CFDA in January 2011. We have been manufacturing and selling this product under our Zhongsheng brand since October 2011. For the years ended December 31, 2011 and 2012 and the six months ended June 30, 2013, turnover derived from our sales of Linolenic Acid Soft Capsules was RMB1.3 million, RMB24.3 million and RMB2.0 million, respectively, accounting for 1.3%, 16.1% and 2.3% of our total turnover for the same periods, respectively. The average selling price of our Linolenic Acid Soft Capsules ranged from RMB167.8 per bottle to RMB324.4 per bottle during the Track Record Period.

Our Linolenic Acid Soft Capsules primarily comprise perilla oil, vitamin E and gelatin. Every 100.0g of our Linolenic Acid Soft Capsules contains 45.0g α -Linolenic acid. Our Linolenic Acid Soft Capsules are available in soft gelatin form and sold in the form of 120 soft gelatin capsules per bottle. Our Linolenic Acid Soft Capsules have a shelf life of 24 months.

Grapeseed Capsules (葡芪膠囊)



Our Grapeseed Capsules are designed to help improve immune system. It was approved as a health food product by CFDA in August 2006 and acquired by us from Nanjing Zhongsheng Pharmaceutical in August 2010. We have been manufacturing and selling this product under our Zhongsheng brand since August 2007 pursuant to the then authorization by Nanjing Zhongsheng Pharmaceutical. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, turnover derived from our sales of Grapeseed Capsules was RMB0.3 million, RMB0.6 million, RMB20.1 million and RMB7.4 million, respectively, accounting for 0.4%, 0.6%, 13.4% and 8.6% of our total turnover for the same periods, respectively. The average selling price of our Grapeseed Capsules ranged from RMB32.6 per bottle to RMB941.7 per bottle during the Track Record Period.

Our Grapeseed Capsules primarily comprise grapeseed extracts (葡萄籽提取物), milk vetch root extracts (黃芪提取物) and Chinese angelica extracts (當歸提取物). Every 100.0g of our Grapeseed Capsules contains 6.9g Oligomeric Proanthocyanidins and 10.0g polysaccharide. Our Grapeseed Capsules are available in hard-shell capsules form and sold in the forms of 90 capsules per bottle and 120 capsules per bottle. Our Grapeseed Capsules have a shelf life of 24 months.

Weisi Capsules (維思膠囊)



Our Weisi Capsules are designed to help improve memory. It was approved as a health food product by CFDA in January 2002 and acquired by us from Jiangsu Xiansheng Medical Company Limited* (江蘇先聲藥業有限公司) in June 2005. We have been manufacturing and

selling this product under our Guishi brand since July 2006. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, turnover derived from our sales of Weisi Capsules was RMB0.5 million, RMB4.8 million, RMB3.5 million and RMB9.4 million, respectively, accounting for 0.7%, 4.6%, 2.4% and 11.0% of our total turnover for the same periods, respectively. The average selling price of our Weisi Capsules ranged from RMB155.2 per bottle to RMB311.0 per bottle during the Track Record Period.

Our Weisi Capsules primarily comprise polygonatum. Every 100.0g of our Weisi Capsules contains 70g polysaccharides. Our Weisi Capsules are available in hard-shell capsules form and sold in the forms of 60 capsules per bottle and 90 capsules per bottle. Our Weisi Capsules have a shelf life of 24 months.

Others

During the Track Record Period, we offered 23 other Zhongsheng series products, of which 13 were CFDA approved health food products, in addition to our Coenzyme Q₁₀ Tablets/Capsules, Linolenic Acid Soft Capsules, Grapeseed Capsules and Weisi Capsules. For a list of these products and their CFDA approvals, see “– Approvals and Permits”. These products are available in tablets, hard-shell capsules, tea and powder forms, and are offered in traditional bottle or box packaging form. The shelf life of these products ranges from 24 months to 36 months. During the Track Record Period, we launched new products from time to time and have endeavored to focus our resources primarily on products with greater market demand and potential or higher profit margins, while reducing or phasing out products with lower or decreasing market demand or profit margins. As such, the turnover contribution by our other Zhongsheng series products fluctuated during the Track Record Period. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, turnover derived from our sales of Zhongsheng series products (excluding Coenzyme Q₁₀ Tablets/Capsules, Linolenic Acid Soft Capsules, Grapeseed Capsules and Weisi Capsules) was RMB29.6 million, RMB20.2 million, RMB5.7 million and RMB2.8 million, respectively, accounting for 44.2%, 19.5%, 3.8% and 3.3% of our total turnover for the same periods, respectively.

Cobayer Series Products

During the Track Record Period, we offered 27 Cobayer series products under our Cobayer, Conbair,  and CoKanga brands, all of which were developed by us and manufactured in Australia through our third party manufacturers except one product which was manufactured in New Zealand. We commenced sales of this product line in August 2009. During the Track Record Period, our best-selling Cobayer series products included Olive Leaf Extract (橄欖葉提取液), Emu Oil Capsules (鸕鶿油膠囊), Squalene Capsules (角鯊烯膠囊), Blueberry Capsules (藍莓複合膠囊) and Liver Tonic (Milk Thistle) Capsules (奶薊草膠囊). During the Track Record Period, the average selling price of our Olive Leaf Extract ranged from RMB274.4 per bottle to RMB473.3 per bottle, the average selling price of our Emu Oil Capsules ranged from RMB205.8 per bottle to RMB451.9 per bottle, the average selling price of our Squalene Capsules ranged from RMB172.0 per bottle to RMB288.1 per bottle, the average selling price of our Blueberry Capsules ranged from RMB193.1 per bottle to RMB491.4 per bottle, and the average selling price of our Liver Tonic (Milk Thistle) Capsules ranged from RMB308.4 per bottle to RMB766.8 per bottle.

BUSINESS

The concept behind our Cobayer series products is to provide high-end nutritional supplements originated in Australia, which not only offers a variety of choices of imported nutritional supplements, but also contributes to a high-quality, healthy lifestyle that our consumers may be pursuing. Through this product line, we primarily target affluent, health-conscious consumers who are young to middle aged. As of the Latest Practicable Date, none of our Cobayer series products or other products was approved by CFDA as health food products. We are in the process of applying for health food product approvals issued by CFDA for certain Cobayer series products. For details, see “– Our Product Pipeline – Cobayer Series Products”.



For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, turnover derived from sales of our Cobayer series products was RMB16.9 million, RMB40.8 million, RMB52.6 million and RMB45.5 million, respectively, representing 25.3%, 39.6%, 35.0% and 53.0% of our total turnover for the same periods, respectively. These products are manufactured and sold under our Cobayer, Conbair,  and CoKanga brands. For details of the outsourcing of production of our Cobayer series products to third-party manufacturers in Australia, see “– Production, Quality Control and Supplies – Production of Cobayer Series Products”.

The following table sets forth selected information about our major Cobayer series products as of June 30, 2013.

Products ⁽¹⁾	Year of launch	Principal description	Shelf life
Essence of Kangaroo Capsules	January 2010	Available in hard-shell capsules and its key ingredient is kangaroo meat extract	Three years
Liver Tonic (Milk Thistle) Capsules	March 2010	Available in hard-shell capsules and its key ingredients are milk thistle extract and hordeum vulgare leaf powder	Three years
Evening Primrose Oil Capsules	March 2010	Available in soft gelatin capsules and its key ingredient is evening primrose oil	Three years
Kangaroo Bone Extract Capsules	March 2010	Available in hard-shell capsules and its key ingredient is kangaroo bone powder	Three years

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Products ⁽¹⁾	Year of launch	Principal description	Shelf life
Squalene Capsules	March 2010	Available in soft gelatin capsules and its key ingredient is squalene	Three years
Blueberry Capsules	June 2010	Available in hard-shell capsules and its key ingredient is blueberry extract	Three years
Olive Leaf Extract	November 2010	Available in liquid form and its key ingredient is olive leaf extract	Three years
Australian Extra Virgin Olive Oil	January 2011	First cold pressed and cholesterol free olive oil	Two years
Emu Oil Capsules	September 2011	Available in soft gelatin capsules and its key ingredient is emu oil	Three years
Salmon Oil Capsules	October 2011	Available in soft gelatin capsules and its key ingredient is salmon oil	Three years
Saw Palmetto Capsules	October 2011	Available in soft gelatin capsules and its key ingredient is serenoa repens soft extract	Three years
Omega-3 Capsules	December 2011	Available in soft gelatin capsules and its key ingredient is fish oil	Three years
Protein powder products	January 2012	Comprising three types of protein powder products	Three years
Milk powder products	April 2012	Comprising four types of milk powder products	Two years
Organic Tasmania Leatherwood Honey	May 2012	High-purity leatherwood honey	Five years
Algal DHA Composite Oil	December 2012	Available in liquid form and its key ingredients are Algal DHA Oil, flaxseed oil and vitamin E	Three years
Cod Fish Oil Capsules	March 2013	Available in soft gelatin capsules and its key ingredient is cod fish oil	Three years

Note:

- (1) All products are under our Cobayer brand except (i) Olive Leaf Extract and our milk powder products, which are also concurrently sold under our Conbair brand; (ii) Algal DHA Composite Oil, which is sold under our  brand; and (iii) Emu Oil Capsules, Saw Palmetto Capsules and Salmon Oil Capsules, which are sold under our CoKanga brand.

Other Products

Other products offered by us during the Track Record Period consisted of third-party branded Australian nutritional food and gifts. Third-party branded Australian nutritional food primarily included macadamia oil, avocado oil, balsamic vinegar, honey products and jams, which were imported by us from Independent Third Parties in Australia for retail in China. We did not enter into any distribution agreements with any suppliers of the third-party brand products during the Track Record Period. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, turnover derived from sales of other products was RMB1.5 million, RMB1.1 million, RMB2.0 million and RMB3.8 million, respectively, representing 2.3%, 1.0%, 1.3% and 4.4% of our total turnover for the same periods, respectively.

OUR PRODUCT PIPELINE

We are continuously developing new products to meet consumer needs. Our current pipeline of products includes CFDA-approved health food products, nutritional supplements for which we are in the process of preparing to apply for CFDA approval as health food products, and regular nutritional supplements. We believe our product candidates are complementary to and will enrich our existing product portfolio. For example, the designed benefits of our product candidates for Zhongsheng series products are expected to include improvement of hypoxia tolerance, improvement of gastrointestinal function and promotion of skin health, which are not covered by our existing products.

Zhongsheng Series Products

We have five CFDA-approved vitamin products, which we currently expect to launch in 2014 taking into account market and business considerations. For CFDA approvals of these products, see “– Approvals and Permits”. We currently also have three product candidates for which we are preparing to apply to CFDA for approval as health food products among our Zhongsheng series products. These product candidates include products designed to help maintain a normal, healthy blood glucose level, provide antioxidant supplements and improve immune system. As of the Latest Practicable Date, we had submitted two product candidates, namely Olive Leaf Capsules (橄欖葉膠囊) and Natto Oxytropis Argentata Capsules (納豆銀棘膠囊), to Jiangsu Provincial Center for Disease Prevention and Control (江蘇省疾病預防控制中心), a CFDA-authorized testing institution, to conduct testing on these products’ effectiveness and safety. These two product candidates are designed to help improve immune system and to help maintain a normal, healthy blood glucose level, respectively. Upon completion of the testing, the testing result will be submitted to CFDA for review. Further testing may be required by CFDA until it is satisfied with the testing result, upon which time CFDA will issue the health food product approval. Once a CFDA approval is issued and if we decide to officially launch the relevant health food product, we are required to add such specific health food product onto our health food manufacturing permit before we commence mass production. The inclusion of a new health food product onto our health food manufacturing permit is determined by local agencies of CFDA, upon their examination and satisfaction of our production capability. We expect to obtain CFDA approvals for these products by 2014 and plan to launch these products in accordance with market conditions under our Zhongsheng brand if and when approved by CFDA.

BUSINESS

We expect to launch over 25 product candidates up to 2016 consisting of health food products with designed benefits to help, amongst others, lower blood sugar, relieve physical fatigue, improve gastrointestinal function, improve hypoxia tolerance, promote skin health, improve memory and lose weight. A majority of these product candidates are in the forms of soft gelatin capsules, powder and miniature bottled drinks. As of the Latest Practicable Date, these products candidates are product concepts except two products, namely Olive Leaf Capsules (橄欖葉膠囊) and Natto Oxytropis Argentata Capsules (納豆銀棘膠囊), which were submitted to testing institutions by us for testing.

The following table sets forth the name, designed benefit, form, estimated time to receive CFDA approval and estimated launch time of our product candidates for Zhongsheng series products. We intend to apply for CFDA approvals for all of these product candidates.

Product name	Designed benefit	Form	Estimated time to receive CFDA approval	Estimated launch time
Olive Leaf Capsules (橄欖葉膠囊)	Lower blood sugar	Hard-shell capsules	2014	2015
Natto Oxytropis Argentata Capsules (納豆銀棘膠囊)	Enhance immunity	Hard-shell capsules	2014	2015
Chitosan Capsules (殼聚糖膠囊)	Promote removal of lead in body content	Hard-shell capsules	2015	2016
Cordyceps Capsules (蛹蟲草膠囊)	Improve hypotia tolerance	Hard-shell capsules	2015	2016
Rhodiola Capsules (紅景天膠囊)	Improve hypotia tolerance	Hard-shell capsules	2015	2016
Throat Drop Tablets (倍潤系列含片)	Soothe throat	Tablets	2015	2016
Wheat and Dietary Fiber Chewable Tablets (小麥膳食纖維嚼片)	Lower blood sugar	Tablets	2015	2016
Bitter Gourd Chromium Yeast Tablets (苦瓜鉻酵母片)	Lower blood sugar	Tablets	2015	2016
Amino Acid Drink (氨基酸口服液)	Help to maintain a healthy liver	Miniature bottled drinks	2015	2016
Olive Leaf Drink (橄欖葉口服液)	Antioxidant	Miniature bottled drinks	2015	2016

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Product name	Designed benefit	Form	Estimated time to receive CFDA approval	Estimated launch time
Dendrobium Nobile Drink (金釵石斛口服液)	Improve hypoxia tolerance	Miniature bottled drinks	2015	2016
Enzymatic Drink (酵素口服液)	Improve gastrointestinal function	Miniature bottled drinks	2015	2016
Fruit Vinegar (果醋)	Improve gastrointestinal function	Miniature bottled drinks	2015	2016
Bilberry Vision Complex Soft Capsules (越橘益視軟膠囊)	Relieve visual fatigue	Soft gelatin capsules	2015	2016
Cod Liver Oil Soft Capsules (鱈魚肝油軟膠囊)	Help to maintain a healthy liver	Soft gelatin capsules	2015	2016
Astaxanthin Soft Capsules (蝦青素軟膠囊)	Antioxidant	Soft gelatin capsules	2015	2016
Lycopene Soft Capsules (番茄紅素軟膠囊)	Antioxidant	Soft gelatin capsules	2015	2016
Acer Truncatum Oil Soft Capsules (元寶楓油軟膠囊)	Antioxidant	Soft gelatin capsules	2015	2016
Salina Lutein Soft Capsules (鹽藻葉黃素軟膠囊)	Relieve visual fatigue	Soft gelatin capsules	2015	2016
Aloe Powder (蘆薈粉)	Improve gastrointestinal function	Powder	2015	2016
Dual Algae Powder (雙藻粉)	Improve hypoxia tolerance	Powder	2015	2016
Left Carnitine Powder (左旋肉鹼沖劑)	Weight loss	Powder	2015	2016
Oligochitosan Powder (殼寡糖粉)	Help to maintain a healthy liver	Powder	2015	2016
Dietary Fiber Powder (膳食纖維沖劑)	Improve gastrointestinal function	Powder	2015	2016
Collagen Powder (膠原蛋白粉)	Promote skin health	Powder	2015	2016

Cobayer Series Products

We are in the process of identifying new Australian made nutritional supplements which we intend to develop in the future, depending on market conditions. Our product candidates up to 2016 include certain dairy products and a number of Australian nutritional supplements with elements of, amongst others, oatmeal, acai berry, cranberry, MACA powder, sheep oil, goat milk and marine plants. Between June 30, 2013 and the Latest Practicable Date, we commenced sales of three honey products and two cereal products. As of the Latest Practicable Date, our third-party manufacturer in Australia has also commenced mass production of a MACA powder (瑪咖粉) product, which will be ready for sale in China after each batch of products is shipped to China and passes the testing at CIQ. All the remaining product candidates are currently product concepts.

Furthermore, we are in the process of applying for health food product approvals issued by CFDA for seven existing Cobayer series products. If and when approved by CFDA, we intend to sell these seven Cobayer series products as health food products in China, which we believe should further enhance positive consumer perception of these products. As of the Latest Practicable Date, we have submitted the Squalene Capsules (角鯊烯膠囊) to the Chinese Center for Disease Control and Prevention (中國疾病預防控制中心), and the Evening Primrose Oil Capsules (月見草油膠囊) and Wheat Germ Capsules (小麥胚芽膠囊) to the Analysis and Testing Center of the Nanjing Medical University (南京醫科大學衛生分析檢測中心), both of which are CFDA-authorized testing institutions, to conduct testing on the products' effectiveness and safety. We expect to obtain CFDA approval for Squalene Capsules by 2014, and for Evening Primrose Oil Capsules and Wheat Germ Capsules by 2015. Similar to other Zhongsheng series products that we apply for health food product approvals, the testing result of imported products shall be submitted to CFDA for review and further testing may be required by CFDA until CFDA is satisfied and issues an imported health food product approval. Before each batch of our Cobayer series products is officially launched and sold in China, it is also required to pass testing at CIQ under the applicable PRC laws and regulations and meet our internal quality control standards. For our quality control of Cobayer series products, see "Business – Production, Quality Control and Supplies – Production of Cobayer Series Products – Control of product safety and quality".

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The following table sets forth the name, designed benefit, form, estimated time to receive CFDA approval and estimated launch time of our product candidates for Cobayer series products for which we intend to obtain imported health food product approval from CFDA.

Product name	Designed benefit	Form	Estimated time to receive CFDA approval	Estimated launch time
Squalene Capsules (角鯊烯膠囊)	Enhance immunity	Soft gelatin capsules	2014	2015
Evening Primrose Oil Capsules (月見草油膠囊)	Lower blood sugar	Soft gelatin capsules	2015	2016
Wheat Germ Capsules (小麥胚芽膠囊)	Relieve physical fatigue	Soft gelatin capsules	2015	2016
Blueberry Complex Capsules (藍莓複合膠囊)	Relieve visual fatigue	Hard-shell capsules	2015	2016
Glucosamine Composite Tablets (氨基葡萄糖複合片)	Enhance immunity	Tablets	2015	2016
Olive Leaf Extract (橄欖葉提取液)	Antioxidant	Miniature bottled drinks	2016	2017
Milk Thistle Complex Capsules (奶薊複合膠囊)	Help to maintain a healthy liver	Hard-shell capsules	2016	2017

The following table sets forth the type of products, form and estimated launch time of our regular food product candidates for Cobayer series products.

Type of products	Form	Estimated launch time
Acai berry	Bottled drinks	2014
Cranberry	Bottled drinks	2014
Grapeseed	Bottled drinks	2014
MACA powder	Hard-shell capsules	2014
Goat milk	Tablets	2014
Colostrum	Tablets	2014
Marine plants	Powder	2014

APPROVALS AND PERMITS

We operate in the health food products industry which is heavily regulated by the PRC government. We have implemented a series of measures to enable us to comply with applicable laws, regulations and procedures, and we intend to conduct our operations in accordance with any future laws, regulations and procedures issued by the PRC government to regulate the health food products industry that are applicable to us. Currently we have obtained CFDA approvals for most of our Zhongsheng series products, either through our own applications to CFDA, supported by research and development conducted by our in-house team, or through acquisitions from third parties.

The following table sets forth our major permits in respect of manufacturing facilities, including their respective expiry dates. We have successfully renewed each of our health food manufacturing permits and food circulation permits on a continuous basis historically, in each time prior to the expiry date of such permit.

<u>Permit</u>	<u>Grant date</u>	<u>Expiry date</u>
• Health food manufacturing permit		
– Our Company	January 15, 2013	June 30, 2014
– Nanjing Zhongsheng.	January 15, 2013	June 30, 2014
• Food circulation permit		
– Our Company	June 20, 2011	June 19, 2014
– Nanjing Zhongsheng.	November 4, 2010	November 3, 2016
• Hazard Analysis and the Critical Control Point (HACCP) certificate.	October 26, 2012	October 25, 2015
• ISO 9001:2008 certificate	October 24, 2012	October 23, 2015
• ISO 22000:2005 certificate	October 26, 2012	October 25, 2015

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The following table sets forth selective information of our CFDA approvals for health food products.

CFDA approval	Grant date	Expiry date	Number of renewals obtained since the original grant date
<i>Products sold for a period within the Track Record Period⁽¹⁾</i>			
1. Zhongsheng Coenzyme Q ₁₀ Tablets (中生牌輔酶Q ₁₀ 片)	November 14, 2007	August 18, 2018	1
2. Zhongsheng Coenzyme Q ₁₀ Capsules (中生牌輔酶Q ₁₀ 膠囊)	November 14, 2007	April 11, 2018	1
3. Zhongsheng Linolenic Acid Soft Capsules (中生牌亞麻酸軟膠囊) . . .	January 28, 2011	January 27, 2016	0
4. Zhongsheng Kanger Capsules (中生牌康爾膠囊) ⁽²⁾	August 1, 2006 ⁽³⁾	July 15, 2018	1
5. Keda Green Capsules (科大牌綠芝膠囊)	January 24, 2005	N/A ⁽⁴⁾	–
6. Keda Propolis Yangshengbao Capsules (科大牌蜂膠養生寶膠囊) . .	November 14, 2001	N/A ⁽⁴⁾	–
7. Guishi Weisi Capsules (桂氏牌維思膠囊)	January 22, 2002 ⁽⁵⁾	N/A ⁽⁴⁾	–
8. Keda Propolis Soft Capsules (科大牌蜂膠軟膠囊)	April 18, 2008	April 17, 2013 ⁽⁶⁾⁽⁷⁾	0
9. Zhongsheng Colostrum Milk Chewable Tablets (中生牌牛初乳咀嚼片) ⁽⁸⁾	June 23, 2006 ⁽³⁾	September 22, 2018	1
10. Zhongsheng Goat Milk Calcium Tablets (中生牌羊乳鈣片) ⁽⁸⁾	January 13, 1998 ⁽³⁾	N/A ⁽⁴⁾	–
11. Zhongsheng Propolis Soft Capsules (中生牌蜂膠軟膠囊) ⁽⁹⁾	August 29, 2006	April 11, 2018	1
12. Keda Jinshengyuan Tea (科大牌金聖源茶) ⁽⁸⁾	March 27, 2000 ⁽³⁾	N/A ⁽⁴⁾	–
13. Zhongsheng Calcium and Magnesium/Vitamin D Tablets (中生牌鈣鎂/維D片)	September 21, 2007	September 2, 2018	1
14. Keda Propolis and Ganoderma Capsules (科大牌蜂芝膠囊) ⁽⁸⁾	June 24, 2004	N/A ⁽⁴⁾	–
15. Zhongsheng Tianbao Ankang Powder (中生牌天寶安康沖劑) ⁽⁸⁾	December 10, 2001 ⁽³⁾	N/A ⁽⁴⁾	–
16. Dongyuan Gaiyanchun Tablets (東元牌蓋延春片) ⁽⁸⁾	March 28, 2006	September 2, 2018	1
17. Zhongsheng Antler and Ginseng Capsules (中生牌鹿茸洋參膠囊) ⁽⁸⁾ . .	July 7, 1999 ⁽³⁾	N/A ⁽⁴⁾	–

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CFDA approval	Grant date	Expiry date	Number of renewals obtained since the original grant date
<i>Products not sold for any period within the Track Record Period and up to the Latest Practicable Period</i>			
1. Keda Sleeping Kangbao Capsules (科大牌睡眠康寶膠囊)	April 15, 2004	N/A ⁽⁴⁾	–
2. Zhongsheng Deer Blood Capsules (中生牌鹿血膠囊)	October 31, 2002 ⁽³⁾	N/A ⁽⁴⁾	–
3. Zhongsheng Royal Jelly Lyophilized Powder (中生牌蜂王漿凍乾粉)	January 16, 2004	N/A ⁽⁴⁾	–
4. Zhongsheng Royal Jelly Lyophilized Powder Capsules (中生牌蜂王漿凍乾粉膠囊)	January 16, 2004	N/A ⁽⁴⁾	–
5. Zhongsheng Fengzhijiao Capsules (中生牌蜂之驕膠囊)	September 20, 2002	N/A ⁽⁴⁾	–
<i>Products in the pipeline for future development</i>			
1. Zhongsheng Vitamin Chewable Tablets For Children (中生牌維生素咀嚼片(兒童用))	July 25, 2007	July 24, 2012 ⁽⁶⁾⁽¹⁰⁾	0
2. Zhongsheng Multi Vitamin and Mineral Tablets For Women (中生牌多種維生素礦物質片(女士用))	July 25, 2007	September 4, 2018	1
3. Zhongsheng Multi Vitamin and Mineral Tablets for Pregnant Women (中生牌多種維生素礦物質片(孕婦用))	July 25, 2007	September 22, 2018	1
4. Zhongsheng Multi Vitamin and Mineral Tablets for Men (中生牌多種維生素礦物質片(男士用))	July 25, 2007	September 4, 2018	1
5. Zhongsheng Vitamin D Chewable Tablets For Children (中生牌鈣維D咀嚼片(兒童型))	August 29, 2007	August 8, 2018	1

Notes:

- (1) We sold the Natural α -Linolenic Acid Soft Capsules (天然 α -亞麻酸膠丸) under our Zhongsheng brand during the Track Record Period, which was sourced from and authorized by an Independent Third Party. We ceased sales of this product in the first quarter of 2012.
- (2) The name of this product was formerly known as Zhongsheng Grapeseed Capsules (中生牌葡苳膠囊).
- (3) The grant date for the product was the date on which the CFDA approval was initially granted. Such approval was transferred to us in August 2010 from Nanjing Zhongsheng Pharmaceutical at nil cost.

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- (4) CFDA approval certificates granted prior to July 1, 2005 have no expiry date. CFDA will commence the replacement work for all certificates granted prior to July 1, 2005 after the promulgation of the Regulation for the Supervision and Administration of Health Food (保健食品監督管理條例). The date of the promulgation of this regulation is not yet determined, and CFDA will allow reasonably sufficient time for the relevant enterprises to replace their respective certificates.
- (5) The grant date for the product was the date on which CFDA approval was initially granted. Such approval was transferred to us in June 2005 by Jiangsu Xiansheng Medical Company Limited* (江蘇先聲藥業有限公司), an Independent Third Party.
- (6) Our PRC legal advisor, Yongheng Partners, is of the opinion that there is no legal impediment to obtain the renewed CFDA approval, and our existing CFDA approval remains effective once the renewal application is duly filed with CFDA and until a final decision on the renewal application is made by CFDA. For the relevant regulations with respect to the renewal of CFDA approval, see “Regulatory Overview – PRC Laws and Regulations – Laws and Regulations Relating to Production and Sales of Health Food Products – Approval and registration for health food product”. Based on our past experience, it typically takes one to two years to receive the renewed CFDA approval after we file the application. We believe that such duration of the renewal process is in line with industry norm.
- (7) Renewal application of this product has been submitted before expiry of the CFDA approval and a notice of acceptance was issued by Jiangsu provincial agency of CFDA in February 2013. We expect to obtain the renewed application in the first quarter of 2014. Turnover derived from this product was approximately RMB246,000, RMB247,000, RMB14,000 and RMB9,000 for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively.
- (8) We did not sell this product as of June 30, 2013.
- (9) The name of this product was formerly known as Dongyuan Propolis Soft Capsules (東元牌蜂膠軟膠囊).
- (10) Renewal application of this product has been submitted before expiry of the CFDA approval and a notice of acceptance was issued by Jiangsu provincial agency of CFDA in April 2012. We expect to obtain the renewed application in the first quarter of 2014. Turnover derived from this product during the Track Record Period was nil.

RETAIL STORES AND SALES

We sell substantially all of our products through self-managed retail stores and operate an online store to sell our Cobayer series products. We currently also have one distributor for sales of our nutritional supplements in Shanghai. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, turnover derived from our self-managed retail stores accounted for 93.6%, 95.8%, 97.1% and 96.2% of our total turnover, respectively. Our retail stores are either operated under our Zhongsheng brand name, in which our Zhongsheng series products and a selected portion of our Cobayer series products are sold, or operated under our Cobayer brand name, in which only our Cobayer series products are sold. Our Zhongsheng retail stores consist of specialty stores, regional sales offices and department store concession counters, and all of our Cobayer retail stores are located in premium shopping malls. Most of the customers of our retail stores are individual consumers and a small portion of our products are sold to corporate customers. For details of our customers, see “– Marketing and Customer Service – Our Customers” in this prospectus.

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The following table sets forth, for the periods indicated, a breakdown of our turnover by sales channel.

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>
Retail stores										
Zhongsheng retail stores . . .	62,589	93.6	98,898	95.8	146,055	97.1	63,331	97.7	82,722	96.2
Cobayer retail stores	—	—	—	—	1,598	1.1	12	—	2,878	3.4
Subtotal	62,589	93.6	98,898	95.8	147,653	98.2	63,343	97.7	85,600	99.6
Distributorship	4,261	6.4	4,346	4.2	2,719	1.8	1,476	2.3	365	0.4
Total⁽¹⁾	<u>66,850</u>	<u>100.0</u>	<u>103,244</u>	<u>100.0</u>	<u>150,372</u>	<u>100.0</u>	<u>64,819</u>	<u>100.0</u>	<u>85,965</u>	<u>100.0</u>

Note:

- (1) Our online store commenced sales in May 2013 and has not generated meaningful turnover for the six months ended June 30, 2013.

The following table sets forth, for the periods indicated, our average monthly turnover per retail store.

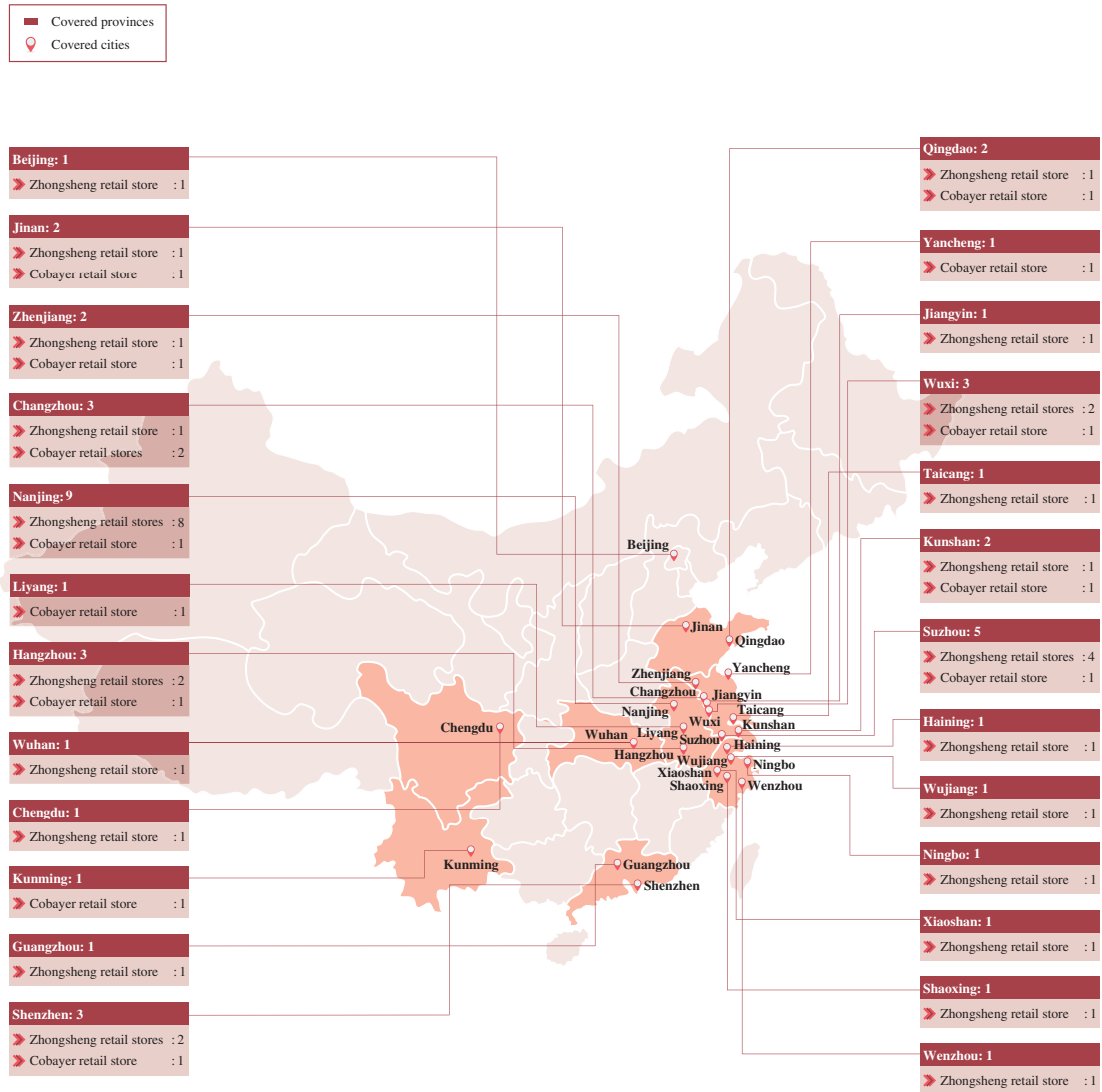
	Year ended December 31,			Six months ended
	2010	2011	2012	June 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Zhongsheng retail stores ⁽¹⁾	355.0	402.9	465.0	395.6 ⁽²⁾
Cobayer retail stores ⁽¹⁾	—	—	133.1	60.0 ⁽³⁾

Notes:

- (1) Average monthly turnover per store represents the total turnover generated by a given sales channel over a given period divided by the aggregate months of all retail stores in operation during such given period. The aggregate months of all retail stores in operation during a given period represents the sum of the actual operating months of each retail stores in a given period.
- (2) The decrease in our average monthly turnover of Zhongsheng retail stores in the first half of 2013 was primarily due to the seasonality of our business as our sales in the fourth quarter are typically higher than any other quarter in a year.
- (3) The decrease in our average monthly turnover of Cobayer retail stores in the first half of 2013 was primarily due to our opening of nine new Cobayer retail stores in the first half of 2013, most of which were in the ramp-up phase of their business during the same period, and to a lesser extent, due to the seasonality of our business as our sales in the fourth quarter are typically higher than any other quarter in a year.

Retail Stores

As of June 30, 2013, we had 49 retail stores in 25 cities, covering eight provinces and centrally administered municipalities in China, consisting of 35 Zhongsheng retail stores and 14 Cobayer retail stores. All of these retail stores are managed by us. The following map shows our market footprint in China as of June 30, 2013.



Zhongsheng retail stores



As of June 30, 2013, we had 35 retail stores opened under our Zhongsheng brand in 22 cities, covering seven provinces and centrally administered municipalities. The following table sets forth the movement of the number of our Zhongsheng retail stores during the Track Record Period.

Period	Number of retail stores as of the beginning of the year/period	Number of retail stores as of the end of the year/period
2010	13	15
2011	15	24
2012	24	34
Six months ended June 30, 2013 .	34	35

The following table sets forth the geographic coverage of our Zhongsheng retail stores in China by regions as of dates indicated.

Region	As of December 31,			As of June 30,
	2010	2011	2012	2013
Jiangsu	9	15	19	20
Zhejiang	2	2	7	7
Guangdong	2	2	3	3
Beijing	1	1	1	1
Hubei	0	1	1	1
Sichuan	0	1	1	1
Shandong	1	2	2	2

We select locations of our Zhongsheng retail stores based on analysis of the local market through market research conducted by our in-house marketing team and on-site visits. We consider a number of factors when evaluating potential locations, including without limitation, population, proximity to our existing markets, purchasing power and consumption level of the local residents, competitive landscape of local nutritional supplements markets and maturity of the regional transportation network. Since May 1999 when we established our first Zhongsheng retail store in Nanjing, Jiangsu province, we have successfully expanded our Zhongsheng retail stores to other major cities in Jiangsu and Zhejiang provinces, which we believe have a high concentration of medium-to high-income individuals with the ability and willingness to afford mid- to high-end nutritional supplements, then to first-tier cities including Shenzhen, Guangzhou and Beijing, and further to Shandong, Hubei and Sichuan provinces, which have large populations and significant growth potential in terms of consumer purchasing power. After we select a city, we generally prefer choosing central business districts, well-established residential areas or local transportation centers of the city to open new retail stores.

As of June 30, 2013, our Zhongsheng retail stores consisted of 20 specialty stores, 13 regional sales offices and two concession counters in department stores.

- *Specialty stores:* Our specialty stores are individual street-front stores ranging from 24 square meters to 123 square meters. They typically have greeting area, display area, office area and storage space, allowing us flexibility to carry out promotional activities and target potential new customers in the neighborhood. Sales from our specialty stores accounted for 62.0%, 58.2%, 40.2% and 37.0% of our total turnover for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively. The percentage of sales from our specialty stores over our total turnover decreased over the Track Record Period, primarily because certain customers originally making purchases in our specialty stores, once they became our key customers, were shifted to and retained by our regional sales offices, which are primarily responsible for the management of our key customers. As such, the percentage of sales from our regional sales offices over our total turnover increased during the Track Record Period.
- *Regional sales offices:* Our regional sales offices are relatively larger, ranging from 80 square meters to 1,087 square meters. These regional sales offices are typically located in commercial buildings in or near central business districts with display areas, warehouse space and office space. Our regional sales offices serve not only as a platform for sales to our target customers, but also as an administrative center to manage the operations of retail stores in the respective regions, including customer services to key customers and inventory storage to support the needs of retail stores in such region. Sales from our regional sales offices accounted for 30.0%, 37.0%, 56.8% and 58.5% of our total turnover for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively.

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- *Department store concession counters:* As of June 30, 2013, we had two department store concession counters of 57 square meters and 15 square meters, respectively, in Nanjing and Suzhou, Jiangsu province, which were opened in September 2006 and December 2012, respectively. These department store concession counters are managed by our own employees. We collect payments directly from our customers without having any payment settlement arrangements with the respective department stores and pay fixed quarterly concession fees to the department stores. Sales from these department store concession counters accounted for 0.6% of our total turnover for the six months ended June 30, 2013. Our department store concession counter in Suzhou, Jiangsu province was closed in September 2013. For details, see “Summary – Recent Developments”.

We sell the full line of our Zhongsheng series products as well as a selected number of Australian nutritional supplements in each of our Zhongsheng retail stores, so as to leverage the customer base of our Zhongsheng retail stores. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, turnover derived from our sales of Cobayer series products in Zhongsheng retail stores amounted to RMB16.9 million, RMB40.8 million, RMB51.0 million and RMB42.6 million, respectively, accounting for 25.3%, 39.6%, 33.9% and 49.6% of our total turnover for the same periods, respectively. With the rapid expansion of our Cobayer retail stores, we expect to gradually reduce the sales of Cobayer series products in our Zhongsheng retail stores and sell all such products in our Cobayer retail stores.

As of June 30, 2013, we leased 32 retail premises with a total gross floor area of 3,214.8 square meters, and owned three retail premises with a total of 1,551.0 square meters, respectively, for our Zhongsheng retail stores.

Cobayer retail stores



Since we opened our first Cobayer retail store in June 2012 in Nanjing, Jiangsu province, we had a total of 14 Cobayer retail stores with a total gross floor area of 528.2 square meters as of June 30, 2013 in 13 cities, covering Jiangsu, Zhejiang, Guangdong, Shandong and Yunnan provinces. The following table sets forth the geographic coverage of our Cobayer retail stores in China by region as of the dates indicated.

BUSINESS

Region	As of June 30, 2012	As of December 31, 2012	As of June 30, 2013
Jiangsu	1	5	9
Zhejiang	0	0	1
Guangdong	0	0	1
Shandong	0	0	2
Yunnan	0	0	1

Unlike our Zhongsheng retail stores, we choose to locate all of our Cobayer retail stores in large, premium shopping malls in the relevant cities in order to target relatively young and affluent shoppers and to match and strengthen the brand image of our Cobayer retail stores as a provider of high-end imported nutritional supplements. Our in-house marketing team typically conducts feasibility study in respect of the selection of shopping malls, considering a number of factors including the annual turnover of target shopping malls, their affiliated transportation infrastructure and brand awareness of existing tenants. The shopping malls we have selected usually generate a turnover of over RMB1.0 billion per year, have luxury international brands as tenants or represent the trendy local shopping center. For example, our first Cobayer retail store in Nanjing, Jiangsu province is situated in Deji Plaza (德基廣場), one of the most expensive and most popular shopping malls in Nanjing, Jiangsu province, carrying on a wide range of the most high-end luxury fashion brands in the world. Our Cobayer retail stores range from 16 square meters to 81 square meters in size with a unified decoration style for easy identification by our customers.

We enter into concessionaire agreements with shopping malls, which generally include the following principal terms:

- *Deposit:* In some cases, we are required to pay upfront deposits to the shopping malls. The amount ranges from RMB5,000 to RMB100,000. The deposit is refundable after a period of time upon termination of the agreement provided that there is no event resulting in deduction of such deposit pursuant to the relevant agreement.
- *Concession fee:* The concession fees are calculated in three ways on a case-by-case basis: (i) a fixed monthly fee ranging from RMB8,578 to RMB45,435; (ii) a percentage of our monthly turnover ranging from 18% to 25%; or (iii) the higher of a base monthly fee ranging from RMB8,000 to RMB54,000 and a percentage of our monthly turnover ranging from 16% to 27%. For the year ended December 31, 2012 and the six months ended June 30, 2013, we paid an aggregate of concession fees (excluding administrative fees and other miscellaneous fees) of RMB677,000 and RMB824,000, respectively.
- *Minimum turnover:* Some of the shopping malls require our Cobayer retail stores to meet certain pre-agreed minimum monthly turnover targets. Our failure to meet such requirements may result in re-negotiation of the location available to us under the concessionaire agreements or termination of the concessionaire agreements.
- *Renovation and maintenance:* We are typically required to obtain approval from the shopping malls for the design and layout of our retail stores before we commence the renovation. We are responsible for the renovation costs of our retail stores.

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- *Product quality:* We are typically required to ensure the quality of our products. We are also typically required to ensure that our products do not infringe the intellectual property rights of others. In certain instances, the shopping malls are entitled to examine the quality of our products.
- *Sharing of promotion costs:* The shopping malls are generally responsible for the promotional advertisement and decoration of the shopping malls. We are typically required to actively participate in promotional events that are initiated by the shopping malls. The sharing percentage of promotion costs is generally decided through negotiation between the parties. The promotion cost generally ranges from RMB3,000 to RMB10,000. We are generally required to obtain written approval from the shopping malls before we can conduct our own promotional events.
- *Arrangement of payment settlement:* The shopping malls are typically required to first collect the payment from and issue invoices to retail customers. The shopping malls will deduct our concession fees from the payments collected from our customers and arrange for the payment of the remaining balance to us within a pre-agreed payment period, which typically ranges from 15 to 60 days.

The following table sets forth certain details of our concessionaire agreements in respect of concession fee arrangements as of June 30, 2013.

Details of concessionaire agreements			
	Number	Area (square meters)	Expiration year
Concession with fixed monthly fee	3	126.6	2015 to 2016
Concession with sharing of a certain percentage of monthly turnover	4	121.2	2013 to 2014
Concession based on the higher of basic monthly fee and a certain percentage of monthly turnover	7	280.4	2013 to 2016

Distributors

During the Track Record Period, we sold a small portion of our products through distributors who then distribute our products to end consumers. Our distributors consisted of corporate entities that were Independent Third Parties, and individuals that were, and currently remain to be, our employees. During the Track Record Period, all of our business with distributors were conducted on an arm's length basis and none of our distributors terminated their distributorships with us due to financial disputes with us. Turnover generated from our sales to distributors was RMB4.3 million, RMB4.3 million, RMB2.7 million and RMB0.4 million for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively, accounting for 6.4%, 4.2%, 1.8% and 0.4% of our total turnover for the same periods, respectively. As of June 30, 2013, we only had one distributor in Shanghai.

BUSINESS

Our number of distributors significantly decreased over the Track Record Period from 18 at the beginning of 2010 to one as of June 30, 2013, primarily because we terminated our arrangement with former individual distributors, accounting for 15 out of our 18 distributors at the beginning of 2010, and have been focused on establishing and expanding our self-managed retail store network. For details of our former individual distributors, see “– Former individual distributors”. The following table sets forth the movement in the total number of our distributors during the Track Record Period.

	Year ended December 31,			Six months ended June 30,
Number of distributors	2010	2011	2012	2013
Beginning of period	18	15	8	1
Additions	3	0	0	0
Terminations	(6)	(7)	(7)	0
End of period	<u>15</u>	<u>8</u>	<u>1</u>	<u>1</u>

Distributor in Shanghai

We currently have one distributor, Shanghai J&A’s Trading Co., Ltd. (上海健來行貿易有限公司) (“**J&A’s Trading**”), for the sales of our full-line Zhongsheng series products and Cobayer series products exclusively in Shanghai, with whom we have entered into distribution arrangements since 2003. During the Track Record Period, J&A’s Trading was authorized to sell our products in Shanghai only and was not allowed to sell products of any third parties. To avoid any potential competition and cannibalization, we have a uniform retail pricing policy which requires that the retail prices of our products be the same across all our sales channels. J&A’s Trading is required to comply with our pricing policy, and subject to its compliance with the minimum retail prices set by us, J&A Trading is allowed to conduct its own promotional activities with discounts offered to its customers. We also conduct regular on-site inspection to ensure our distributor’s adherence to such policy. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, sales to J&A’s Trading accounted for 3.1%, 2.0%, 1.3% and 0.4% of our total turnover, respectively.

Our relationship with J&A’s Trading is a seller and buyer relationship. The distribution agreement sets out the prices at which we sell our products to J&A’s Trading and requires J&A’s Trading to purchase a minimum amount of our products per month. According to the distribution agreement, sales return is generally not allowed except for defective products. During the Track Record Period, we had no sales returns from J&A’s Trading. Under the distribution agreement, J&A’s Trading is required to place a deposit of up to RMB5,000 with us which is refundable if it has not sold products outside Shanghai during the term of the distribution agreement. Under the distribution agreement, J&A’s Trading is also allowed to appoint qualified sub-distributors within Shanghai. During the Track Record Period, no sub-distributor was appointed by J&A’s Trading.

Under the distribution agreement, our products are delivered to J&A's Trading on a delivery-upon-payment basis. In practice, given the sound relationship between J&A's Trading and us over the past years, we gave J&A's Trading a credit period of 30 days during the Track Record Period. As title to our products and legal risks of our products sold to J&A's Trading are passed onto it when the goods are delivered to, and accepted by, it, we recognize the sales as our turnover when the products have been delivered to and accepted by J&A's Trading. Pursuant to the terms of our distribution agreement, we deliver our products to J&A's Trading at our own cost.

Our distribution agreement with J&A's Trading is renewable subject to mutual agreement on an annual basis. Our distribution agreement is subject to termination upon certain circumstances, including (i) underperformance of the distributor below a certain pre-agreed sales target; or (ii) non-compliance by the distributor with the terms of the distribution agreement such as violation of our pricing policy and sales of products outside Shanghai.

Former individual distributors

As part of our efforts on rapidly growing our sales network and promoting our sales in certain new markets from April 2004 to May 2012, Mr. Gui, one of our Controlling Shareholders, provided financial assistances to five of our then employees to set up 18 individually-owned small entities ("**former individual distributors**") on behalf of Mr. Gui to carry out test sales of our Zhongsheng series products and Cobayer series products in certain target markets and gather information about the local markets. The financial assistance provided by Mr. Gui ranged from RMB20,000 to RMB50,000 for each former individual distributor. These employees did not terminate their employment with us when they were concurrently distributing our products under this distributorship model, and remained to be our employees as of the Latest Practicable Date. Some of them are currently members of our senior management holding interest in our Company. As envisioned by Mr. Gui, this model could help us assess the purchasing power and consumption level of a particular target market with minimum upfront capital expenditure and operational risk. With the help of the former individual distributors, we entered new markets in 12 cities and set up 15 retail stores in these new markets. Turnover generated from our sales to the former individual distributors was RMB2.0 million, RMB2.3 million and RMB0.7 million in 2010, 2011 and 2012, respectively. This distributorship model was adopted on a one-off basis and was terminated in October 2012. We did not intend to make any similar arrangement with our employees to expand our business in the future. As of the Latest Practicable Date, the Directors confirm that none of our employees had its own business to market or sell our products.

We typically entered into standardized one-year distribution agreements with the former individual distributors, the terms of which are substantially the same as those in our distribution agreement with our distributor in Shanghai. These distribution agreements designate exclusive sales area for each former individual distributor and provide that if the former individual distributors are not able to satisfy a minimum purchase amount on a quarterly basis, we are entitled to appoint one or more distributors in the same sales region or terminate the distribution relationship with such former individual distributors. We are also entitled to

terminate the distribution agreements if the former individual distributors sell products directly or indirectly into non-designated sales area. In addition, pursuant to the distribution agreements, the former individual distributors shall place at least one order with us in a month and we deliver products to the former individual distributors on a delivery-upon-payment basis. In practice, we typically gave our former individual distributors a credit period of 30 days. The former individual distributors shall comply with our retail sales policy and may only sell products within a price range approved by us. Under the distribution agreements, the former individual distributors are also allowed to appoint qualified sub-distributors within their respective designated sales areas. During the Track Record Period, no sub-distributor was appointed by any former individual distributor.

Under this distributorship model, the relationship between the former individual distributors and us is a seller and buyer relationship. As title to our products and legal risks of our products are passed on to our former individual distributors when the goods are delivered to, and accepted by, the former individual distributors, we recognize the sales as turnover when our products have been delivered and sold to the former individual distributors. These former individual distributors were not allowed to return products to us under our distribution agreements and we did not have any products returned by these former individual distributors during the Track Record Period.

Online Store

We have cooperated with the e-commerce website <http://tmall.taobao.com> (天貓商城) to open our first online store in May 2013. We sell our Cobayer series products in this online store, so as to capture market share of online sales of the relevant products, which we believe represents one of the fastest growing channels of sales in China.

RETAIL MANAGEMENT AND OPERATIONS

Our Centralized Management System

We have a centralized three-tier management system consisting of our headquarters, our sales regions and our self-managed retail stores to oversee and manage our operations across all brands.

Headquarters

Our headquarters in Nanjing, Jiangsu province is primarily responsible for strategic business development, nationwide marketing and brand management, financial management, senior personnel recruitment and training, internal control, setting performance and budget targets and supervising our overall performance.

Our headquarters carefully monitors the performance of each sales region and self-managed retail stores, and sets an overall sales target for each region every year. Our regional sales managers report directly to our headquarters by means of phone calls on a weekly basis so that our headquarters is well updated on operations in each sales region and decisions can

be made in a timely manner. In addition, each of our regional sales managers is required to attend a monthly meeting at our headquarters in order to review the overall performance of last month, identify any management or operational issues within the sales region or any particular retail store, exchange information about market trend and customer preference and determine sales target for the next month.

Sales region

We divide our retail operations into seven sales regions in the PRC, namely Nanjing region, Zhejiang region, Suzhou region, Wuxi region, Shenzhen and Guangzhou region, northern China region and central China region. Each of our regional sales teams is responsible for coordinating and developing marketing and promotional activities tailored to their region. Each sales region has a regional sales manager and our regional sales managers are principally responsible for the management and supervision of sales performance, staff administration and product management of the retail stores, as well as the development of new retail stores, within their regions. They also continuously collaborate with our marketing and customer service teams by providing updated sales data and feedback on customer preferences.

Retail stores

Our retail stores are under the management and supervision of their respective regional sales teams, which focus primarily on product sales and customer service. The retail store managers are responsible for the sales targets, store image, financial performance, inventory management and staff management of their retail stores, and they report to the regional sales managers.

Design and Appearance of Our Retail Stores

We believe that each of our product lines has a unique and characteristic cultural and market position, and our retail stores are characterized by a distinctive store identity. We aim to create a comfortable shopping environment for our customers by adopting a set of visual standards of different styles and using design elements and facilities with a modern feel. The design, space planning and layout of our Zhongsheng retail stores and Cobayer retail stores follow respective visual system guidelines set by our headquarters. Under the guidelines, each Zhongsheng retail store and each Cobayer retail store must present a consistent visual image, particularly through the design and color of the shop fronts, merchandise display, price tags, cashier counters and staff uniforms. The number of employees per retail store depends on the size, location and type of the retail store.

Our Retail Stores Personnel

Our retail stores personnel are all employees of our Group. They are responsible for all facets of their retail stores' operation, including achieving the retail store's sales target, providing a high standard of customer service, maintaining the retail store's image, and transmitting customer feedback data and market information to our sales management and

customer service teams. We place great emphasis on the training and development of our retail stores personnel. We provide internal and external training programs to our retail stores personnel in areas such as information on our products, health and nutrition knowledge, sales skills and customer service. All new employees are required to attend training courses and evaluations to ensure they are equipped with the necessary skills to perform their duties. Our retail stores personnel include a number of nutritionists and we continuously encourage our sales representatives to obtain national public health nutritionist certificates such that they are able to provide professional advice to existing and potential customers.

Pricing

We adopt a uniform pricing policy which is applicable to products in each of our retail stores. From time to time, we launch sales and promotional discounts in respect of certain product categories for short periods of time, mostly during major holidays in China. For details of our promotional activities, see “– Marketing and Customer Service – Marketing and Promotional Activities” in this prospectus. We determine the price of our products primarily based on marketing positioning of our brands, the characteristics and added value of our products, the expected profit margin of our individual product, the degree of saturation of the current market, anticipated market trends and expected changes of demand from customers, the costs of our products, as well as retail price of the products of our competitors.

The price range of our products is typically determined by our headquarters and our headquarters formulates a uniform pricing guide across all of our sales regions. All of our sales platforms are required to follow our nationwide retail pricing policy. We believe that the prices of our products, and in particular our Cobayer series products, are generally higher than those of some competitors as we generally position our products as high-end nutritional supplements associated with comprehensive health solutions and superb customer services which allow us to charge a price premium for our products.

Cash Management

We have established a system to maintain strict control over our cash inflow and outflow. Under this system, all cash inflow arising from the operations of each retail store (except our shopping mall stores in respect of Cobayer series products) is deposited into our bank account on a daily basis with a sales report furnished to our headquarters on the same date. Once our headquarters receives the sales report, our employees in the finance department will check our bank account to confirm our receipt of such sales proceeds. In addition, all cash outflow must be cleared by our headquarters, which is responsible for all cash management and budgeting decisions. Our headquarters requires each sales region and retail store to prepare an internal budget at the beginning of each month and each year for the approval of our headquarters.

In respect of our shopping mall stores for the sales of Cobayer series products, the relevant shopping malls are typically required to first collect the payment and settle payment with us within a pre-agreed period, ranging from 15 days to 60 days. For details of the payment settlement, see “– Retail Stores and Sales – Retail Stores – Cobayer retail stores” in this prospectus.

MARKETING AND CUSTOMER SERVICE

We believe that strong brand recognition and reputation are essential to our success. Our marketing team is responsible for formulating overall marketing and branding strategies, selecting locations of our retail stores, integrating marketing strategies with our retail network, making and controlling annual budget for marketing activities, selecting product candidates for development and conducting market research and promotional activities. Our marketing team works closely with our customer service team so as to understand the customer preferences and ensure consistent, high-quality services.

Customer Service

As the most important part of our marketing strategy, we place great emphasis on maintaining a high level of customer satisfaction to gain customer loyalty which we believe is crucial to the success of our business. We have devoted substantial resources on customer interactions through follow-up calls with our customers on a regular basis to measure customer satisfaction of their shopping experience with us, understand the health status of our customers and their specific needs, introduce the ingredients and benefits of our products, and provide personalized healthcare solutions and product selection advice. As advised by our PRC legal advisor, Yongheng Partners, such customer service does not require any license or permit, nor is it subject to any legal or regulatory governance, under the applicable PRC laws. In particular, the certificates of national public health nutritionist obtained by a number of our employees merely represent their professional qualification, and as advised by our PRC legal advisor, Yongheng Partners, currently there are no PRC laws regulating nutritionists or their services. As such, we believe neither we nor our employees are exposed to any potential legal liabilities for healthcare solutions and product selection advice provided by us to our customers. To ensure our interactions with customers are carried out in an appropriate way, we have set up procedures and offered regular trainings to our employees. For example, our employees are strictly prohibited from making untrue or misleading statements about the designed health benefits of our products. If the aggregate purchase of a customer is over RMB50,000, our key customer service team will be notified so as to monitor the sale through interactions with such customer to ensure that our products are not promoted in an inappropriate way. We have also established a special team to regularly visit or call the retail stores and to conduct test sales so as to gauge the service level of our employees as well as to assess whether there is any misleading representation in respect of our product ingredients and benefits. From time to time, we also invite customers to visit our production facilities and headquarters to form positive perception of our product quality. We believe all these efforts have reinforced customer loyalty among our existing customers, which creates significant opportunities for us to up-sell and cross-sell our products, and promoted our brand reputation among potential new customers.

In addition, we have strongly encouraged our sales representatives and customer service staff to obtain national public health nutritionist certificates such that they are able to provide professional advice to existing and potential customers. We believe this is instrumental to promote our products and differentiate us from many of our competitors. As of June 30, 2013, approximately 18% of our sales representatives and customer service staff obtained national

public health nutritionist certificates. A majority of these nutritionists are located in our headquarters and retail stores in Nanjing, Jiangsu province, and the remaining are with retail stores in other regions such as Wuhan, Wuxi, Hangzhou, Wenzhou and Beijing. Our nutritionists at headquarters are responsible for the support of all of our retail stores out of Nanjing, Jiangsu province, and at least one nutritionist is designated for each Zhongsheng retail store, providing on-site support and/or follow-up services.

Customer Loyalty Programs

To promote loyalty of our customers, we have launched nationwide two customer loyalty programs, one for customers of our Zhongsheng retail stores and the other for customers of our Cobayer retail stores. Typically, we invite customers with more than a certain aggregate purchase amount to become our members and offer them discounts for their future purchases. We have three membership categories for members of our Zhongsheng retail stores with different discount levels, ranging from the initial discount of 10% up to the highest discount level of 15%, depending on the members' aggregate purchase amounts. The discount for members of our Cobayer retail stores is fixed at 15% and members of one of our customer loyalty programs may not benefit from the other program automatically. In addition, members of our customer loyalty programs receive exclusive offers such as free body check-up, invitation to our health seminars and special offers on birthdays. We believe our customer loyalty programs are significantly instrumental in promoting the loyalty of our customers, motivating our customers to make repeat purchases and building and enhancing long-term relationships with our customers.

Marketing and Promotional Activities

We also rely on a variety of marketing and promotional activities to increase customer awareness of our products and to create strong brand recognition within our target markets. Our marketing and promotional activities include:

- *Seasonal promotions and discounts:* We offer discounts on selected products for a limited promotional period at our retail stores. We generally conducted these promotional sales on major holidays in China, such as the Labor Day Holidays in May, the Mid-Autumn Festival and the National Day Holidays in September and October and Christmas and the New Year at the year end. In respect of our Cobayer series products, we sometimes participate in shopping mall initiated promotions to take advantage of the increased number of customers visiting a shopping mall during promotional periods. In general, we implement a uniform promotion policy across our retail stores in respect of discount percentage, product categories being promoted and promotional period, except that Cobayer retail stores may make certain adjustments as a result of their participation in shopping mall initiated promotions, upon approval by our headquarters on a case-by-case basis.
- *Participation in trade fairs:* We participate in trade fairs such as Shenzhen High-Technology Fair (深圳高新技術博覽會) to promote the market awareness of our two best-selling brands, Zhongsheng and Cobayer.

BUSINESS

- *Media, print and internet advertising:* We advertise our brands on local television networks, radio station and newspapers.

Under the applicable PRC laws and regulations, we are required to obtain a CFDA advertising approval for advertising each of our CFDA-approved health food products. For a list of CFDA-approved health food products that require CFDA advertising approvals, see “– Approvals and Permits”.

The following table sets forth, for the periods indicated, the CFDA advertising approvals we obtained and maintained.

Period	Name of product	Advertising approval being effective until
2010	• Keda Propolis Yangshengbao Capsules	August 17, 2010
	• Coenzyme Q ₁₀ Capsules	November 5, 2010
2011	• Keda Green Capsules	May 5, 2011
2012	• Grapeseed Capsules	September 2, 2013
	• Keda Green Capsules	September 2, 2013
	• Keda Propolis Yangshengbao Capsules	September 2, 2013
	• Linolenic Acid Soft Capsules	September 2, 2013
	• Weisi Capsules	September 2, 2013
	• Zhongsheng Colostrum Milk Chewable Tablets	September 2, 2013
	• Zhongsheng Goat Milk Calcium Tablets	September 2, 2013
	• Coenzyme Q ₁₀ Capsules	September 25, 2013
	• Coenzyme Q ₁₀ Tablets	September 25, 2013
January 1, 2013 to the Latest Practicable Date	• Zhongsheng Calcium and Magnesium Tablets ⁽¹⁾	November 18, 2013
	• Coenzyme Q ₁₀ Capsules	October 16, 2014
	• Coenzyme Q ₁₀ Tablets	October 16, 2014
	• Linolenic Acid Soft Capsules	November 11, 2014
	• Keda Green Capsules	November 11, 2014
	• Weisi Capsules	November 13, 2014

Note:

- (1) The name of this product is now changed to Zhongsheng Calcium and Magnesium/Vitamin D Tablets according to the health food product approval issued by CFDA.

Each advertising approval issued by CFDA or its agencies is effective for a one-year period, subject to renewal. As of the Latest Practicable Date, among our 27 CFDA-approved health food products, we only maintained effective CFDA advertising approvals for five major health food products, namely Coenzyme Q₁₀ Capsules, Coenzyme Q₁₀ Tablets, Linolenic Acid Soft Capsules, Keda Green Capsules and Weisi Capsules. As of the Latest Practicable Date, we did not maintain effective CFDA advertising approvals nor were we in the renewal process for the remaining 22 CFDA-approved health food products, primarily because (i) based on our past experience, it typically takes less than one month to obtain a new CFDA advertising approval or renew an expired CFDA advertising approval; (ii) we form our advertising strategy for each product based on the most recent market demand and customer feedback of such specific product, and it is commercially viable for us to apply for CFDA advertising approval for selected products when there comes an actual advertising need, in light of the short duration of the renewal process; and (iii) we often rely upon advertising of our brand and corporate image, and promotional activities of our products to increase our market exposure, all of which do not require CFDA advertising approvals.

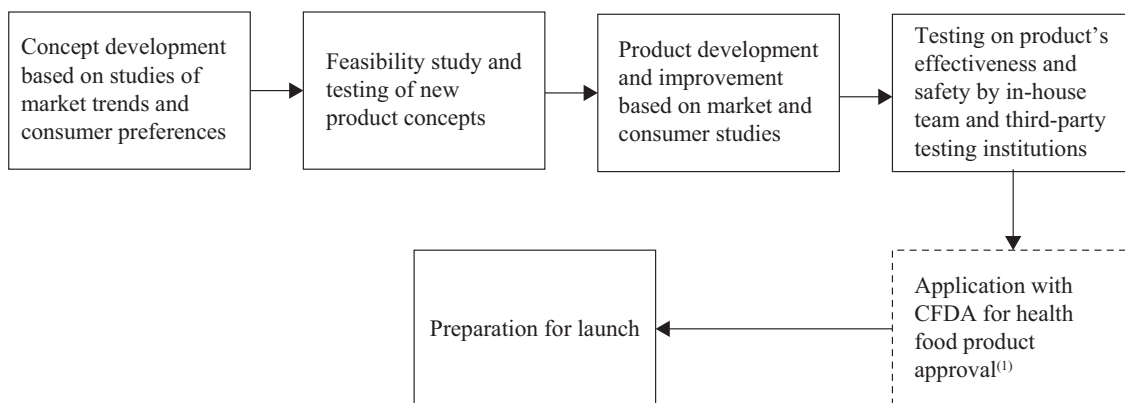
During the Track Record Period, our key marketing strategy included the general advertising of our brands and corporate image which, as advised by our PRC legal advisor, Yongheng Partners, required no CFDA advertising approval, promotional events in our retail stores, face-to-face communications with our potential customers through our effective sales platform and leverage of referrals of our existing customers to identify potential customers. We only made advertisements of our particular health food products as a supplement to our key marketing efforts. We expect to continue implementing our key marketing strategies in the future. After Listing, we expect to devote more resources on the advertising of our Zhongsheng and Cobayer brands and our corporate image, and intend to use a portion of the net proceeds from the Global Offering to finance marketing and promotional activities. These marketing and promotional activities include TV, print, radio and online advertising, engagement of celebrity spokespersons, promotion and enhancement of our corporate and brand image and promotional events across China during major holidays. For details, see “Future Plans and Use of Proceeds” in this prospectus.

Our Customers

Most of our customers are individuals. To the best of our knowledge, corporate entities have purchased our products as benefits for their own employees and none of the purchases by these corporate customers was for re-sale or distribution purposes. For the year ended December 31, 2010, our top five customers accounted for 7.1% of our total turnover and our largest customer accounted for 3.1% of our total turnover during the same year. For the years ended December 31, 2011 and 2012 and the six months ended June 30, 2013, our top five customers accounted for less than 5% of our total turnover during the same periods.

RESEARCH AND PRODUCT DEVELOPMENT

We adopt a market-oriented research and product development process, focusing on evolving consumer demands and needs. The following diagram illustrates our typical product development process.



Note:

(1) Only applicable to products for which we intend to obtain CFDA approvals as health food products.

The timing of the process depends on multiple factors, including the underlying market conditions, time needed for marketing research and survey, level of research and testing required, CFDA approval sought, and allocation of our resources. For most of our Zhongsheng series products that we apply to CFDA for approvals as health food products, the entire process starting from concept development to product launch will typically take 24 months to 48 months on a case-by-case basis. For our Cobayer series products, the entire process starting from concept development to mass production generally takes six months, which is shorter due to the absence of the CFDA approval process.

As of June 30, 2013, our research and development team comprised nine staff. A majority of our research and development staff have obtained bachelor degree or higher in biotechnology, food science or pharmacy engineering. We plan to expand our research and development team further to approximately 30 employees within the next three years, and intend to hire professionals with bachelor degree or higher in food science, traditional Chinese medicines, nutrition and biotechnology science. We incurred research and product development costs of RMB0.4 million, RMB0.2 million, RMB0.2 million and RMB0.4 million for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively.

Zhongsheng Series Products

The research and development of our Zhongsheng series products is typically conducted by our in-house research team, while we engage Independent Third Parties to conduct clinical and other tests on our products in order to satisfy the testing requirements for application of CFDA approvals. We have also consulted certain research institutions in China for the development of our Zhongsheng series products on a product-by-product basis.

Cobayer Series Products

Our focus of the research and development of our Cobayer series products is to identify the consumer preference and market trend of imported nutritional supplements in China and form the product concept. We typically prefer developing products with concept native to or popular in Australia. For example, liquid extract made from fresh olive leaves, the basic concept of one of our best selling products Olive Leaf Extract, is currently popular among consumers in Australia. Once we form the product concept, we typically provide our third-party manufacturers in Australia with such concept for further product development.

PRODUCTION, QUALITY CONTROL AND SUPPLIES**Production of Zhongsheng Series Products***Production facilities*

We have one production base in Nanjing, Jiangsu province with a total site area of 28,337 square meters, of which approximately 50% has been used for our existing production facilities. All of our Zhongsheng series products are manufactured in this production base, except the production of certain products in the forms of soft gelatin capsules and miniature bottled drinks has been outsourced to certain Independent Third Parties. We have the health food manufacturing permit and food circulation permit as required under CFDA regulations to manufacture and sell health food products, and our production facilities have complied with all applicable requirements for health food production in China, including GMP requirements.

We are currently undergoing expansion of our production facilities in Nanjing, Jiangsu province, including (i) construction of a new production line; (ii) establishment of a research and development and testing center; and (iii) establishment of an information and logistics control center, which is expected to complete by the end of 2015. Through these efforts, we expect to significantly expand our in-house manufacturing capabilities of nutritional supplements in various forms, enhance our storage ability and improve our existing technologies and research and development capabilities. With the new production line, we expect to be able to manufacture products in the forms of soft gelatin capsules, canned powder and miniature bottled drinks with a designed annual capacity of 800,000 units, 650,000 units and 2.0 million units, respectively. Despite the low utilization rates of our existing production facilities, we are currently not able to manufacture these forms of products in our own production facilities and such product forms are commonly used for nutritional supplements in China as well as other countries. We believe the addition of the new manufacturing capability will help us further expand our product portfolio. In addition, our new production line is also expected to afford us (i) greater flexibilities in forming production plans of products in these forms; (ii) enhanced in-house quality control of such types of products; (iii) capabilities to launch additional products in these forms from time to time in the future to grasp market shares rapidly without incurring management and financial resources to engage third-party manufacturers; and (iv) support of the increasing product demand arising from our nationwide expansion of retail stores in the next few years. Upon completion of our expansion plan, the

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total gross floor area of our production facilities in Nanjing, Jiangsu province is expected to increase from 3,237.4 square meters as of June 30, 2013 to 26,592.8 square meters. We expect to incur a minimum of RMB100.0 million for our expansion plan, which will be funded by the proceeds from the Global Offering and cash generated from our operations. The expected cost for our expansion plan will be primarily used to construct facilities and buildings in our existing production base and purchase equipment for the new production line. We do not expect to incur any expenses for the acquisition of land as we intend to build our new facilities and buildings adjacent to our current facilities on the unoccupied area of our existing parcel of land of 28,337 square meters.

The follow table sets forth details of our planned production facilities expansion.

Expansion plan	Estimated minimum cost⁽¹⁾	Estimated construction completion date
New production line for the manufacturing of products in the forms of soft gelatin capsules, canned powder and miniature bottled drinks . . .	RMB72.0 million	December 2015
Establishment of a research and development and testing center	RMB14.0 million	December 2015
Establishment of an information and logistics control center	RMB14.0 million	December 2015

Note:

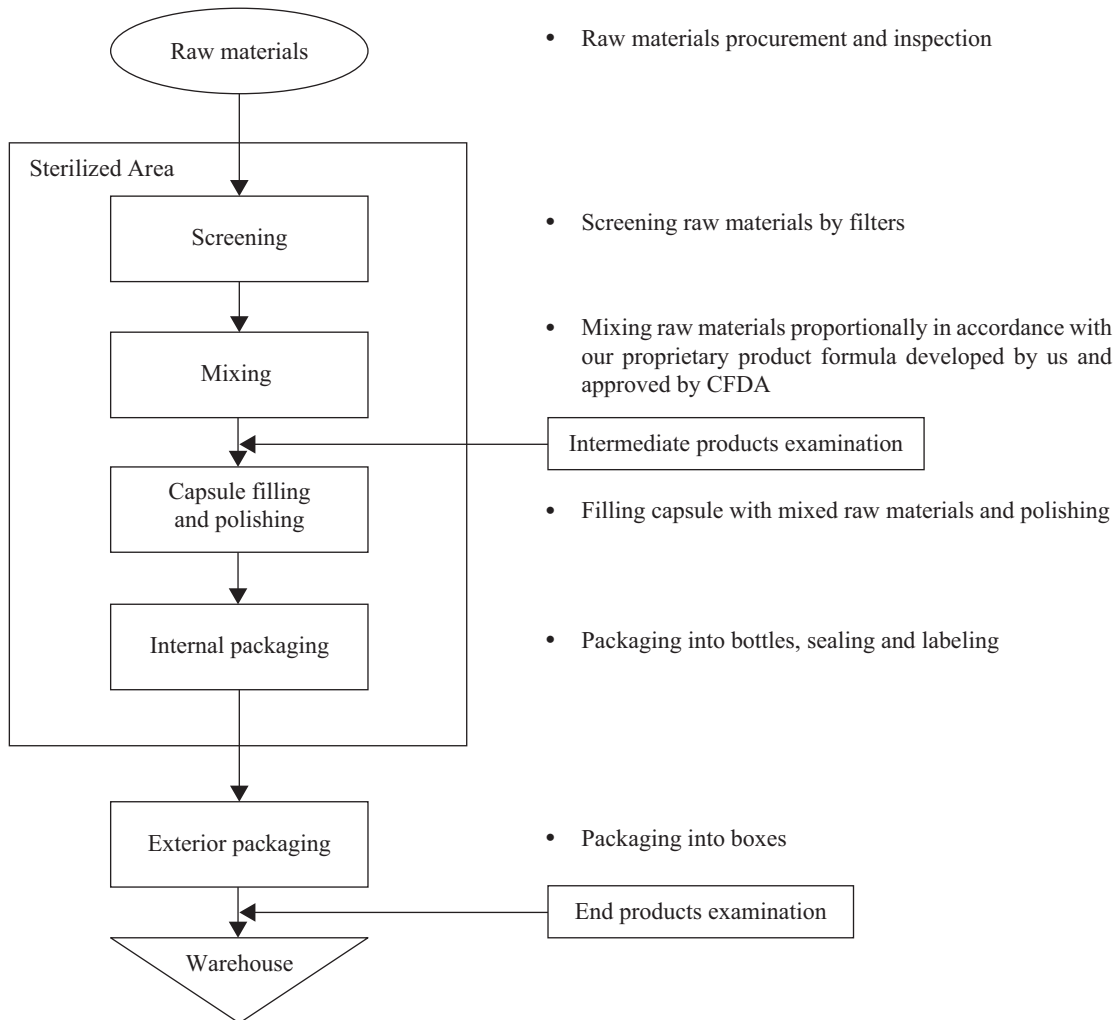
- (1) The estimated minimum cost represents the minimum cost required for construction of the relevant facilities. The actual cost required may be higher than our current expectation, subject to a number of factors such as the fluctuations in market prices of production line, equipment and construction materials in 2014 and 2015, the technical specifications and complexity of the production line or equipment to be purchased by us, and our bargaining power against suppliers and third-party constructors.

Upon completion of our new production facilities, we expect our cost structure will have the following changes: (i) we will not have subcontracting charges as a component of our cost of sales as we will be able to manufacture all of our Zhongsheng series products in our own production facilities; and (ii) our total costs of raw materials and packaging materials, depreciation costs, labor costs, utilities and other production costs will increase and may account for a higher percentage of our total cost of sales for a given period, subject to the sales performance of our Zhongsheng series products as compared with Cobayer series products during the same period. We intend to maintain our current gross profit margin after our new production facilities commence operation.

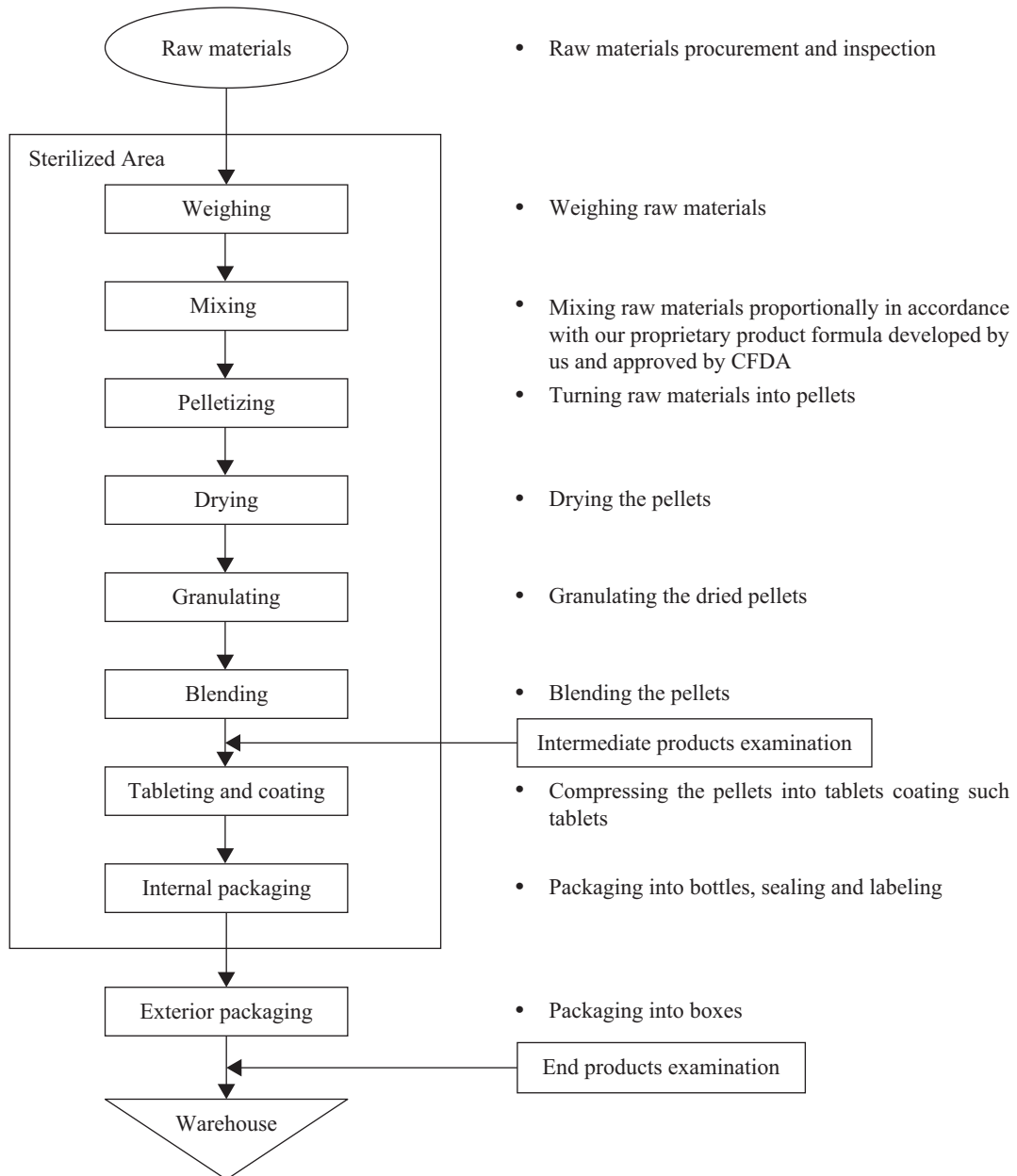
Production process

The following chart sets forth the respective production processes for our two major forms of products developed and manufactured in China, namely hard-shell capsule and tablet products.

Nutritional supplements in the form of hard-shell capsules:



Nutritional supplements in the form of tablets:



As indicated by our production process, one of our key production steps is the mixture of raw materials according to our proprietary production formula, which formula has been extensively tested prior to the issuance of health food product approvals by CFDA. We use multiple categories of raw materials in our production process with carefully tested volume for each of such raw materials. For our protection of formulae, see “– Intellectual Property”. Our production process utilizes automated machinery and equipment, which significantly reduces the number of workers required and error rates during the production process. Our production line is designed to ensure low-cost production of a variety of products of different servings, sizes and packaging configurations while maintaining strict quality control. The production lead time for our Zhongsheng series products is approximately 30 days.

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We perform regular equipment inspections to ensure our production facilities perform at optimal levels. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material or prolonged disruption of our production due to equipment failure.

Production capacities and utilization rates

The following table sets forth, for the periods indicated, the production capacities and utilization rates for our major product categories.

	Year ended December 31,			Six months ended	
				June 30,	
	2010	2011	2012	2012	2013
	(units in million, except percentages)				
Tablets					
Designed annual production capacity	13.3	13.3	13.3	6.7	6.7
Actual production volume	1.6	6.5	5.0	1.1	0.6
Utilization rate ⁽¹⁾	12.0%	48.9%	37.6%	16.4%	9.0%
Hard-shell capsules					
Designed annual production capacity	134.4	134.4	134.4	67.2	67.2
Actual production volume	58.1	23.2	18.1	8.2	7.5
Utilization rate ⁽¹⁾	43.2%	17.3%	13.5%	12.2%	11.2%

Note:

- (1) Utilization rate is calculated by dividing the actual production volume for the relevant period with the designed production capacity for the same period. The designed annual production capacity is based on a production schedule of 250 days per year and one four-hour production shift per day. Such four-hour shift per day is used for the calculation of our designed annual production capacity, primarily because we deduct four hours for sanitization of the plant area, equipment and facilities, which process is required on a daily basis to meet GMP standards, despite the fact that all of our relevant employees are still paid on an eight-hour shift per day basis. The calculation basis of 250 days per year is primarily due to temporary suspension of production in July and August of each year to avoid unfavorable working environment as a result of high temperature and to ensure product quality.

We execute a sales-oriented production plan. Our utilization rates for products in the form of tablets increased in 2011 as compared to 2010, primarily due to our launch of Coenzyme Q₁₀ Tablets, one of our best selling products. Our utilization rates for products in the form of tablets experienced a decrease in 2012 and the first half of 2013, and our utilization rates for products in the form of hard-shell capsules decreased during the Track Record Period, primarily due to the change in our product portfolio and adjustments to our production plans, driven primarily by our launch of new products and introduction of existing products with increased servings

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during the same periods. We do not expect to recognize any write-off in respect of our existing production facilities as the turnover generated historically and expect to be generated in the future from the products manufactured in our existing facilities significantly exceed the relevant cost of such facilities.

Production outsourcing

As we currently do not have a production line to manufacture soft gelatin capsules and miniature bottled drinks, we have outsourced the production of our three soft gelatin capsule products, and two miniature bottled drinks, during the Track Record Period to certain Independent Third Parties in China.

The following table sets forth, for the periods indicated, the product volume manufactured and provided by third-party manufacturers in China and the respective contribution of such products to our turnover.

	Year ended December 31,									Six months ended June 30,					
	2010			2011			2012			2012			2013		
	RMB'000	% of total	Volume (unit)	RMB'000	% of total	Volume (unit)	RMB'000	% of total	Volume (unit)	RMB'000	% of total	Volume (unit)	RMB'000	% of total	Volume (unit)
Soft gelatin capsule products															
Linolenic Acid Soft Capsules . . .	-	-	-	1,327	1.3	8,729	24,280	16.1	88,921	12,623	19.5	39,361	2,014	2.3	4,786
Zhongsheng Propolis Soft Capsules	2,952	4.4	30,218	157	0.2	2,937	95	0.1	758	18	-	-	218	0.3	2,871
Keda Propolis Soft Capsules . . .	246	0.4	1,000	247	0.2	-	14	0.0	122	2	-	-	9	-	-
Subtotal	3,198	4.8	31,218	1,731	1.7	11,666	24,389	16.2	89,801	12,643	19.5	39,361	2,241	2.6	7,657
Miniature bottled drinks															
Blueberry Fruit Drink	965	1.4	191,930	44	-	-	-	-	-	-	-	-	-	-	-
Pomegranate Fruit Drink	-	-	-	-	-	-	227	0.2	28,950	-	-	-	283	0.3	-
Subtotal	965	1.4	191,930	44	-	-	227	0.2	28,950	-	-	-	283	0.3	-
Total⁽¹⁾	4,163	6.2	223,148	1,775	1.7	11,666	24,616	16.4	118,751	12,643	19.5	39,361	2,524	2.9	7,657

Note:

- (1) The significant increase in our aggregate turnover derived from these products in 2012 was primarily driven by our increased sales of Linolenic Acid Soft Capsules during the same year.

During the Track Record Period, the volume manufactured and provided by third-party manufacturers for a particular product did not fully match the contribution of such product to our turnover, primarily due to our sales of inventories held at the end of the previous period from time to time. In addition, the fluctuation of subcontracting charges we paid to third-party manufacturers during a particular period did not fully match the fluctuation of turnover generated from the products manufactured by third-parties in China over the same period,

primarily because (i) sales of certain products were not made during the same period when we incurred the subcontracting charges; (ii) for our Linolenic Acid Soft Capsules, we provided certain key raw materials at our cost to the third-party manufacturer in 2012, as a result of which the increase in our subcontracting charges for this product was significantly lower than the increase in the turnover generated from the same product; and (iii) our increased proportion of sales of Linolenic Acid Soft Capsules in 2012, which had a higher average selling price as compared with other products manufactured by third parties in China, has significantly increased the total turnover generated from our products manufactured by third parties in China in 2012.

We have adopted strict procedures to ensure that the production qualifications, production facilities and production process of our third-party manufacturers in China comply with the relevant safety and quality requirements for health food and general food production in the PRC, as the case may be. We selected our third-party manufacturers in China carefully by taking into account a number of factors, including their qualifications, experience, production capacity, proximity to our headquarters and terms offered by such third-party manufacturers. Before we enter into any contract with our third-party manufacturers, we interview with potential candidates to understand their qualifications, production capacity and industry experience. We also conduct on-site inspection to visit their production facilities so as to assess whether our potential candidates have strong operating capabilities and resources to meet our internal standards. Our third-party manufacturers are required to provide copies of their business licenses, permits and approvals in respect of health food and general food production for our examination during our selection process, and copies of renewed business licenses, permits and approvals from time to time, when they manufacture our Zhongsheng series products.

The third-party manufacturer of our soft gelatin capsules has obtained business license, ISO9001:2008 Quality Management System Certificate and health food manufacturing permit for manufacturing of health food products in China, which as advised by our PRC legal advisor, Yongheng Partners, also demonstrates such third-party manufacturer's satisfaction of GMP requirements. This third-party manufacturer has also registered with local CFDA for its manufacturing of our CFDA approved health food products under the production outsourcing arrangements as required by Jiangsu provincial agency of CFDA. The third-party manufacturer of our miniature bottled drinks has obtained business license and industrial product manufacturing permit for the production of drinks. Our Directors confirm that each of our third-party manufacturers in China has obtained the business license, permits, registrations and approvals necessary for the manufacturing of our relevant Zhongsheng series products.

We provide our third-party manufacturers with the formulae and specifications of our products and, in some cases, raw materials procured by us, for their production, and require the third-party manufacturers to keep confidential any of our commercial secrets and know-how known to them or used during our cooperation period. We also arrange our quality control staff to conduct on-site inspections at the production facilities of our third-party manufacturers on a regular basis. It typically takes two to three months for our third-party manufacturers to complete our production order and we are responsible for collecting the finished products from

our third-party manufacturers. Our Directors confirm that, during the Track Record period, our third-party manufacturers in China did not produce substandard Zhongsheng series products that were rejected by our Group. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, we paid RMB0.9 million, RMB0.2 million, RMB0.5 million and RMB0.1 million to such third-party manufacturers for the production outsourcing in China, respectively.

Production of Cobayer Series Products

We outsourced the production of all of our Cobayer series products to various Independent Third Party manufacturers in Australia (except one product which was manufactured in New Zealand). Our third-party manufacturers in Australia are engaged to perform the entire production process and are responsible for procurement of the relevant raw materials. The purchase value of Cobayer series products from our third-party manufacturers in Australia and New Zealand was RMB4.0 million, RMB12.8 million, RMB9.4 million and RMB2.5 million for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively. As of the Latest Practicable Date, we had a total of nine third-party manufacturers in Australia and New Zealand, with which our relationship ranged from less than one year to approximately four years. None of these third-party manufacturers produced our Cobayer series products on an exclusive basis.

Production process

We generally form our product concept based on customer preferences and market demand and provide our third-party manufacturers with such product concept for further product development. Based on the product concept provided by us, our third-party manufacturers are responsible for the development of product formulae and manufacturing of the products. The product formulae for all of our Cobayer series products are either owned by our third-party manufacturers or are publicly available. For existing products, it typically takes three to six months for us to receive finished products in China from our third-party manufacturers, calculating from the time when we place deposits for orders. For the first order of new products, it typically takes up to six months for us to receive finished products in China as our third-party manufacturers need to run trial productions and provide sample products for our inspection.

Control of product safety and quality

In 2010, one particular batch of our Essence of Kangaroo Capsules we attempted to import into China did not pass the quality test of CIQ because its lead content exceeded the permitted amount in the PRC, and was subsequently returned to the third-party manufacturer in Australia. The total purchase amount of this batch of products was AUD34,950. Our Directors confirm that the failure of this batch of Essence of Kangaroo Capsules to pass the quality test of CIQ was merely a one-off incident and did not have any material adverse impact on our business operations and financial condition. As advised by the Company's PRC legal advisor, Yongheng Partners, there was not and will not be any penalty or any legal consequences on us as a result of such incident.

Essence of Kangaroo Capsules was one of the first Cobayer series products launched by us. When we initially imported goods into China, we did not carry out product testing by ourselves and relied solely on the importing agent for quality control, primarily due to the fact that we had not developed a strict quality control system at that time. After the aforementioned incident, we adopted a comprehensive quality control system to monitor the selection of third-party manufacturers in Australia and New Zealand, the raw materials procured by third-party manufacturers, the testing of new products in the product development process and the testing of each batch of existing products imported by us.

- *Selection of third-party manufacturers:* To ensure the safety and quality of our Cobayer series products, we carefully select third-party manufacturers based on their overall track record, experience, reputation, size of operations, ability to manufacture high-quality products and quality control effectiveness. Most of our third-party manufacturers in Australia and New Zealand are large and medium-size enterprises specialized in production of nutritional supplements. In particular, our largest third-party manufacturer, GMP Pharmaceuticals Pty Ltd., is one of the largest manufacturers of nutritional supplements in Australia and New Zealand. All of our third-party manufacturers in Australia and New Zealand have complied with the highest requirements of TGA when they manufacture our Cobayer series products.
- *Procurement of raw materials:* We require third-party manufacturers to provide us with information of raw materials they intend to procure for the manufacturing of our products, such as names of suppliers and data of the key ingredients in the raw materials, for our review and approval. Our third-party manufacturers also provide us with raw material testing reports prior to production.
- *Testing of new products:* For each new Cobayer series product, we require the relevant third-party manufacturer to provide samples, along with their testing reports, for our inspection. Once we receive samples of new products, we also submit such samples to independent testing institutions in China for testing so as to ensure the safety and quality of new products. In addition, these sample products are delivered to CIQ for quality testing. Mass production by third-party manufacturers may only commence upon our satisfaction of the trial productions and upon the passing of testing at CIQ.
- *Testing of existing products:* Each batch of Cobayer series products imported by us is required to pass testing at CIQ under the applicable PRC laws and regulations before entering China. We also require the relevant third-party manufacturers to conduct quality testing for each batch of products before shipping the products to China and provide us with the relevant testing reports. The testing reports provided by our third-party manufacturers include information of key ingredients included in the finished products. We review such testing reports and conduct independent testing to the extent necessary to ensure the purported ingredients as stated on the packaging of the imported finished products are correct and consistent with the ingredients used in the manufacturing process.

Terms of purchase orders

We place orders with our third-party manufacturers from time to time based on our sales plan, without entering into annual agreements. We are not bound to purchase any minimum quantity of products from our third-party manufacturers in Australia. Set out below are the material terms of the purchase orders we generally agree with our third-party manufacturers in Australia.

- *Quality:* Our third-party manufacturers are required to manufacture and pack our products in accordance with our quality and packaging requirements. In the event that there is any discrepancy between the finished products and the description stated in the quality inspection report relating to the quality of the products, our third-party manufacturers are generally liable and responsible for all our losses caused by such discrepancy.
- *Delivery:* Our third-party manufacturers are generally required to deliver the finished products to the ports and at the times agreed with us, failing which these third-party manufacturers will be liable for penalty. The quantity of the finished products delivered to us may vary from our prescribed total orders within a 5% range.
- *Payment:* We are required to pay deposits to most of our third-party manufacturers for our purchases when we place orders with them. We are generally required by our third-party Australian manufacturers to pay the full contract value before the shipping of our products to China.
- *Product defects:* Our third-party manufacturers are generally liable and responsible for the damages and losses which arise out of or in connection with the supply of products to us.

Quality Control

We have a strict quality control system to monitor and control each stage of our production process, from raw material procurement to production and delivery, to ensure the consistency and high quality of our products. We inspect the raw materials visually and the accompanying quality reports provided by our suppliers upon receiving them. These quality reports usually contain various quantitative analysis, such as dust and moisture level of the raw materials, depending on the nature of the respective raw materials. We also perform our own inspection of raw materials in accordance with quality requirements promulgated by the relevant government authorities for different raw materials. In accordance with the GMP requirements, our quality control personnel check the key steps of our production process, such as weighing, pulverization and mixture, to ensure these steps are carried out correctly and accurately. We have measures in place to ensure that our production line and equipment are properly sanitized, such as daily sterilization of the plant area, equipment and facilities, inspection of the plant infrastructure and ventilation system, and the prohibition of unauthorized personnel. We monitor the sanitization process in our production facilities carefully to minimize the risk of contamination from external sources. At different stages of our production process, we also perform various quality inspection and testing procedures, including the test of impurity, moisture, dust and microbes, to remove defective intermediate products. We also conduct sample testing of our final products before and after packaging them for delivery to our retail stores.

In respect of production outsourced to third-party manufacturers in China, Australia and New Zealand, we start the quality control process early from the selection of third-party manufacturers and monitor each key step in the production process. For details, see “– Production of Zhongsheng Series Products – Production outsourcing” and “– Production of Cobayer Series Products”.

In addition, all of the products imported by us from Australia and New Zealand are subject to the inspection of products by CIQ in Jiangsu province upon the products’ arrival in China.

We obtained ISO9001:2008 certification for quality control on our product development and production process in October 2012, which demonstrates that our quality control system meets the recognized international standards of quality assurance. We also have ISO22000:2005 certification, an ISO International Standard for Food Safety Management Systems which includes the principles of Hazard Analysis and the Critical Control Point (HACCP) system. This certification requires demonstration of an ability to control food safety hazards in order to ensure that food is safe at the time of human consumption.

We carry out quality control procedures in compliance with GMP standards and CFDA regulations. In accordance with GMP requirements, we have implemented a system whereby details of the entire production process for each batch of products, from raw materials to production, inventory, transportation, and finally to retail stores, are recorded. This system allows us to ensure that any defective products can be traced on a timely basis.

During the Track Record Period and up to the Latest Practicable Date, there was no product recall for any of our products sold in our self-managed retail stores or by our distributors.

Raw Materials, Packaging Materials and Suppliers

We purchase raw materials and packaging materials for the manufacturing of our Zhongsheng series products in China. Our raw materials consist primarily of nutraceuticals, herb extracts, vitamins and mineral products, and our packaging materials include capsules, bottles, cardboard, boxes and labels.

We select our suppliers carefully to ensure the quality of our raw materials and packaging materials. We request each supplier candidate to submit sample products for our inspection. We also inspect their facilities and premises and investigate their reputation and track record before we select them as suppliers. We also have special requirements for the packaging materials, including use of certain packaging materials up to GMP standards and a bacteria killing process to ensure that there is no bacteria or other harmful substance which may contaminate the content inside and that packaging standards to satisfy the storage and transportation requirements are met.

To increase our bargaining power, we usually make bulk purchases of each specific raw material and packaging material from one or two suppliers. We usually enter into supply agreements with our suppliers on an annual basis and have no long-term contracts with them. As all of our raw materials and packaging materials are readily available from multiple suppliers, we have not encountered any shortage in respect of raw materials and packaging materials supply during the Track Record Period and do not believe we are subject to any significant supply shortage risks. The raw materials and packaging materials we use have not experienced significant price fluctuations during the Track Record Period and we do not expect them to experience significant price fluctuations in the foreseeable future. By leveraging our brand recognition among customers, we believe we are able to pass the increase in our cost on to our customers.

Our suppliers primarily consist of suppliers of raw materials and packaging materials for our Zhongsheng series products and suppliers of finished goods for our Cobayer series products. Our suppliers of raw materials typically do not offer credit period to us and our suppliers of packaging materials usually give us a credit period ranging from 30 days to 60 days in practice. In addition, our third-party manufacturers for our Cobayer series products do not offer credit period to us. For the year ended December 31, 2012, we had an aggregate of 62 suppliers, among which five were third-party Australian manufacturers. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, our purchases from our five largest suppliers amounted to RMB5.7 million, RMB11.6 million, RMB11.0 million and RMB2.9 million, respectively, accounting for 57.8%, 70.9%, 74.0% and 71.9% of our total purchases, respectively. For the six months ended June 30, 2013, three of our top five suppliers were third-party Australian manufacturers and the remaining two were suppliers of raw materials and packaging materials. Our relationship with these top five suppliers ranged from two to seven years. During the Track Record Period, our largest supplier in respect of aggregate purchase amount was GMP Pharmaceuticals Pty Ltd., one of our third-party Australian manufacturers. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, our purchases from our largest supplier accounted for 25.0%, 28.9%, 41.7% and 51.1% of our total purchases, respectively. None of our Directors, their associates or any Shareholder (which to the knowledge of our Directors owns more than 5% of our share capital) has any interest in any of our five largest suppliers during the Track Record Period.

Inventory

Our inventories consist primarily of products imported from Australia and New Zealand for our Cobayer series products and finished products for our Zhongsheng series products. We store inventories in our central warehouse in Nanjing, Jiangsu province, which is designed to meet the specified temperature and humidity requirements.

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We closely supervise our production and have implemented inventory policies to (i) typically maintain a three-month supply of raw materials for our best-selling products and a six-month supply of Cobayer series products as import of such products normally takes a longer period; (ii) maintain inventory level of raw materials of other products to satisfy the actual production needs, taking into consideration anticipated stock turnover and market demand and supply of the relevant raw materials; and (iii) maintain inventory level of finished products to satisfy at least one-month market demand and further increase such inventory level before major holidays in China in anticipation of higher demand of our products during such periods. In addition, as we suspend our production in July and August in each year due to the unfavorable working environment as a result of high temperature, we typically increase the inventory of finished goods at the end of the second quarter of each year to meet customer demand during summer. We require our self-managed retail stores to keep an optimal inventory level, based on their own sales turnover and anticipated sales trend, and to place orders with our finance department at the headquarters for the replenishing of inventory. Inventory at our self-managed retail stores is generally replenished once or twice a week. Our centralized IT system that is updated with sales information on a real-time basis and accessible by our management also enables our management to proactively monitor the turnover and inventory at each retail store.

INFORMATION TECHNOLOGY

We believe that information platforms are important in improving our efficiency in customer service, supply chain management, quality and inventory control and logistics and sales. We maintain a computerized information system that integrates the functions of stock replenishment, inventory distribution and sales. We also have a centralized customer service database with the information of members of our two customer loyalty programs, information of our customers who have not joined our customer loyalty programs, as well as information of potential customers who visit our stores and provide information to us. This centralized customer service database is accessible by authorized employees only, which are divided into multiple tiers with different levels of authorization on a need-to-know basis to avoid information leakage. We believe our information platforms enable us to administer and operate our fast-growing, nationwide retail network, and allow us to gather information on customer purchases, monitor customer preferences, make timely assessments regarding market trends and quickly make changes in response to market conditions. We believe that further enhancement of our information platforms will be essential to meet our further expansion and needs.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had 49 registered trademarks and 20 applications for trademark registration, in Hong Kong, China and Australia.

We rely on confidentiality procedures and contractual provisions to protect our know-how, especially the proprietary formulae of our products, where we believe patent protection is not appropriate because patent application in China involves publication of the details of the formula. Only members of our research and development team have access to our

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formulae. We ask all of our key research and development personnel to enter into confidentiality agreements with us at the time of employment. These agreements address intellectual property protection issues, setting forth their obligations to keep our know-how in confidence and not compete with us during a specified period after the employment relationship is terminated. We also require some of our third-party manufacturers to comply with confidentiality obligations in respect of our commercial secrets and know-how.

As none of our proprietary product formulae is protected by patents, we believe our products are generic by nature and we are not able to restrict or prevent other manufacturers from manufacturing similar products, unless there are any contractual restrictions.

COMPETITION

We face competition primarily from domestic and international providers of nutritional supplements. In China, our competitors primarily include Guangdong By-Health Biotechnology Co., Ltd. (湯臣倍健股份有限公司) and other local nutritional supplements retailers. We compete with these competitors largely on price, brand recognition, product quality and sales network coverage.

The significant increase of Chinese consumers' spending on nutritional supplements in the past years may attract more enterprises to enter the nutritional supplements market in China. The barriers to entry, however, exist as it usually takes two years to apply for CFDA approval for health food products and the upfront costs and time required for establishing strong brand awareness and a national distribution network are significant. In addition, we believe that we have gained significant competitive advantages over many of our competitors as a result of our effective marketing strategy, fast-growing retail network and diversified sales platform, provision of comprehensive health solutions to a broad, age-balanced and loyal customer base, broad, diversified product mix, and experienced management team.

PROPERTIES

Owned Properties

Our production facilities are located in Qixia District at Nanjing, Jiangsu province, where we hold land use rights for a land parcel with an aggregate site area of 28,337 square meters. Our existing production facilities, warehouse and affiliated offices, occupying 3,237.4 square meters of floor area, are located at this site. In addition, we also purchased a number of properties in Nanjing, Suzhou and Changzhou, Jiangsu province, with an aggregate of 1,747.2 square meters of floor area, to locate our headquarters, administrative offices and some regional sales offices. As of the Latest Practicable Date, we have obtained land use rights and building ownership certificates for all these properties.

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Leased Properties

As of the Latest Practicable Date, we rented 44 properties in the PRC and one property in Australia, with an aggregate floor area of approximately 3,986.4 square meters, for our retail stores, offices and warehouses. With respect to these leased properties, lessors for ten out of our 44 leases in the PRC did not provide building ownership certificates or other documents as of the Latest Practicable Date evidencing that the relevant lessors have requisite titles or rights to lease the properties to us. As of the Latest Practicable Date, the floor area of such properties was approximately 859.6 square meters, representing approximately 21.6% of the aggregate floor area of the properties leased by our Group. For the risk relating to our lessors' failure to provide building ownership certificates in respect of our leased properties, see "Risk Factor – Risks Relating to Our Business and Industry – Our legal right to lease certain properties could be challenged by property owners or other third parties" in this prospectus.

In addition, nine of our lease agreements for the leased properties have not been registered with the relevant local governmental authority. We have been advised by our PRC legal advisor, Yongheng Partners, that, as a general principle, the lack of registration of a lease agreement does not affect the validity of rights existing under such lease agreement between the tenant and the lessor.

Pursuant to Rules 5.01A and 5.01B of the Listing Rules, the Directors confirm that as of June 30, 2013, none of the properties held or leased by us has a carrying amount of 15% or more of our consolidated total assets.

PRODUCTION SAFETY

We are subject to various production safety rules and regulations in the PRC. For further details, see "Regulatory Overview" and "Appendix V – Summary of Principal Laws and Regulations" in this prospectus. We regard production safety as one of our important social responsibilities and have implemented safety measures at our production facilities to ensure compliance with regulatory requirements. We conduct regular and thorough worksite inspections to eliminate potential hazardous work environment. In addition, we also, from time to time, provide our employees with occupational safety education and trainings to enhance their awareness of safety issues. During the Track Record Period and up to the Latest Practicable Date, we did not experience any accident at our production facilities that results in any personal injury to our employees or material production interruption.

ENVIRONMENTAL MATTERS

Given the nature of our business, our manufacturing process produces a small amount of waste water and solid wastes. Such waste does not cause any material damage to the environment.

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We are required to submit environmental impact study reports setting forth the impact caused by the construction projects on the environment and the measures to prevent or mitigate the impact for approval by the government authority, prior to commencement of construction of the relevant projects. The relevant local environmental authorities will then perform inspections on our facilities, and decide whether to approve our environmental impact study report and accept our construction projects. To minimize impact of emissions on the environment, we have installed advanced environmental protection equipment to treat waste materials and dust and, where possible, recycle waste materials. We have procedures in place to treat and dispose of all of our waste in accordance with national and local environmental laws and regulations.

To ensure compliance with applicable regulations, we have one dedicated staff responsible for supervising and monitoring compliance with statutory regulations and our internal standards relating to environmental protection. Due to the nature of our business, our total expenditures for maintaining compliance with environmental laws are not material and we do not expect to incur any significant fluctuation in our environment compliance costs in the near future.

During the Track Record Period and up to the Latest Practicable Date, we have been in compliance with all applicable PRC environmental regulations, have not been subject to any material claims or penalties in relation to environmental protection and have not been involved in any environmental accidents.

INSURANCE

As of the Latest Practicable Date, we maintained a vehicle insurance coverage on commercial vehicles we own and product liability insurance in respect of our Coenzyme Q₁₀ Tablets/Capsules. We consider our current insurance coverage to be adequate. For the risks associated with the coverage of our insurance policies, see “Risk Factors – Risks Relating to Our Business and Industry – Any unexpected or undesirable side effects or injury caused by our products to consumers could result in costly product recalls or product liability claims, which in turn could lead to severe reputational damage, monetary losses or lawsuits” and “Risk Factors – Risks Relating to Our Business and Industry – Our insurance coverage may not completely cover the risks related to our business and operations” in this prospectus.

LEGAL AND COMPLIANCE

Save as disclosed below and in “– Properties” above, our Company and all of our subsidiaries have obtained and currently maintain all necessary permits and licenses required for their production and sales activities actually being conducted and we are in compliance with the applicable PRC laws and regulations relating to our business operations in all material respects. As advised by our Australian legal advisor, Longton Legal, we confirm we have complied with all the applicable Australian laws and regulations and obtained all necessary certificates and documents as required in respect of our imports of Cobayer series products from Australia. According to our New Zealand legal advisor, Bell Gully, there are no New

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Zealand laws, regulations, permits, licences or approvals that our Group is required to comply with in connection with the manufacturing of Cobayer series products in New Zealand which our Group imports. For details of the relevant Australian and New Zealand laws and regulations, see “Regulatory Overview – Australian Law” and “Regulatory Overview – New Zealand Law”, respectively. For the risk factors associated with our non-compliance issues, see “Risk Factor – Risks Relating to Our Business and Industry – Our legal right to lease certain properties could be challenged by property owners or other third parties” and “Risk Factor – Risks Relating to Our Business and Industry – Historically some of our product advertisements have been declared not being in full compliance with applicable regulations” in this prospectus.

During the Track Record Period, we have not been, and are not, involved in any litigation or arbitration proceedings that, individually or in the aggregate, could have a material adverse effect on our business, financial condition or results of operations. In addition, we have not been and are not involved in any litigation or arbitration proceedings pending or threatened against us or any of our Directors that, individually or in the aggregate, could have a material adverse effect on our business, financial condition or results of operations.

Set forth below is a summary of our non-compliance instances from 2006 to the Latest Practicable Date:

Number and period of public notices issued by Jiangsu provincial agency of CFDA	Affected products	Violations	Facts relevant to our advertisements of the affected products
13 public notices from March 2009 to January 2011	Coenzyme Q ₁₀ Capsules	(i) Improperly claiming, overstating or guaranteeing the effect which may mislead consumers; and (ii) failure to disclose the advertisement approval	We ceased the advertisements of Coenzyme Q ₁₀ Capsules in January 2011.
11 public notices from September 2006 to October 2009	Keda Propolis Yangshengbao Capsules	(i) Posting of advertisements without obtaining prior CFDA advertisement approval; (ii) improperly claiming, overstating or guaranteeing the effect which may mislead consumers; and (iii) amending the approved advertisements without obtaining prior CFDA approval	We obtained the CFDA advertisement approval of Keda Propolis Yangshengbao Capsules in August 2009.

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Historically Jiangsu provincial agency of CFDA issued public notices with respect to advertisements of two other products sold by us. However, our Directors believe that we did not publish any non-compliant advertisements of these two products based on the facts set forth in the table below.

Number and period of public notices issued by Jiangsu provincial agency of CFDA	Affected products	Alleged violations	Facts relevant to our advertisements of the affected products
2 public notices from August 2010 to September 2010	Coenzyme Q ₁₀ Tablets	Posting of advertisements without obtaining prior CFDA advertisement approval	We only commenced sales of Coenzyme Q ₁₀ Tablets in May 2011 and obtained CFDA advertisement approval for Coenzyme Q ₁₀ Tablets in September 2012. The Directors further confirm (i) that the alleged non-compliant advertisements did not specify our Coenzyme Q ₁₀ Tablets as the product being advertised; (ii) that the relevant advertisements were actually intended to market our Coenzyme Q ₁₀ Capsules, a product which we have obtained advertisement approval since 2009; and (iii) we historically did not make any advertisements of Coenzyme Q ₁₀ Tablets.
2 public notices from January and March 2009	Zhongke Ganoderma Spore Capsules (中科牌靈芝孢子膠囊), a third-party product sold by us before early 2006	(i) Improperly claiming, overstating or guaranteeing the effect; and (ii) using the name or image of government authorities, research institutions, experts, doctors or patients in the advertisements	The Directors confirm that we did not post any advertisement regarding Zhongke Ganoderma Spore Capsules on the relevant newspaper during the period as stated in the public notices issued by Jiangsu provincial agency of CFDA. We ceased the advertisements of Zhongke Ganoderma Spore Capsules in the fourth quarter of 2005 and have not sold this product since early 2006.

We did not, and does not intend to, clarify the alleged violations with the relevant authorities, primarily because (i) up to the Latest Practicable Date, there was no enforcement action taken by the competent authorities in connection with the public notices posted by Jiangsu provincial agency of CFDA; (ii) our PRC legal advisor, Yongheng Partners, is of the view that we or any of our Directors would not be subject to penalties for these historical non-compliance instances; and (iii) the above public notices concerned were issued more than three years ago. Going forward, we believe we should be able to identify public notices issued by the relevant authorities on a timely basis through our enhanced internal control measures, and intend to clarify with the relevant authorities promptly if we believe we are not in violation of applicable advertising laws and regulations.

The relevant public notices were posted as part of the routine functions of Jiangsu provincial agency of CFDA which is responsible for monitoring the health food product advertisements in Jiangsu province. According to our PRC legal advisor, Yongheng Partners, the competent authorities to impose penalties in connection with the public notices are SAIC and its local agencies. Our PRC legal advisor, Yongheng Partners, conducted an interview on

October 18, 2013 with the official at Jiangsu provincial agency of SAIC who is in charge of the administration of advertisements of health food products and competent to make the confirmation regarding any potential penalty on our Company for non-compliant health food product advertisements. During such interview, the relevant official confirmed that we would not be subject to penalties for our historical non-compliance instances on the basis that (i) Jiangsu provincial agency of SAIC did not file cases against us or impose any penalties on us historically for these non-compliance instances; and (ii) the most recent public notice regarding our non-compliant health food advertisements was issued more than two years ago whereas the Law on the Administrative Penalties of the PRC (中華人民共和國行政處罰法) provides a two-year statute of limitations for government authorities to impose administrative penalties. Based on (i) such interview with the official at Jiangsu provincial agency of SAIC; and (ii) certificates issued by the relevant local agencies of SAIC, certifying that no penalties were imposed on our Company or subsidiaries historically, our PRC legal advisor, Yongheng Partners, is of the view that the confirmation made by the official at Jiangsu provincial agency of SAIC is unlikely to be overruled and we or any of our Directors would not be subject to penalties for these historical non-compliance instances.

We have engaged BDO Financial Services Limited as our internal control advisor to perform a review over our management of health food product advertisements. During the review period from May 1, 2013 to November 30, 2013, our internal control advisor reviewed our procedures regarding posting of proposed health food product advertisements. Having considered the recommendations of our internal control advisor and PRC legal advisor, we have adopted a number of enhanced internal control measures to ensure there will not be any re-occurrence of non-compliant health food product advertisements in the future. Based on the aforementioned review, our internal control advisor has concluded that our enhanced internal control measures are effective to prevent the re-occurrence of non-compliance instances in the future.

The Sole Sponsor believes our enhanced internal control measures are effective and adequate to prevent the re-occurrence of non-compliant health food product advertisements in the future, taking into account the following bases: (i) the view of our internal control advisor, BDO Financial Services Limited, that our internal control measures are effective, upon our adoption of all remedies and enhanced internal control measures as disclosed in this prospectus; (ii) opinion and confirmation from our Directors that our internal control measures are effective and adequate, covering every step for publishing health food product advertisements, and our Directors will monitor the implementation of such measures closely to ensure that all of our health food advertisements are in compliance with applicable PRC laws and regulations in the future; (iii) the extent and scope of remedies and enhanced internal control measures adopted by our Company; and (iv) view of our PRC legal advisor, Yongheng Partners, that our enhanced internal control measures have covered all the material aspects of applicable PRC laws and regulations in relation to the health food product advertisements and are effective to prevent similar non-compliance instances in the operation of our Company.

Set forth below are further details of our non-compliance instances during the Track Record Period and up to the Latest Practicable Date, including major reasons of occurrence, the view of our PRC legal advisor, indemnity provided by our Controlling Shareholders, views of our Directors and the Sole Sponsor, and enhanced internal control measures we have adopted to prevent the re-occurrence of similar non-compliance instances in the future.

Historical Advertisements	Non-Compliant	Views of the Directors and the Sole Sponsor	Remedies and enhanced internal control measures
Major reason			
Lack of a comprehensive system to review, monitor and manage the advertising activities of our subsidiaries under applicable PRC laws and regulations.		The Directors and the Sole Sponsor are of the view that the non-compliance instances relating to our historical advertisements are not material, and such instances do not raise concern on our Directors' competence, integrity and character, based on the following factors:	We established a designated team, comprising Ms. Zhang Yuan, one of our executive Directors and our general manager, Mr. Song Jiming, our compliance officer and Ms. Chen Xiu, one of our Supervisors, to review the content of, and maintain the related approvals for, our advertisements and regularly monitor and review our advertisements. We have implemented stringent internal control measures designed to ensure there will not be any future non-compliance on health food product advertisements. Specifically, these measures include the following:
View of our PRC legal advisor, Yongheng Partners			
Our PRC legal advisor, Yongheng Partners, is of the view that we or any of our Directors would not be subject to penalties for these historical non-compliance instances, and if we are, the maximum penalties we may be subject to are fines of up to approximately RMB1.9 million.		(i) our senior management was not aware of the public notices due to the lack of a comprehensive system enabling us to track such public notices on a timely basis, and the Directors confirm that following the release of the public notices on these non-compliance instances by Jiangsu provincial agency of CFDA, we did not receive any notice from any local agencies of CFDA or SAIC, requiring us to cease our advertisements of our relevant products or imposing any penalties on us;	(i) all of our Directors, members of our senior management and employees responsible for review and posting of advertisements of health food products have attended and will continue to attend trainings on the relevant PRC laws and regulations provided by our PRC legal advisor, Yongheng Partners;
Indemnity by the Controlling Shareholders			
Our Controlling Shareholders have jointly and severally provided an indemnity in favor of our Group from and against, among other things, all actions, claims, losses, liabilities, charges, costs, fines, damages or expenses which we may incur or suffer as a result of or in connection with the non-compliance instances stated in the public notices issued by Jiangsu provincial agency of CFDA.		(ii) with respect to the advertisements of our Coenzyme Q ₁₀ Capsules and Keda Propolis Yangshengbao Capsules, as confirmed by the Directors, the relevant violations of the applicable laws were not conducted intentionally, and the non-compliance instances were not due to fraud or dishonesty on part of any of our Directors. Such breach was caused by the previous lack of comprehensive internal control measures to require the responsible subsidiary to keep our management informed of the content of any advertisements posted by such subsidiary's staff on the local media;	(ii) all the advertisements for health food products shall be published only after obtaining the advertisement approval from the local agency of CFDA;
Potential operational and financial impact			
Taking into consideration the view of our PRC legal advisor and the indemnity provided by the Controlling Shareholders, our Directors believe our results of operation and financial condition will not be materially adversely affected by these non-compliance instances.		(iii) the Directors confirm that, save as disclosed herein, we were not engaged in any advertising practice during the Track Record Period and up to the Latest Practicable Date that has subjected, or may subject, us to public notices or penalties imposed by competent authorities in China; and	(iii) the content of the advertisements proposed by any subsidiary shall be reviewed and approved by our designated team at the headquarters;
		(iv) according to our PRC legal advisor, Yongheng Partners, the competent authority in China which has the authority to impose penalties on us following the public notice by Jiangsu provincial agency of CFDA are SAIC and its local agencies. We received certificates issued by the relevant local agencies of SAIC, certifying that no penalties were imposed on our Company or subsidiaries historically. Our PRC legal advisor, Yongheng Partners, is of the view that we or any of our Directors would not be subject to penalties for these historical non-compliance instances.	(iv) we will seek legal advice from our PRC compliance counsel before we publish future advertisements of our products in China;
			(v) we will apply for extension of each CFDA advertisement approval 60 days before its expiration date to make sure we maintain effective approvals at all times;
			(vi) we will provide relevant CFDA health food approvals to the media operators where the advertisements are published, and require the content of the advertisements published, to the extent related to the benefits of our health food products, shall be strictly the same as that approved by CFDA; and
			(vii) we will visit the website of the local agencies of CFDA in markets where we operate on a monthly basis to keep track of public notices issued by the local agencies of CFDA on a timely basis.
			Our PRC legal advisor, Yongheng Partners, is of the view that these enhancement measures have covered all the material aspects of applicable PRC laws and regulations in relation to the health food product advertisements and are effective to prevent similar non-compliance instances in the future.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

Our Board consists of eight Directors, including four executive Directors, one non-executive Director and three independent non-executive Directors.

The information of our Directors is set out as follows:

Name	Age	Date of joining	Position/Title	Date of appointment	Roles and responsibilities
Mr. Gui Pinghu (桂平湖)	53	May 24, 1999	Chairman and Executive Director	May 24, 1999	Chairman of our Strategy and Development Committee; strategic development of our Company
Ms. Zhang Yuan (張源)	43	May 25, 1999	Chief executive officer and Executive Director	June 17, 2011	General manager, being responsible for the management, organization and implementation of Board decisions
Ms. Xu Li (徐麗)	39	January 1, 2002	Executive Director	October 25, 2012	Sales director; member of our Nomination Committee
Ms. Zhu Feifei (朱飛飛)	32	July 29, 2003	Executive Director	October 25, 2012	Chief production officer; member of our Remuneration Committee
Mr. Xu Chuntao (許春濤)	44	May 16, 2013	Non-executive Director	May 16, 2013	Representative of our Pre-IPO Investor
Mr. Jiang Fuxin (蔣伏心)	57	October 25, 2012	Independent non-executive Director	October 25, 2012	Chairman of our Nomination Committee; member of each of our Audit Committee and Strategy and Development Committee
Ms. Feng Qing (馮晴)	45	January 25, 2013	Independent non-executive Director	January 25, 2013	Chairman of our Remuneration Committee; member of each of our Audit Committee and Nomination Committee
Mr. Vincent Cheng (鄭嘉福)	50	August 10, 2013	Independent non-executive Director	August 10, 2013	Chairman of our Audit Committee; Member of each of our Remuneration Committee and Strategy and Development Committee

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Executive Directors

Mr. Gui Pinghu (桂平湖), aged 53, the founder of our Group, is our chairman and was appointed as our executive Director on May 24, 1999. Mr. Gui is also the director of Cobayer Health Food Company. He is primarily responsible for the strategic development of our Company. He graduated from a college in Nanjing, majoring in Chinese in July 1989 and was awarded a degree of Executive Master of Business Administration, which was a part-time programme from Fudan University in June 2010.

From November 1992 to October 1994, he was the general manager of Hainan East & West Advertisement Art Company* (海南東西方廣告藝術公司). Subsequently, he became the general manager of 南京湯山花園酒店 (Nanjing Tangshan Garden Hotel*) between January 1995 and December 1996. During the period between January 1997 and December 1998, he was the general manager of 南京新創模具廠 (Nanjing Xin Chuang Mould and Die Factory*). In May 1999, he established our Company and has since then been our Director. He has more than 10 years of experience in the nutritional supplements industry.

Ms. Zhang Yuan (張源), aged 43, was appointed as our executive Director and chief executive officer on June 17, 2011. Ms. Zhang is also the director of Nanjing Zhongsheng, Hangzhou Zhongsheng, Beijing Zhongsheng, Guangzhou Zhongsheng and Zhenjiang Zhongsheng. Ms. Zhang is primarily responsible for the management, organization and implementation of Board decisions. As of the Latest Practicable Date, Ms. Zhang was interested in 1.08% of our Domestic Shares.

Ms. Zhang has more than 10 years of experience in the nutritional supplements industry. She was appointed as our office supervisor in May 1999 and our deputy general manager in January 2008.

Ms. Zhang obtained a degree of Executive Master of Business Administration, which was a part-time programme from Nanjing University in June 2012.

Ms. Xu Li (徐麗), aged 39, was appointed as our executive Director on October 25, 2012. Ms. Xu is also the director of Suzhou Zhongsheng, Wuxi Zhongsheng, Changzhou Zhongsheng, Jinan Zhongsheng, Shenzhen Zhongsheng, Wuhan Zhongsheng and Qingdao Zhongsheng. Ms. Xu is primarily responsible for marketing of our Group. As of the Latest Practicable Date, Ms. Xu was interested in 0.9% of our Domestic Shares.

Ms. Xu has more than 10 years of experience in the nutritional supplements industry. She joined our Company as our sales manager in January 2002. In January 2010, she was promoted to be our marketing general manager. In October 2012, she was promoted to be our vice general manager and sales director.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. Xu obtained a diploma in Economic Management from PRC Jiangsu Province Party School* (中共江蘇省委黨校) in July 1999 and took a course in relation to Business Administration at the Nanjing Normal University in September 2009, both of which were part-time programmes. She is currently studying for an Executive Master of Business Administration in Zhejiang University.

Ms. Zhu Feifei (朱飛飛), aged 32, was appointed as our executive Director on October 25, 2012. Ms. Zhu is primarily responsible for the production of our Group. As of the Latest Practicable Date, Ms. Zhu was interested in 0.11% of our Domestic Shares.

In July 2003, she joined us as a sales clerk of our sales department. She was promoted to be our chief production officer in January 2008. She was appointed as our Director in October 2012. Ms. Zhu graduated from a part-time programme of the Open University of China majoring in Business Administration in January 2008.

Non-executive Directors

Mr. Xu Chuntao (許春濤), aged 44, was appointed as our non-executive Director on May 16, 2013. Mr. Xu is the representative of Shanghai Fosun, our Pre-IPO Investor.

Mr. Xu joined the Shanghai Chest Hospital as a doctor in July 1993. He joined Fosun Capital Investment & Management Company Limited* (上海復星創富投資管理有限公司), an investment and asset management company in January 2012 and is currently the company's investment director. Mr. Xu obtained a bachelor degree in Clinical Medicine from Shanghai Medical College of Fudan University (復旦大學上海醫學院) (formerly known as Shanghai Medical University* (上海醫科大學)) in July 1993. He was awarded a master degree in Business Administration from the Charles Darwin University (formerly known as Northern Territory University) in October 1998.

Independent non-executive Directors

Mr. Jiang Fuxin (蔣伏心), aged 57, was appointed as our independent non-executive Director on October 25, 2012. Mr. Jiang graduated from East China Normal University, majoring in History of Foreign Economics Theories in December 1986 and subsequently obtained a master degree in Economics from East China Normal University in September 1987. He was awarded a doctoral degree in Agricultural Studies from Nanjing Agricultural University in July 1996, which was a part-time programme. He was engaged as a teaching assistant and a lecturer of Nanjing Normal University in March 1980 and September 1987 respectively. He was promoted to the position of assistant professor of Nanjing Normal University in September 1989 and a professor in December 1994.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Jiang was an independent non-executive director of Nanjing Xinjiekou Department Store Co., Ltd.* (南京新街口百貨商店股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600682)) which is principally engaged in general merchandise retailing business between October 2007 and October 2013. As of the Latest Practicable Date, Mr. Jiang was also an independent non-executive director of Jiangsu Yanghe Brewery Joint-Stock Co., Ltd.* (江蘇洋河酒廠股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002304)) which is principally engaged in brewery business.

Ms. Feng Qing (馮晴), aged 45, was appointed as our independent non-executive Director on January 25, 2013. Ms. Feng graduated from Nanjing Agricultural University majoring in Food Science in July 1989 and obtained a master degree in Science from Nanjing Agricultural University in July 1996. She was awarded a doctoral degree in Agricultural Science by the Nagoya University in Japan in March 2002.

She joined the Shanghai Normal University as a professional technical staff in July 1996. She worked at the department of pharmacology and toxicology at Geisel School of Medicine at Dartmouth (formerly known as Dartmouth Medical School) between July 2003 and April 2008. Since September 2009, she has been a professor of the School of Public Health, Department of Nutrition and Food Safety at Nanjing Medical University.

Mr. Vincent Cheng (鄭嘉福), formerly known as Cheng Ka Fuk Vincent (鄭嘉福) *FCPA (Aust)*, *FCPA (HK)*, *FCIS*, *FTI (HK)*, aged 50, was appointed as our independent non-executive Director on August 10, 2013. Mr. Cheng obtained a master degree in Business Administration from Deakin University in Australia (as a joint program of Deakin University and CPA Australia) in May 2003, and a bachelor of arts degree in Accountancy from the City University of Hong Kong (formerly known as City Polytechnic of Hong Kong) in November 1993. Mr. Cheng was admitted as a fellow of CPA Australia in December 2000 and a fellow of HKICPA in April 2008.

From December 1987 to September 2000, Mr. Cheng was employed with a financial planning firm and was promoted to chief accountant (Hong Kong) before he left such group. In October 2000, Mr. Cheng joined Vitapharm Research Pty Ltd in Australia, a company which is engaged in chemical and pharmaceutical business (formerly known as Vital BioTech Holdings Limited, Vital Pharmaceutical Holdings Limited and Vital Group Holdings Limited respectively) (“**Vital**”), as project manager. Mr. Cheng was responsible for fund raising activities and relationship management in Vital, and he left Vital in February 2002 after its listing on the Growth Enterprise Market of the Hong Kong Stock Exchange (“**GEM**”).

In May 2003, Mr. Cheng joined Continental Holdings Limited (together with its group members, the “**Continental Group**”), a company engaged in consumer goods business and listed on the Hong Kong Stock Exchange (stock code: 513), as a project manager. During his tenure with the Continental Group, he held various posts including the head of its finance and accounts department, the company secretary, and the qualified accountant. Mr. Cheng left the Continental Group in July 2010.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

During the period between September 22, 2006 and October 5, 2009, Mr. Cheng was a director of Bowie Dynamics Holdings Limited (“**Bowie**”). In February 2010, Bowie was dissolved by deregistration based on its own application pursuant to section 291AA of the Companies Ordinance. Under section 291AA of the Companies Ordinance, an application to deregister a private company can only be made if (a) all the members of the company agree to the deregistration; (b) the company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) the company has no outstanding liabilities. Mr. Cheng confirmed that there was no wrongful act on his part leading to the dissolution of Bowie by deregistration and that, as far as Mr. Cheng is aware, no actual or potential claim has been or will be made against him as a result of such dissolution. Our Directors are of the view that Mr. Cheng has the character, experience and integrity and is able to demonstrate a standard of competence commensurate with his position as a director of a listed issuer.

In January 2011, he was appointed as the deputy finance director of a multi-disciplinary architecture firm and is currently its finance director. In December 2011, Mr. Cheng was appointed as the independent non-executive Director of Flying Financial Service Holdings Limited, a company engaging in the provision of integrated short-term financing services and listed on the GEM (stock code: 8030).

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as of the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders of our Company as of the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date. As at the Latest Practicable Date, save as the interests of Mr. Gui, Ms. Zhang Yuan, Ms. Xu Li and Ms. Zhu Feifei in the Shares which are disclosed in the section headed “Persons Having Notifiable Interests Under the SFO” in this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

SUPERVISORS

The board of Supervisors of our Company currently consists of five members. The following table sets out certain information about our Supervisors.

Name	Age	Date of joining	Position/Title	Date of appointment	Roles and responsibilities
Ms. Yu Min (余敏)	35	September 16, 2002	Chairman of the board of Supervisors	October 25, 2012	Customers relations manager
Mr. Tao Xingrong (陶興榮)	37	May 16, 2013	Supervisor	May 16, 2013	Representative of our Pre-IPO Investor
Ms. Wu Xuemei (吳雪梅)	34	September 25, 2005	Supervisor	October 25, 2012	Vice sales manager of Nanjing
Ms. Lu Jiachun (陸佳純)	35	June 20, 2001	Employee representative Supervisor	October 25, 2012	Accounting clerk
Ms. Chen Xiu (陳秀)	28	August 30, 2003	Employee representative Supervisor	May 16, 2013	Supervision specialist

Ms. Yu Min (余敏), aged 35, was appointed as the chairman of our board of Supervisors on October 25, 2012. Ms. Yu is also the director of Chengdu Zhongsheng. Ms. Yu graduated from 金陵科技學院 (Jinling Institute of Technology) (formerly known as Nanjing Agricultural School* (南京市農業專科學校)) majoring in accounting in June 1999.

In 2002, Ms. Yu joined our Company as an accounting clerk and remained in such position between September 2002 and September 2004. In September 2004, she became our sales manager of Nanjing and was promoted as the manager of our customer service team in January 2008. She was subsequently appointed as the chairman of our board of Supervisors and customer relations manager in October 2012.

Mr. Tao Xingrong (陶興榮), aged 37, was appointed as one of our Supervisors on May 16, 2013. Mr. Tao was awarded a bachelor degree in Commercial Law from Zhejiang Gongshang University (浙江工商大學) (formerly known as Hangzhou Commerce College* (杭州商學院)) in July 1999. He obtained the Judicial Professional Qualification Certificate* (司法職業資格證書) in September 2002.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Prior to joining Fosun Capital Investment & Management Company Limited* (上海復星創富投資管理有限公司), an investment and asset management company in August 2007, Mr. Tao was the legal clerk of Jiangsu Province Nantong Intermediate People's Court of the PRC* (江蘇省南通市中級人民法院). He is currently the general manager of legal affairs of Fosun Capital Investment & Management Company Limited.

Ms. Wu Xuemei (吳雪梅), aged 34, was appointed as one of our Supervisors on October 25, 2012. Ms. Wu graduated from a self-learning programme of the Nanjing Normal University majoring in English in June 2003.

In September 2005, Ms. Wu joined our Company as sales clerk and was promoted to be our deputy sales manager of Nanjing in January 2010. In October 2012, she was appointed as a member of our board of Supervisors.

Ms. Lu Jiachun (陸佳純), aged 35, was appointed as our employee representative Supervisor on October 25, 2012. Ms. Lu obtained a bachelor degree in Business Administration from a part-time programme of the Open University of China in October 2005.

Ms. Lu has been our accounting clerk since June 2001. In October 2012, she was appointed as a member of our board of Supervisors.

Ms. Chen Xiu (陳秀), aged 28, was appointed as our employee representative Supervisor on May 16, 2013. Ms. Chen graduated from Jiangsu Institute of Commerce (江蘇經貿職業技術學院) (formerly known as Jiangsu Vocational and Technical Institute of Economics and Commerce* (江蘇商業管理幹部學院)) majoring in Accounting in July 2004.

Ms. Chen joined our Group in August 2003 as a customer service clerk. Since July 2009, she has been our supervision specialist (監督專員).

As of the Latest Practicable Date, each of Ms. Yu Min and Ms. Wu Xuemei was interested in 0.11% and 0.09% of our Domestic Shares. There was no other matter in respect of each of our Supervisors that needs to be brought to the attention of our Shareholders and there was no information relating to our Supervisors that is required to be disclosed pursuant to Rules 13.51(2)(a) to (v) of the Listing Rules as of the Latest Practicable Date.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

SENIOR MANAGEMENT

Name	Age	Date of joining	Position/Title	Date of appointment	Roles and responsibilities
Ms. Zhi Hui (支卉)	32	June 4, 2002	Human resources manager, company secretary	October 25, 2012	Human resources management and company secretarial matters
Mr. Song Jiming (宋繼明)	60	March 21, 2005	Compliance officer	March 21, 2005	Compliance assurance
Mr. Li Bin (李斌)	33	July 1, 2013	Chief financial officer	July 1, 2013	Finance management
Mr. Wu Jun (吳俊)	29	September 4, 2006	Financial controller	September 1, 2013	Finance management

Ms. Zhi Hui (支卉), aged 32, has more than 10 years of experience in the nutritional supplements industry. She joined our Group in June 2002 as an office clerk. She was promoted as our human resources manager in January 2008. In October 2012, she became the secretary to our Board and served as our human resources manager concurrently. As of the Latest Practicable Date, Ms. Zhi was interested in 0.072% of our Domestic Shares.

Ms. Zhi graduated from Sanjiang University majoring in modern company secretary in June 2002.

Mr. Song Jiming (宋繼明), aged 60, has more than seven years of experience in the nutritional supplements industry. In May 1992, he joined Xinjiang Bohu Reed Industry Co., Ltd* (新疆博湖葦業股份公司) a paper production company. From December 1999 to February 2005, he was the secretary to the board of such company. In March 2005, he joined our Group as our compliance officer. As of the Latest Practicable Date, Mr. Song was interested in 0.045% of our Domestic Shares.

Mr. Li Bin (李斌), aged 33, was appointed as our chief financial officer in July 2013. Mr. Li has more than nine years of accounting experience. He obtained a bachelor degree in Accounting from the Nanjing University of Finance and Economics in August 2003 and was admitted as a Certified Management Accountant of the U.S. in July 2012.

Prior to joining our Group, Mr. Li was the financial controller of the finance department of Nanjing SIXIN Scientific-Technological Application Research Institute Co., Ltd.* (南京四新科技應用研究所有限公司), a company engaging in the development and production of Silicone and non-Silicone foam control agents between October 2003 and March 2007. He worked in the finance department of CEEG (Nanjing) New Energy Co., Ltd.* (中電電氣(南京)新能源有限公司), a company that engages in the research and development, production, sale and services of solar energy components between June 2007 and September 2009 and the finance department of the solar energy business unit of Jiangsu Sainty International Group Machinery Import and Export Corporation Limited* (江蘇舜天國際集團機械進出口股份有限公司), a company that engages in import and export trade between October 2009 and October 2010.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Wu Jun (吳俊), aged 29, was appointed as our financial controller in September 2013. Mr. Wu has more than six years of experience in the nutritional supplements industry. He joined our Group in September 2006 as an accounting clerk of the finance department of Hangzhou Zhongsheng and became an accounting clerk of the finance department of Nanjing Zhongsheng in August 2008. He was promoted as the finance manager of our Company in January 2011.

Mr. Wu graduated from Nanjing University of Technology (南京工業大學) majoring in project management in June 2006.

Each of our senior management members did not hold any directorships in listed public companies in the three years prior to the Latest Practicable Date.

JOINT COMPANY SECRETARIES

Ms. Zhi Hui serves as the secretary to our Board and one of our joint company secretaries. See her biography under the paragraph headed “Senior management” above.

Ms. Kam Mei Ha Wendy (甘美霞), *FCS (PE), FCIS*, aged 46, was appointed as a joint company secretary of our Company on November 7, 2013. She is a director of the Corporate Services Division at Tricor Services Limited (“**Tricor**”). Prior to joining Tricor, Ms. Kam served as manager of the company secretarial department of Tengis Limited and Ernst & Young in Hong Kong. She has experience in a diversified range of corporate services and has been providing professional secretarial services for over 20 years. Ms. Kam is currently named company secretary to six Hong Kong listed companies and holds a Practitioner’s Endorsement Certificate from The Hong Kong Institute of Chartered Secretaries. Ms. Kam is a Chartered Secretary and a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She graduated from City Polytechnic of Hong Kong (now known as City University of Hong Kong) with a professional diploma in company secretaryship and administration in November 1990.

In order to discharge her duties as a joint company secretary of our Company, Ms. Kam has confirmed to us that a team of professional staff from Tricor with appropriate chartered secretary qualifications will be designated to assist Ms. Kam in discharging her duties as a joint company secretary of our Company.

DIRECTORS’ AND SUPERVISORS’ EMOLUMENTS

The aggregate amount of remuneration of our Directors and Supervisors for the three years ended December 31, 2012 and the six months ended June 30, 2013 were approximately RMB1.3 million, RMB1.4 million, RMB1.8 million and RMB0.9 million respectively. The aggregate amount of remuneration which was paid by our Company to our five highest paid individuals for the three years ended December 31, 2012 and the six months ended June 30, 2013 were approximately RMB0.7 million, RMB0.6 million, RMB0.4 million and RMB0.1 million respectively. Details of the arrangement for remuneration are set out in Note 12 to the

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Accountants' Report in Appendix I to this prospectus. Under such arrangement and pursuant to our Directors' and Supervisors' service contracts and letters of appointment referred to in the paragraph headed "Particulars of Directors' and Supervisors' service contracts" under the section headed "Statutory and general information" as set out in Appendix VII to this prospectus, the aggregate amount of directors' and supervisors' fee and other emoluments payable to our Directors and Supervisors for the year ending December 31, 2013 is estimated to be approximately RMB1.1 million and RMB0.4 million respectively, excluding any discretionary bonuses.

Our Directors, Supervisors and senior management generally receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations. We regularly review and determine the remuneration and compensation packages of our Directors, Supervisors and senior management.

After Listing, our Remuneration Committee will review and determine the remuneration and compensation packages of our Directors, Supervisors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and Supervisors and performance of our Group.

During the Track Record Period, no remuneration was paid by us to, or received by, our Directors and Supervisors as an inducement to join or upon joining us. No compensation was paid to, or is receivable by, our Directors or past Directors for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

BOARD COMMITTEES

The Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations and the corporate governance practice prescribed in the Listing Rules, our Company has formed four Board committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee, and the Strategy and Development Committee.

Audit Committee

Our Company established an Audit Committee with written terms of reference. The primary duties of our Audit Committee are mainly to make recommendations to our Board on the appointment and removal of the external auditor, review the financial statements and material advice in respect of financial reporting and oversee the internal control procedures of our Company. At present, our Audit Committee comprises Mr. Vincent Cheng, Mr. Jiang Fuxin and Ms. Feng Qing, our independent non-executive Directors. Mr. Vincent Cheng is the chairman of our Audit Committee.

Remuneration Committee

Our Company established a Remuneration Committee with written terms of reference. The primary functions of our Remuneration Committee are to make recommendation to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group, review performance based remuneration and ensure none of our Directors determine their own remuneration. At present, our Remuneration Committee comprises Ms. Feng Qing, and Mr. Vincent Cheng, our independent non-executive Directors, and Ms. Zhu Feifei, our executive Director. Ms. Feng Qing is the chairman of our Remuneration Committee.

Nomination Committee

Our Company established a Nomination Committee with written terms of reference. The primary functions of our Nomination Committee are to make recommendations to our Board regarding candidates to fill vacancies on our Board. At present, our Nomination Committee comprises Mr. Jiang Fuxin and Ms. Feng Qing, our independent non-executive Directors, and Ms. Xu Li, our executive Director. Mr. Jiang Fuxin is the chairman of our Nomination Committee.

Strategy and Development Committee

Our Company established a Strategy and Development Committee with written terms of reference. The primary duties of our Strategy and Development Committee are mainly to review and recommend actions on long-term operational strategies and developments as well as major investment decisions. At present, our Strategy and Development Committee comprises Mr. Gui, our Chairman and executive Director, and Mr. Vincent Cheng and Mr. Jiang Fuxin, our independent non-executive Directors. Mr. Gui is the chairman of our Strategy and Development Committee.

COMPLIANCE ADVISOR

We have appointed Ping An of China Capital (Hong Kong) Company Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise us, among others, at the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (3) where our Company proposes to use the proceeds of the Hong Kong Public Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

- (4) where the Hong Kong Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of appointment of our compliance advisor shall commence on the Listing Date and end on the date of dispatch of our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement.

EMPLOYEES

As at June 30, 2013, we had 466 employees. Set out below is a breakdown of the number of our employees by function:

Division	Number of employees
Sales	290
Marketing	12
Customer service	32
Research and development	9
Production	32
Finance	60
Administration	31
Total	466

We maintain good working relations with our staff. We have not experienced any significant problems with the recruitment and retention of experienced employees. In addition, we have not suffered from any material disruption of our normal business operations as a result of labour disputes or strikes.

In the PRC, in accordance with relevant national and local labour and social welfare laws and regulations, we are required to pay in respect of our employees in the PRC various social security funds including basic pension insurance, basic medical insurance, unemployment insurance, occupational injury insurance, hospital insurance and insurance for maternity leave.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering, and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, our Company will be owned as to 58.50% by Mr. Gui and 6.50% by Ms. Wu. Ms. Wu is the spouse of Mr. Gui. Accordingly, our Controlling Shareholders are Mr. Gui and Ms. Wu as of the Latest Practicable Date.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Save as disclosed in this section and the section headed “Continuing Connected Transactions” in this prospectus, our Directors do not expect that there will be any other significant transactions between our Group and our Controlling Shareholders upon or shortly after Listing.

Our Group is capable of carrying on our business independently of and does not place undue reliance on our Controlling Shareholders and their respective associates, taking into consideration the following factors:

Management Independence

Our Board comprises four executive Directors, one non-executive Director and three independent non-executive Directors. One of our executive Directors, Mr. Gui and his spouse Ms. Wu are our Controlling Shareholders.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

We have an independent senior management team to carry out the business decisions of our Group independently. Our Directors are satisfied that our senior management team is able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders after Listing.

Operational and Financial Independence

During the Track Record Period, we principally financed our operations through a combination of cash generated from our operations and advances from our Controlling Shareholders. During the Track Record Period, we obtained advances of RMB2.7 million, RMB3.0 million, RMB4.0 million and RMB3.3 million, respectively, from our Controlling Shareholders, in respect of which no interest was carried.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

All amounts due to and from our Controlling Shareholders have been fully settled as of September 2013.

Save as mentioned above, our source of funding is independent from our Controlling Shareholders and none of our Controlling Shareholders or their respective associates financed our operations during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we had independent financial and accounting system, independent treasury function for receiving cash and making payments. Our Group is capable of making financial decisions according to our own business needs. Our Directors also believe that we are able to obtain financing independent from our Controlling Shareholders.

Save as aforesaid, our Group does not rely on our Controlling Shareholders and/or their respective associates by virtue of their provision of financial assistance.

NON-COMPETITION

Non-competition Undertaking

Each of our Controlling Shareholders has confirmed that none of them is engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business. To protect our Group from any potential competition, each of our Controlling Shareholders has given an irrevocable non-compete undertaking (the “**Non-Competition Undertaking**”) in favour of our Company (for itself and for the benefits of its subsidiaries) on December 21, 2013 pursuant to which each of our Controlling Shareholders has, among other matters, irrevocably undertaken to us on a joint and several basis that at any time during the Relevant Period (as defined below), each of our Controlling Shareholders shall, and shall procure that their respective associates and/or companies controlled by them (other than our Group) shall:

- (i) not, directly or indirectly, be interested or involved or engaged in or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group (including but not limited to manufacturing and/or retailing of nutritional supplements) in the PRC, Australia, New Zealand and any other country or jurisdiction to which our Group sells, distributes, supplies or otherwise provides such products or services and/or in which any member of our Group carries on business mentioned above from time to time (the “**Restricted Activity**”);
- (ii) not solicit any existing employee of our Group for employment by it/him or its/his associates (excluding our Group);
- (iii) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to his/her knowledge in his/her capacity as our Controlling Shareholders for any purpose of engaging, investing or participating in any Restricted Activity;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (iv) if there is any project or new business opportunity that relates to the Restricted Activity, refer such project or new business opportunity to our Group for consideration;
- (v) not invest or participate in any Restricted Activity; and
- (vi) procure his/her associates (excluding our Group) not to invest or participate in any project or business opportunity of the Restricted Activity.

The above undertakings (i) and (vi) are subject to the exception that any of the associates of our Controlling Shareholders (excluding our Group) are entitled to invest, participate and be engaged in any Restricted Activity or any project or business opportunity, regardless of value, which has been offered or made available to our Group, provided always that information about the principal terms thereof has been disclosed to our Company and our Directors, and our Company shall have, after review and approval by our Directors (including our independent non-executive Directors without the attendance by any Director with beneficial interest in such project or business opportunities at the meeting, in which resolutions have been duly passed by the majority of the independent non-executive Directors), confirmed its rejection to be involved or engaged, or to participate, in the relevant Restricted Activity and provided also that the principal terms on which that relevant associate of our Controlling Shareholders invests, participates or engages in the Restricted Activity are substantially the same as or not more favorable than those disclosed to our Company. Subject to the above, if the relevant associate of our Controlling Shareholders decides to be involved, engaged, or participated in the relevant Restricted Activity, whether directly or indirectly, the terms of such involvement, engagement or participation must be disclosed to our Company and our Directors as soon as practicable.

The Non-Competition Undertaking is conditional on (i) the Listing Committee granting listing of, and permission to deal in, all our H Shares to be issued under the Global Offering and our H Shares which may be issued upon the exercise of the Over-allotment Option; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant as a result of the waiver of any condition(s) by the Underwriters) and that the Underwriting Agreements not being terminated in accordance with their terms or otherwise.

For the above purpose, the “**Relevant Period**” means the period commencing from the Listing Date and shall expire on the earlier of the dates below:

- (i) the date on which our Controlling Shareholders and their associates (individually or taken as a whole) ceases to own 30% of the then issued share capital of our Company directly or indirectly or cease to be our Controlling Shareholders for the purpose of the Listing Rules and do not have power to control our Board; and
- (ii) the date on which our H Shares cease to be listed on the Hong Kong Stock Exchange.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Each of our Controlling Shareholders has undertaken under the Non-Competition Undertaking that he or she shall provide to us and our Directors (including our independent non-executive Directors) from time to time all information necessary for the annual review by our independent non-executive Directors with regard to compliance with the terms of the Non-Competition Undertaking by our Controlling Shareholders. Each of our Controlling Shareholders has also undertaken to make an annual declaration as to compliance with the terms of the Non-Competition Undertaking in our annual report.

In order to properly manage any potential or actual conflict of interests between us and our Controlling Shareholders in relation to compliance and enforcement of the Non-Competition Undertaking, we have adopted the following corporate governance measures:

- (i) our independent non-executive Directors shall review, at least on an annual basis, compliance and enforcement of the terms of the Non-Competition Undertaking by our Controlling Shareholders;
- (ii) we will disclose any decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Non-Competition Undertaking either through our annual report or by way of announcement;
- (iii) we will disclose in the corporate governance report of our annual report on how the terms of the Non-Competition Undertaking have been complied with and enforced; and
- (iv) in the event that any of our Directors and/or their respective associates has material interest in any matter to be deliberated by our Board in relation to compliance and enforcement of the Non-Competition Undertaking, he/she may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective associates and our Group and to protect the interests of our Shareholders, in particular, our minority Shareholders.

CONTINUING CONNECTED TRANSACTIONS

RELATIONSHIP BETWEEN OUR GROUP AND THE CONNECTED PERSONS

The relevant connected persons, with whom certain members of our Group have entered into continuing connected transactions, are as follows:

- (1) Mr. Gui, being our chairman, our executive Director and one of our Controlling Shareholders, will become a connected person of our Company under Rule 14A.11(1) of the Listing Rules upon Listing; and
- (2) Mr. Gui Ke, the son of Mr. Gui, will become a connected person of our Company under Rule 14A.11(4) of the Listing Rules upon Listing by virtue of being an associate of Mr. Gui.

Under the Listing Rules, for so long as either Mr. Gui or Mr. Gui Ke remains a connected person of our Company, the following transactions between our Group and each of Mr. Gui and Mr. Gui Ke respectively would constitute continuing connected transactions for our Company upon Listing.

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

The following connected transactions will constitute exempted continuing connected transactions for our Company under Rule 14A.33(3) of the Listing Rules and will be exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The following transactions are undertaken on normal commercial terms. The applicable percentage ratios (other than the profits ratio) of the following transactions in aggregate on an annual basis are less than 5% and the annual consideration is less than HK\$1 million.

Lease of the Huawei Property A by our Group from Mr. Gui

Background

Since April 2011, our Company has been leasing Suite F, Level 14, Huawei Mansion, No. 107 Shi Gu Road, Baixia District, Nanjing, Jiangsu Province, the PRC (the “**Huawei Property A**”) from Mr. Gui as its office. Our Directors consider that the entering into of the Sinolife Tenancy Agreement is in our ordinary course of business and on normal commercial terms, and are fair and reasonable and in the interest of our Group as a whole.

Principal terms

In March 2011, Mr. Gui as landlord and our Company as tenant entered into the Sinolife Tenancy Agreement, pursuant to which Mr. Gui agreed to let to our Company the Huawei Property A as office for a term of three years from April 1, 2011 to March 31, 2014 at an annual rent of RMB90,000, exclusive of utilities, telephone charges, property management fees and other charges which are payable by the tenant. Our Company has a right of first refusal for leasing in relation to the Huawei Property A. Our Company shall give a written request to Mr. Gui three months in advance before the expiry of the Sinolife Tenancy Agreement, and the parties shall enter into a new tenancy agreement thereafter.

CONTINUING CONNECTED TRANSACTIONS

The Sinolife Tenancy Agreement stipulated that save with mutual consent, both parties shall not terminate the Sinolife Tenancy Agreement during the term of the Sinolife Tenancy Agreement.

Our Company confirmed that we will comply with the applicable requirements under Chapter 14A of the Listing Rules as amended from time to time, and will immediately inform the Stock Exchange if there are any material changes to the aforesaid transaction.

Lease of the Huawei Property B by our Group from Mr. Gui Ke

Background

Since September 2012, Nanjing Deao has been leasing Suite E, Level 14, Huawei Mansion, No. 107 Shi Gu Road, Baixia District, Nanjing, Jiangsu Province, the PRC (the “**Huawei Property B**”) from Mr. Gui Ke as its office. Our Directors consider that the entering into of the Nanjing Deao Tenancy Agreement is in our ordinary course of business and on normal commercial terms, and are fair and reasonable and in the interest of our Group as a whole.

Principal terms

On July 1, 2013, Mr. Gui Ke as landlord and Nanjing Deao as tenant entered into the Nanjing Deao Tenancy Agreement, pursuant to which Mr. Gui Ke agreed to let to Nanjing Deao the Huawei Property B as office for a term of two years from July 1, 2013 to June 30, 2015 at an annual rent of RMB100,000, exclusive of utilities, telephone charges, property management fees and other charges which are payable by the tenant. Nanjing Deao has a right of first refusal for leasing in relation to the Huawei Property B. Nanjing Deao shall give a written request to Mr. Gui Ke three months in advance before the expiry of the Nanjing Deao Tenancy Agreement, and the parties shall enter into a new tenancy agreement thereafter.

Our Company confirmed that we will comply with the applicable requirements under Chapter 14A of the Listing Rules as amended from time to time, and will immediately inform the Hong Kong Stock Exchange if there are any material changes to the aforesaid transactions.

Lease of the Belrose Property by our Group from Mr. Gui

Background

Since December 2012, Cobayer Health Food Company has been leasing a portion of a building with a floor area of approximately 26 square meters located at 9 Morgan Road, Belrose, New South Wales 2085, Australia (the “**Belrose Property**”) as its office. Our Directors consider that the entering into of the Cobayer Tenancy Agreement is in our ordinary course of business and on normal commercial terms, and are fair and reasonable and in the interest of our Group as a whole.

CONTINUING CONNECTED TRANSACTIONS

Principal terms

On September 2, 2013, Mr. Gui as landlord and Cobayer Health Food Company as tenant entered into the Cobayer Tenancy Agreement, pursuant to which Mr. Gui agreed to let to Cobayer Health Food Company the Belrose Property as office for a term of three years from September 1, 2013 to August 31, 2016 at an annual rent of AUD6,500, exclusive of water usage, gas, electricity, telephone and other utilities which are payable by the tenant. Cobayer Health Food Company shall give written notice to Mr. Gui not more than six months and not less than three months prior to the expiry date of the Cobayer Tenancy Agreement, and Mr. Gui shall renew the lease with Cobayer Health Food Company for a further term of three years provided at the date of the exercise the option to renew and at the expiry date there is no subsisting breach of the Cobayer Tenancy Agreement by Cobayer Health Food Company.

Our Company confirmed that we will comply with the applicable requirements under Chapter 14A of the Listing Rules as amended from time to time, and will immediately inform the Hong Kong Stock Exchange if there are any material changes to the aforesaid transaction.

BMI Appraisals Limited, an independent property valuer, has confirmed that the terms of the three leases as stated above are fair and reasonable and rental under the leases are in line with the prevailing market rates in the vicinity of the properties as at the lease commencement dates.

The Sole Sponsor is of the view that the continuing connected transactions as stated above are entered into in our ordinary course of business and on normal commercial terms, and are fair and reasonable and in the interests of our Shareholders as a whole.

SHARE CAPITAL

SHARE CAPITAL

As at the date of this prospectus, the share capital of our Company is RMB61,111,100, divided into 611,111,000 Shares with a nominal value of RMB0.10 each.

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately after the Global Offering will be as follows:

<i>Number of Shares</i>	<i>Description of Shares</i>	<i>Approximate percentage to total share capital</i>
611,111,000	Domestic Shares	75.00%
203,800,000	H Shares issued under the Global Offering	25.00%
<u>814,911,000</u>		<u>100.00%</u>

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately after the Global Offering will be as follows:

<i>Number of Shares</i>	<i>Description of Shares</i>	<i>Approximate percentage to total share capital</i>
611,111,000	Domestic Shares	72.28%
234,370,000	H Shares issued under the Global Offering	27.72%
<u>845,481,000</u>		<u>100.00%</u>

The above tables assume the Global Offering becomes unconditional and is completed.

OUR SHARES

Upon completion of the Global Offering, our Domestic Shares and H Shares are both ordinary shares in the share capital of our Company. H Shares may only be subscribed for and traded in Hong Kong dollars. Domestic Shares, on the other hand, may only be subscribed for and traded in Renminbi. Apart from certain qualified domestic institutional investors in the PRC, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. Domestic Shares, on the other hand, can only be subscribed for by and traded between legal or natural persons of the PRC. We must pay all dividends in respect of H Shares in Hong Kong dollars and all dividends in respect of Domestic Shares in Renminbi.

SHARE CAPITAL

Our Promoters and their beneficial owners hold 90% of the existing Domestic Shares as promoter shares (as defined in the PRC Company Law). Under the PRC Company Law, promoter shares may not be sold within a period of one year from October 26, 2012, on which we were organized as a joint stock limited liability company. This lock-up period expired on October 25, 2013. The PRC Company Law further provides that in relation to the public share offering of a company, the shares of the company which have been issued prior to the offering shall not be transferred within one year from the date of the listing on any stock exchange.

Except as described in this prospectus and in relation to the dispatch of notices and financial reports to our Shareholders, dispute resolution, registration of Shares in different parts of our register of Shareholders, the method of share transfer and the appointment of dividend receiving agents, which are all provided for in the Articles of Association and summarised in Appendix VI to this prospectus, our Domestic Shares and our H Shares will rank *pari passu* with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. However, the transfer of Domestic Shares is subject to such restrictions as PRC law may impose from time to time.

Under our Articles of Association, any change or abrogation of the rights of class shareholders should be approved by way of a special resolution of the general meeting of shareholders and by a separate meeting of shareholders convened by the affected class shareholders. However, as provided in our Articles of Association, the procedures for the approval by separate class shareholders shall not apply (i) where we issue, upon approval by a special resolution of our Shareholders in a general meeting, either separately or concurrently in any twelve-month period, not more than 20% of each of the existing issued Domestic Shares and H Shares; (ii) where the plan for the issue of Domestic Shares and H Shares upon the Company's establishment is implemented within fifteen months following the date of approval by the authorized securities regulatory authorities of the State Council; or (iii) upon the transfer of our Domestic Shares held by the holders of our Domestic Shares to overseas investors and the listing and trading of such transferred shares shall have obtained the approval of the authorized securities regulatory authorities of the State Council.

Save for the Global Offering, we do not propose to carry out any public or private issue or to place securities simultaneously with the Global Offering or within the next six months. We have not approved any share issue plan other than the Global Offering.

SHARE LOCK-UP

The PRC Company Law provides that in relation to a global offering of a company, the shares issued by a company prior to the global offering shall not be transferred within a period of one year from the date on which the publicly offered shares are traded on any stock exchange. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to its statutory restriction and not be transferred within a period of one year from the Listing Date.

SHARE CAPITAL

REGISTRATION OF SHARES NOT LISTED ON OVERSEAS STOCK EXCHANGE

According to the Notice of Centralised Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange* (關於境外上市公司非境外上市股份集中登記存管有關事宜的通知) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on the overseas stock exchange with China Securities Depository and Clearing Corporation Limited within 15 business days upon listing.

GENERAL MANDATE TO ISSUE SHARES

Subject to completion of the Global Offering, our Board has been granted a general mandate to allot and issue H Shares at any time, within a period of up to the date of the conclusion of the next annual general meeting of our Shareholders or the date on which our Shareholders pass a special resolution to revoke or change such mandate, whichever is earlier, upon such terms and conditions and for such purposes and to such persons as our Board in its absolute discretion deems fit, and to make necessary amendments to the Articles of Association and to file such amendments to the relevant administration bureau for industry and commerce for registration, provided that, the number of H Shares to be issued shall be up to 20% of the number of H Shares in issue, as at the Listing Date.

Furthermore, we need to obtain approvals from the CSRC and other relevant PRC authorities for the actual issuance of H Shares.

More details of this general mandate are set out in the paragraph headed “Resolutions of all Shareholders passed on September 3, 2013 and December 10, 2013” in Appendix VII to this prospectus.

PERSONS HAVING NOTIFIABLE INTERESTS UNDER THE SFO

So far as our Directors are aware, the following persons will, immediately following completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Class of Shares held after the Global Offering	Number of Shares held before and after the Global Offering	Capacity/ nature of interest	Approximate percentage of shareholding in the relevant class after the Global Offering ⁽¹⁾	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering ⁽²⁾
Mr. Gui ⁽³⁾	Domestic Shares	476,685,000	Beneficial owner	78.00%	58.50%
		52,965,000	Interest of spouse	8.67%	6.50%
Ms. Wu ⁽⁴⁾	Domestic Shares	52,965,000	Beneficial owner	8.67%	6.50%
		476,685,000	Interest of spouse	78.00%	58.50%
Shanghai Fosun	Domestic Shares	61,111,000	Beneficial owner	10.00%	7.50%
Ms. Zhang Yuan	Domestic Shares	6,599,550	Beneficial owner	1.08%	0.81%
Ms. Xu Li	Domestic Shares	5,498,570	Beneficial owner	0.90%	0.67%
Ms. Zhu Feifei	Domestic Shares	659,340	Beneficial owner	0.11%	0.08%
Ms. Yu Min	Domestic Shares	659,340	Beneficial owner	0.11%	0.08%
Ms. Wu Xuemei	Domestic Shares	551,480	Beneficial owner	0.09%	0.07%

Notes:

- (1) The calculation is based on the total number of Domestic Shares after the Global Offering, assuming the Over-allotment Option is not exercised.
- (2) The calculation is based on the total number of 814,911,000 Shares in issue after the Global Offering, assuming the Over-allotment Option is not exercised.
- (3) Mr. Gui is the spouse of Ms. Wu. Under the SFO, Mr. Gui will be deemed to be interested in the same number of Shares in which Ms. Wu is interested.
- (4) Ms. Wu is the spouse of Mr. Gui. Under the SFO, Ms. Wu will be deemed to be interested in the same number of Shares in which Mr. Gui is interested.

PERSONS HAVING NOTIFIABLE INTERESTS UNDER THE SFO

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Global Offering, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries.

FINANCIAL INFORMATION

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements as of and for each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 and the accompanying notes, all included in the Accountants' Report set out in Appendix I to this prospectus. We have prepared our financial information in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The following discussion contains forward-looking statements that involve risks and uncertainties. Factors that could cause or contribute to such differences include, without limitation, those discussed in the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a fast-growing nutritional supplements retailer in a large and rapidly growing nutritional supplements industry in China. The nutritional supplements industry in China had a market size of over RMB580 billion in 2012, according to SMERI. We manufacture and sell high quality and safe nutritional supplements under our two key brands, namely Zhongsheng (中生) and Cobayer (康培爾), through self-managed retail stores in first- and second-tier cities in China, and a number of our key products are among the top selling products in their respective product categories in China.

We have adopted a branding-focused specialty store business model under which we manage all of our self-managed retail stores through our centralized management system, whereby our policies concerning customer services, marketing strategy, business development and financial management are formulated by our headquarters and executed by our self-managed retail stores on a uniform and consistent basis. Our branding-focused specialty store business model enables us to enhance our brand image and effectively provide a comprehensive selection of nutritional supplements and personalized health solutions to our customers through our branded self-managed retail network. As of June 30, 2013, we operated a total of 49 self-managed retail stores under our two brands, namely Zhongsheng and Cobayer, in first- and second-tier cities in China with focus on Jiangsu and Zhejiang provinces.

We report our financial results in business segments as described below:

- ***Zhongsheng series products.*** As of June 30, 2013, we offered 14 nutritional supplements developed and manufactured in China under our Zhongsheng, Keda and Guishi brands, of which ten were approved by CFDA as health food products;
- ***Cobayer series products.*** As of June 30, 2013, we offered 24 nutritional supplements under our Cobayer, Conbair,  and CoKanga brands, of which 23 were manufactured in and imported from Australia and one was manufactured in and imported from New Zealand; and
- ***Others.*** This product category primarily consists of third-party branded Australian nutritional food and gifts.

FINANCIAL INFORMATION

We experienced significant growth in turnover and net profit during the Track Record Period. For the years ended December 31, 2010, 2011 and 2012, turnover derived from our sales of Zhongsheng series products was RMB48.4 million, RMB61.3 million and RMB95.7 million, respectively, representing a CAGR of 40.7% from 2010 to 2012, and turnover derived from our sales of Cobayer series products was RMB16.9 million, RMB40.8 million and RMB52.6 million, respectively, representing a CAGR of 76.4% from 2010 to 2012. For the six months ended June 30, 2012 and 2013, turnover derived from our sales of Zhongsheng series products was RMB38.5 million and RMB36.6 million, respectively, and turnover derived from our sales of Cobayer series products was RMB25.5 million and RMB45.5 million, respectively.

BASIS OF PRESENTATION

Our Company was established as a stock company in the PRC on May 24, 1999 and was converted into a limited liability company on May 13, 2005 and a joint stock limited liability company on October 26, 2012. The financial information in the Accountants' Report included in Appendix I to this prospectus has been prepared under the historical cost in accordance with all applicable HKFRS. The financial information of our Group is presented in RMB.

Nanjing Zhongsheng Pharmaceutical

In 2010, Nanjing Zhongsheng Pharmaceutical, which was then owned by our Controlling Shareholders, transferred CFDA health food approvals of seven Zhongsheng series products to our Company at nil cost and our Company has continued to run the business of Nanjing Zhongsheng Pharmaceutical thereafter. The aforementioned transfer is accounted for as a business combination under common control.

On December 24, 2012, our Group acquired the entire equity interest in Cobayer Health Food Company from Mr. Gui, one of our Controlling Shareholders. This transaction has been also accounted for as a business combination under common control.

Business combination under common control is accounted for using the principles of merger accounting in which their financial statements have been incorporated in the consolidated financial statements of our Group from the date when the combining entities or businesses first came under the control of the Controlling Shareholders. Other non-common control business combinations have been accounted for using acquisition method of accounting.

All inter-company transactions, cash flows and balances between the companies now comprising our Group are eliminated.

FINANCIAL INFORMATION

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with HKFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

We have identified the policies below as critical to our business operations and the understanding of our financial condition and results of operations. We review our estimates and underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Revenue Recognition

We recognize revenue on the following bases: (i) revenue from sales of goods is recognized on transfer of risks and rewards of ownership, which is at the time of delivery and when the title is passed to the customer; and (ii) interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Impairment of Property, Plant and Equipment

We test annually whether property, plant and equipment have suffered any impairment. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require our use of judgments and estimates.

The judgment of our management is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by our management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and further affect our financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

FINANCIAL INFORMATION

Useful Lives of Property, Plant and Equipment

We determine the estimated useful lives, and related depreciation charges for our property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. We will increase the depreciation and amortization charges where useful lives are less than previously estimated lives, and write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore affect the depreciation charges in future periods.

Provision for Obsolete Inventories

We estimate the net realizable value of inventories based primarily on the latest market prices and market conditions. We carry out an inventory review at the end of each period and make allowance on obsolete and slow moving items to write off or write down inventories to their net realizable values. Where the expectation on the net realizable value is lower than the cost, impairment may arise.

Impairment of Trade Receivables

We review the recoverability of trade receivables based on the receivables' aging characteristics, and the current creditworthiness and past collection history of each customer. Our management's judgment is required in assessing the ultimate realization of these receivables, and the financial conditions of the debtors may undergo adverse changes since the last management's evaluation. If the financial conditions of a customer were to deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required in future accounting periods.

Income Taxes and Deferred Tax

We are subject to income taxes in China and Australia. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of businesses. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when our management determines it is likely that future taxable profits will be available against the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates are changed.

FINANCIAL INFORMATION

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

We believe the most significant factors affecting our results of operations and financial condition are as follows.

Market Demand for Our Products

We generate substantially all of our turnover in the PRC. Our financial results have been driven in part by the rapid growth of nutritional supplements market in China. According to SMERI, nutritional supplements sales in China experienced significant growth in recent years, increasing from RMB265 billion in 2008 to RMB580 billion in 2012, representing a CAGR of 21.6% over this period, and are estimated to reach RMB1,015 billion by 2015. With our over 14 years of industry experience, comprehensive product mix and strategically located retail network, we believe we are well positioned to take advantage of the rapid growth of China's nutritional supplements market in the future. Market demand for our nutritional supplements is and will be subject to a number of factors, including the growth of China's GDP, levels of disposable income and consumer spending, consumer perception and spending behavior of nutritional supplements, and changes in the regulatory environment in China.

Competition

Our results of operations and financial condition are affected by the competitive landscape of the nutritional supplements industry in the PRC. The nutritional supplements industry in the PRC is highly fragmented and competitive with an increasing number of local and international players. Industry players compete based on, among other things, brand recognition, product selection, customer services, customer loyalty, product quality and price. We expect that the competition will further intensify in light of the fast growing industry condition and favorable social and economic factors. As a result, we may be required to adjust the prices of our products and devote additional financial resources to operations to meet the rapidly changing market trends and requirements, and in this process our profitability could be negatively affected.

Product Mix

Our results of operations are significantly affected by the relative contribution of our two key business segments, namely sales of our Zhongsheng series products and sales of our Cobayer series products, which have different profit margins. We also record turnover from the sales of other products which include third-party branded Australian nutritional food and gifts. The sales of other products contributed to less than 5% of our total turnover during the Track Record Period.

FINANCIAL INFORMATION

The following table sets forth, for the periods indicated, selected data related to the relative turnover contribution of our business segments:

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>
Zhongsheng series products	48,410	72.4	61,332	59.4	95,744	63.7	38,547	59.5	36,635	42.6
Cobayer series products	16,922	25.3	40,837	39.6	52,613	35.0	25,505	39.3	45,537	53.0
Others	1,518	2.3	1,075	1.0	2,015	1.3	767	1.2	3,793	4.4
Total	66,850	100.0	103,244	100.0	150,372	100.0	64,819	100.0	85,965	100.0

The following table set forth, for the periods indicated, the sales volume, average selling price and turnover of our major products.

	Year ended December 31,									Six months ended June 30,		
	2010			2011			2012			2013		
	Sales volume	ASP	Turnover	Sales volume	ASP	Turnover	Sales volume	ASP	Turnover	Sales volume	ASP	Turnover
	<i>(units)</i>	<i>(RMB)</i>	<i>(RMB'000)</i>	<i>(units)</i>	<i>(RMB)</i>	<i>(RMB'000)</i>	<i>(units)</i>	<i>(RMB)</i>	<i>(RMB'000)</i>	<i>(units)</i>	<i>(RMB)</i>	<i>(RMB'000)</i>
Zhongsheng series products												
Coenzyme Q ₁₀ Tablets/Capsules . . .	77,874	232.5	18,107	104,142	331.3	34,504	108,444	388.9	42,179	48,969	305.7	14,969
Linolenic Acid Soft Capsules	–	–	–	7,909	167.8	1,327	85,112	285.3	24,280	6,208	324.4	2,014
Grapeseed Capsules . . .	7,768	32.6	253	5,340	107.5	574	32,080	625.8	20,076	7,848	941.7	7,391
Weisi Capsules	3,115	155.2	483	25,953	183.1	4,751	19,937	176.9	3,526	30,362	311.0	9,443
Subtotal	–	–	18,843	–	–	41,156	–	–	90,061	–	–	33,817
% of total turnover . .	–	–	28.2%	–	–	39.9%	–	–	59.9%	–	–	39.3%
Cobayer series products												
Olive Leaf Extract . . .	5,240	313.2	1,641	27,962	274.4	7,673	73,208	306.0	22,399	28,530	473.3	13,504
Emu Oil Capsules . . .	–	–	–	19,340	205.8	3,980	28,611	360.4	10,311	22,819	451.9	10,312
Evening Primrose Oil Capsules	4,936	127.1	627	3,734	123.9	463	4,444	125.4	557	90	276.8	25
Liver Tonic (Milk Thistle) Capsules	6,898	308.4	2,127	21,938	308.5	6,767	14,282	369.4	5,276	6,963	766.8	5,339
Algal DHA Composite Oil	–	–	–	–	–	–	34	501.9	17	9,754	456.2	4,450
Squalene Capsules . . .	20,538	172.0	3,533	37,365	189.4	7,076	9,139	182.0	1,662	2,473	288.1	712
Blueberry Capsules . . .	18,807	195.7	3,680	25,816	223.3	5,766	6,849	193.1	1,323	1,750	491.4	860
Subtotal	–	–	11,608	–	–	31,725	–	–	41,545	–	–	35,202
% of total turnover . .	–	–	17.4%	–	–	30.7%	–	–	27.6%	–	–	40.9%
Total	–	–	30,451	–	–	72,881	–	–	131,606	–	–	69,019
% of total turnover . .	–	–	45.6%	–	–	70.6%	–	–	87.5%	–	–	80.2%

FINANCIAL INFORMATION

The average selling prices of our major products represent the average selling price per bottle. Such prices fluctuated during the Track Record Period, which was primarily attributable to the change in the proportion of sales of products with different servings per bottle, and the level of price discounts we offered to our customers driven principally by our sales efforts, customer feedback and market demand of individual products.

Zhongsheng series products

- *Coenzyme Q₁₀ Tablets/Capsules*: The average selling price of our Coenzyme Q₁₀ Tablets/Capsules increased in 2011 as compared to 2010, which was primarily due to our launch of Coenzyme Q₁₀ Tablets in 2011, a product with a higher retail price per bottle as compared to our Coenzyme Q₁₀ Capsules due to the larger servings of coenzyme Q₁₀ contained. The average selling price of our Coenzyme Q₁₀ Tablets/Capsules further increased in 2012 as compared to 2011, primarily due to an increased proportion of Coenzyme Q₁₀ Tablets we sold during the same period. The average selling price of our Coenzyme Q₁₀ Tablets/Capsules, however, decreased in the first half of 2013 as compared to 2012, primarily due to our increased sales efforts to promote Coenzyme Q₁₀ Capsules in the form of 30 pieces per bottle in order to attract new customers. Our Coenzyme Q₁₀ Tablets/Capsules are normally packaged and offered with servings of 120 tablets and 90 capsules per bottle.
- *Linolenic Acid Soft Capsules*: The average selling price of our Linolenic Acid Soft Capsules increased in 2012 as compared to 2011, primarily due to higher price discounts we offered to customers when we first launched this product in 2011. Its average selling price further increased in the first half of 2013 as compared to 2012, primarily because we were focused on the promotion of other products in the first half of 2013 and offered less price discounts on this product.
- *Grapeseed Capsules*: The average selling price of our Grapeseed Capsules increased in 2011 as compared to 2010, primarily due to our intensive sales efforts in 2010 to promote this product with relatively high price discounts. We introduced this product with increased servings of 120 capsules per bottle in 2012, which had a higher retail price per bottle as compared to the same product previously offered with 90 capsules per bottle. Our introduction of Grapeseed Capsules with increased servings in 2012 and the increased proportion of sales contributed by it in the first half of 2013 led to the increased average selling prices of Grapeseed Capsules during the same periods.
- *Weisi Capsules*: The average selling price of our Weisi Capsules was relatively stable in 2011 and 2012, which was slightly higher as compared to 2010, primarily due to the higher price discounts we offered to customers in 2010. Its average selling price significantly increased in the first half of 2013, primarily because we introduced Weisi Capsules with increased servings of 90 capsules per bottle in the first half of 2013, which had a higher retail price as compared to the same product previously offered with 60 capsules per bottle.

FINANCIAL INFORMATION

Cobayer series products

- *Olive Leaf Extract:* The average selling price of our Olive Leaf Extract was lower in 2011 as compared to 2010 and 2012, primarily due to our intensive sales efforts during the major holidays of 2011 to promote this product with relatively high price discounts. We introduced this product with new packaging configurations in the first half of 2013 and priced it higher than the same product previously offered, which resulted in an increase in the average selling price of our Olive Leaf Extract during the same period.
- *Emu Oil Capsules:* The average selling price of our Emu Capsules increased in 2012 as compared to 2011, primarily due to higher price discounts we offered to customers when we first launched this product in 2011. Its average selling price further increased in the first half of 2013, primarily due to less price discounts we offered to customers during the same period.
- *Evening Primrose Oil Capsules:* The average selling price of our Evening Primrose Oil Capsules was relatively stable in 2010, 2011 and 2012. Its average selling price increased in the first half of 2013, primarily due to less price discounts offered by us when the inventory of this product became relatively small during the same period.
- *Liver Tonic (Milk Thistle) Capsules:* The average selling price of our Liver Tonic (Milk Thistle) Capsules increased in 2012 and the first half of 2013, as compared to 2010 and 2011, primarily because we offered relatively high price discounts in 2010 and 2011 in order to increase our market share of this product, and less price discounts to customers in 2012 and the first half of 2013 when we believe this product has been gradually recognized by our target customers.
- *Algal DHA Composite Oil:* The average selling price of our Algal DHA Composite Oil slightly decreased in the first half of 2013 as compared to 2012, primarily due to our increased sales efforts to offer higher price discounts on this product.
- *Squalene Capsules:* The average selling price of our Squalene Capsules was relatively stable in 2010, 2011 and 2012. Its average selling price increased in the first half of 2013, primarily due to less price discounts we offered to customers during the same period when we believe this product has been gradually recognized by our target customers.
- *Blueberry Capsules:* The average selling price of our Blueberry Capsules was relatively stable in 2010 and 2012, which was lower as compared to 2011, primarily due to less price discounts we offered in 2011 driven principally by a higher market demand of our Blueberry Capsules during the same year. The average selling price of this product significantly increased in the first half of 2013, primarily because we offered less price discounts on this product during the same period.

Due to changes in our marketing and promotional strategies according to the prevailing market conditions and the different costs basis of our product lines, revenue contribution by and gross margin of our product lines vary from one period to another. Our strategy is to

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continue to evaluate and adjust our product portfolio from time to time to focus our resources primarily on products with greater market demand and higher profit margins, while reducing or phasing out products with decreasing market demand or lower profit margins, so as to maintain or increase the overall profit and profitability of our business. While our Zhongsheng series products and Cobayer series products may continue to vary in their relative significance to our business from time to time, we intend to launch and develop new products for both product lines and enhance their respective sales according to the prevailing market conditions.

Coverage of Our Sales Network

Capitalizing on rising market demand and our successful marketing and branding efforts, we have experienced strong turnover growth through the rapid expansion of our sales network during the Track Record Period. We sell substantially all of our products through our self-managed retail stores. As of June 30, 2013, we had 49 retail stores in 25 cities, covering eight provinces and centrally administered municipalities in China, consisting of 35 Zhongsheng retail stores and 14 Cobayer retail stores. Subject to market conditions, we plan to increase the number of our Zhongsheng retail stores and Cobayer retail stores to 45 and 72 by the end of 2014, respectively. In addition, we plan to devote more resources to the development of our online Cobayer store at <http://conbair.tmall.com>, which commenced operations in May 2013, so as to benefit from the rapidly growing e-Commerce business in China.

We will continue to rely on our self-managed retail stores to promote our products to end consumers. As such, our turnover and profit growth will continue to depend to a significant extent on our ability to expand and manage our sales network.

Pricing of Products

We determine the price of our products based on a number of factors, including market positioning of our brands, the characteristics and added value of our products, the expected profit margin of individual product, the degree of saturation of the current market, anticipated market trends and expected changes of demand from customers, the costs of our products, as well as retail price of the products of our competitors.

We formulate and implement market positioning strategies aimed at enhancing our brand and product image in the nutritional supplements market. Over the past few years, we believe we have successfully established awareness and acceptance of our brands in markets in which we operate, and associated our Zhongsheng series products and Cobayer series products with images of high quality, safe nutritional supplements. We believe through the continuous strengthening of our brands, our comprehensive product selection and personalized health solutions offered to our customers, we have built and solidified the loyalty of our customers, which in turn reduces the level of their sensitivity to the prices of our products, thus enabling us to maintain and further increase our profitability.

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Our Ability to Introduce New Products

Our ability to introduce new products to the market that meet consumer demands and preferences will have a significant influence on our future financial performance. During the Track Record Period, we achieved strong turnover and profit growth partly due to our successful launch of new products, including Coenzyme Q₁₀ Tablets, Linolenic Acid Soft Capsules, Emu Oil Capsules, Salmon Oil Capsules, Australian Extra Virgin Olive Oil and Omega-3 Capsules in 2011, certain Cobayer milk and protein powder products in 2012, and certain Cobayer milk and protein powder products and Cod Fish Oil Capsules in the first half of 2013. Our turnover growth in the Track Record Period was also partly attributable to our introduction of various best-selling products with increased servings to meet the rapidly changing customer preferences. These products primarily include Grapeseed Capsules in 2012, and Olive Leaf Extract and Weisi Capsules during the first half of 2013. With larger servings or different packaging configurations, we were able to increase product prices to achieve higher turnover.

The success of our new products and variations of existing best-selling products depends on a number of factors, including our ability to accurately anticipate changes in market demand and consumer preferences, consumer's perception and acceptance of our products, our ability to differentiate our products from those of our competitors, our ability to obtain all required regulatory approvals on time and the effectiveness of our marketing and advertising campaigns for these products.

Cost of Products

Our profitability is significantly affected by our cost of sales, which primarily consists of cost of raw materials and packaging materials and other costs incurred in the production process for our Zhongsheng series products, and the purchase cost of goods for our Cobayer series products. The raw materials for our Zhongsheng series products consist primarily of nutraceuticals, herb extracts, vitamins and mineral products, and the packaging materials for our Zhongsheng series products primarily include capsules, bottles, cardboard, boxes and labels. The purchase cost of goods for our Cobayer series products includes the payment we make directly to third-party manufacturers in Australia and New Zealand for the finished good and all associated transportation costs.

The prices for our raw materials and packaging materials of our Zhongsheng series products are determined principally by market forces and our bargaining power vis-a-vis our suppliers. During the Track Record Period, the cost of our raw materials and packaging materials remained relatively stable with slight increases in general. We seek to reduce the impact of increases in raw material prices by centralizing our procurement of raw materials to leverage economies of scale and maximize our bargaining power with suppliers. We also closely monitor the market trends and are constantly in search of alternative suppliers and third-party manufacturers in Australia and New Zealand that may offer more favorable terms and purchase prices of products to us.

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DESCRIPTION OF PRINCIPAL CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME ITEMS

Turnover

Our turnover consists primarily of sales of our Zhongsheng series products and Cobayer series products. During the Track Record Period, we also offered a small portion of third-party branded Australian nutritional food and gifts. The table below sets forth, for the periods indicated, a breakdown of our turnover.

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>
Zhongsheng series products										
Coenzyme Q ₁₀										
Tablets/Capsules	18,107	27.1	34,504	33.4	42,179	28.0	16,489	25.4	14,969	17.4
Linolenic Acid Soft Capsules	—	—	1,327	1.3	24,280	16.1	12,623	19.5	2,014	2.3
Grapeseed Capsules	253	0.4	574	0.6	20,076	13.4	5,063	7.8	7,391	8.6
Weisi Capsules	483	0.7	4,751	4.6	3,526	2.4	1,405	2.2	9,443	11.0
Others	29,567	44.2	20,176	19.5	5,683	3.8	2,967	4.6	2,818	3.3
Subtotal	48,410	72.4	61,332	59.4	95,744	63.7	38,547	59.5	36,635	42.6
Cobayer series products										
Olive Leaf Extract	1,641	2.5	7,673	7.4	22,399	14.9	11,279	17.4	13,504	15.7
Emu Oil Capsules	—	—	3,980	3.9	10,311	6.8	6,600	10.2	10,312	12.0
Evening Primrose Oil Capsules	627	0.9	463	0.4	557	0.4	128	0.2	25	—
Liver Tonic (Milk Thistle) Capsules	2,127	3.2	6,767	6.6	5,276	3.5	931	1.4	5,339	6.2
Algal DHA Composite Oil	—	—	—	—	17	—	—	—	4,450	5.2
Squalene Capsules	3,533	5.3	7,076	6.9	1,662	1.1	937	1.4	712	0.8
Blueberry Capsules	3,680	5.5	5,766	5.6	1,323	0.9	622	1.0	860	1.0
Others	5,314	7.9	9,112	8.8	11,068	7.4	5,008	7.7	10,335	12.1
Subtotal	16,922	25.3	40,837	39.6	52,613	35.0	25,505	39.3	45,537	53.0
Others⁽¹⁾	1,518	2.3	1,075	1.0	2,015	1.3	767	1.2	3,793	4.4
Total	66,850	100.0	103,244	100.0	150,372	100.0	64,819	100.0	85,965	100.0

Note:

(1) Representing third-party branded Australian nutritional food and gifts.

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Cost of sales

Our cost of sales consists primarily of purchase cost of goods, cost of raw materials, cost of packaging materials, labor costs, depreciation, utilities, other production costs and subcontracting charges. Our purchase cost of goods represents the purchase price we pay to third-party manufacturers in Australia and New Zealand for the finished products which are sold under our own brands and other third-party branded Australian nutritional food and gifts. Aside from purchase cost of goods and subcontracting charges, all other categories in cost of sales are related to the production of Zhongsheng series products by ourselves in China. Subcontracting charges primarily represent fees we pay to third-party manufacturers in China for the production of certain products in the forms of soft gelatin capsules and miniature bottled drinks during the Track Record Period.

The table below sets forth, for the periods indicated, the components of our cost of sales and the components as a percentage of total cost of sales.

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>
Purchase of goods . . .	7,111	52.3	15,220	75.8	14,941	73.7	7,437	75.3	9,158	81.3
Raw materials	2,324	17.1	1,804	9.0	1,604	7.9	844	8.6	334	3.0
Packaging materials . .	1,613	11.9	947	4.7	783	3.9	320	3.2	227	2.0
Labor costs	890	6.6	965	4.8	1,516	7.4	625	6.3	1,005	8.9
Depreciation	620	4.6	466	2.3	396	2.0	198	2.0	214	1.9
Utilities	631	4.6	497	2.5	413	2.0	206	2.1	188	1.7
Other production costs	196	1.4	134	0.7	219	1.1	111	1.1	78	0.7
Subcontracting charges	203	1.5	47	0.2	404	2.0	140	1.4	60	0.5
Total	13,588	100.0	20,080	100.0	20,276	100.0	9,881	100.0	11,264	100.0

The table below sets forth, for the periods indicated, the cost of sales by business segment and the cost of sales as a percentage of total cost of sales.

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>
Cost for Zhongsheng series products . . .	7,011	51.6	6,184	30.8	6,901	34.0	2,745	27.8	3,072	27.3
Cost for Cobayer series products . . .	5,352	39.4	12,989	64.7	11,831	58.4	6,596	66.8	6,826	60.6
Cost for other purchases	1,225	9.0	907	4.5	1,544	7.6	540	5.4	1,366	12.1
Total	13,588	100.0	20,080	100.0	20,276	100.0	9,881	100.0	11,264	100.0

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Gross profit

Gross profit represents the excess of turnover over cost of sales. The following table sets forth, for the periods indicated, the gross profit from our business segments and the percentage of our total gross profit by business segment.

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>
Zhongsheng series products	41,399	77.7	55,147	66.3	88,843	68.3	35,802	65.2	33,563	45.0
Cobayer series products	11,570	21.7	27,849	33.5	40,782	31.3	18,909	34.4	38,711	51.8
Others	293	0.6	168	0.2	471	0.4	227	0.4	2,427	3.2
Total	53,262	100.0	83,164	100.0	130,096	100.0	54,938	100.0	74,701	100.0

The following table sets forth, for the periods indicated, the gross profit margin of our Zhongsheng series products and Cobayer series products, as well as the gross margin of our overall business.

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
Zhongsheng series products	85.5%	89.9%	92.8%	92.9%	91.6%
Cobayer series products	68.4%	68.2%	77.5%	74.1%	85.0%
Overall	79.7%	80.6%	86.5%	84.8%	86.9%

Other revenue and other gains and losses

Other revenue and other gains and losses mainly include bank interest income, short-term investment income, net exchange gain/loss, waiver of long outstanding trade and other payables, government grant, loss on disposal of property, plant and equipment, compensation income, written off of goodwill and sundry income. Our short-term investments as of December 31, 2011 and June 30, 2013 were RMB9.0 million and RMB22.0 million, respectively, which were wealth management products (銀行理財產品) issued by the Agricultural Bank of China and the Shanghai Pudong Development Bank, respectively. Such short-term investments were capital fund guaranteed by the respective issuers with a term of six months and fixed return rates of 4.35% to 5.4% per annum. These capital guaranteed funds were redeemable by the issuers upon

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repayment of the principal amount plus an aggregate return at any time prior to the maturity date. During the Track Record Period, we typically considered our cash position, return level and associated risks when we made investment decisions. Such investments were typically proposed by employees in our financial department with over five years of accounting-related experience and approved by our Board. We do not plan to make similar investments after Listing. Our waiver of long outstanding trade and other payables in 2010 and 2011 was primarily related to payables of Nanjing Zhongsheng to its suppliers of equipment and raw materials recorded prior to our acquisition of Nanjing Zhongsheng in 2007. Our waiver of long outstanding trade and other payables in 2012 was primarily related to our payables to certain suppliers prior to 2009. None of these outstanding payables was collected by the respective suppliers. We waived these outstanding payables after a three-year outstanding period, taking into account the remote and insignificant obligations associated therewith.

For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 and 2013, other revenue and other gains and losses were RMB0.7 million, RMB0.3 million, RMB1.5 million, RMB0.4 million and RMB0.6 million, respectively. The increase in other revenue and other gains and losses for the year ended December 31, 2012 was primarily due to a higher amount of bank interest income and short-term investment income recorded.

Selling and distribution expenses

Selling and distribution expenses mainly represent marketing, sales and promotion expenses, salary and welfare expenses for employees involved in selling and distribution activities, and other operating expenses, including travel and office expenses, rental expenses, transportation expenses and other miscellaneous expenses.

The table below sets forth, for the periods indicated, a breakdown of our selling and distribution expenses.

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total	RMB'000	% of total
Marketing, sales and promotion expenses . . .	8,786	46.9	7,307	35.9	8,397	24.7	3,524	30.3	5,748	25.9
Employee benefit expenses .	6,806	36.3	9,035	44.4	17,212	50.6	5,319	45.8	11,265	50.7
Rental expenses	892	4.8	847	4.2	1,895	5.6	1,055	9.1	1,658	7.5
Travel and office expenses .	1,474	7.9	2,154	10.6	3,403	10.0	1,075	9.2	1,569	7.1
Transportation expenses . .	634	3.4	672	3.3	1,716	5.0	562	4.8	928	4.2
Others	140	0.7	324	1.6	1,424	4.1	91	0.8	1,048	4.6
Total	18,732	100.0	20,339	100.0	34,047	100.0	11,626	100.0	22,216	100.0

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Administrative expenses

Administrative expenses mainly represent salary and welfare expenses for management and administrative personnel, general and administrative expenses, rental expenses, depreciation and amortization costs, travel and office expenses, research and development cost and expenses for our Listing on the Hong Kong Stock Exchange.

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>
Employee benefit expenses .	5,302	37.3	5,940	37.2	9,889	47.9	4,793	51.5	5,550	43.4
General and administrative expenses	3,131	22.0	3,925	24.6	4,039	19.6	1,710	18.3	1,766	13.8
Rental expenses	2,005	14.1	1,596	10.0	1,735	8.4	771	8.3	873	6.8
Depreciation and amortization	1,749	12.4	1,791	11.3	1,751	8.5	886	9.5	1,259	9.9
Travel and office expenses .	1,673	11.7	2,479	15.5	2,988	14.5	1,066	11.4	919	7.2
Research and development cost	354	2.5	224	1.4	219	1.1	89	1.0	383	3.0
Listing expenses	–	–	–	–	–	–	–	–	2,038	15.9
Total	14,214	100.0	15,955	100.0	20,621	100.0	9,315	100.0	12,788	100.0

Income tax expense

Income tax expenses mainly represent the income tax charged on our PRC subsidiaries, profits tax charged on our Australian subsidiary and related deferred tax expenses. Our subsidiaries located in the PRC were subject to a statutory income tax rate of 25.0% during the Track Record Period. Our subsidiary in Australia, namely, Cobayer Health Food Company, was subject to a statutory income tax rate of 30% on all profits arising in or derived from Australia.

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RESULTS OF OPERATIONS

The following table sets out our consolidated statements of comprehensive income for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 and 2013, which are derived from the Accountants' Report as set out in Appendix I to this prospectus.

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Turnover	66,850	103,244	150,372	64,819	85,965
Cost of sales	(13,588)	(20,080)	(20,276)	(9,881)	(11,264)
Gross profit	53,262	83,164	130,096	54,938	74,701
Other revenue and other gains and losses	679	337	1,484	436	581
Selling and distribution expenses	(18,732)	(20,339)	(34,047)	(11,626)	(22,216)
Administrative expenses	(14,214)	(15,955)	(20,621)	(9,315)	(12,788)
Profit before income tax	20,995	47,207	76,912	34,433	40,278
Income tax expense	(5,207)	(12,393)	(19,675)	(8,265)	(10,578)
Profit for the year/period	15,788	34,814	57,237	26,168	29,700
Other comprehensive income					
Exchange differences on translation of foreign operations	75	(108)	(11)	–	(412)
Total comprehensive income for the year/period	15,863	34,706	57,226	26,168	29,288
Earnings per share (RMB)					
– Basic and diluted	0.29	0.63	1.04	0.48	0.53

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PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six months ended June 30, 2013 compared with six months ended June 30, 2012

Turnover

Our total turnover increased by RMB21.2 million, or 32.7%, from RMB64.8 million for the six months ended June 30, 2012 to RMB86.0 million for the six months ended June 30, 2013. The increase was mainly attributable to an increase in the turnover derived from our sales of Cobayer series products, the effects of which were partially offset by a slight decrease in the turnover derived from our sales of Zhongsheng series products.

- **Cobayer series products.** Turnover derived from our sales of Cobayer series products increased by RMB20.0 million, or 78.4%, from RMB25.5 million for the six months ended June 30, 2012 to RMB45.5 million for the six months ended June 30, 2013. Such increase primarily reflected an increase in turnover derived from sales of a number of our key products and the expansion of our Cobayer retail stores.
 - Turnover derived from our sales of Olive Leaf Extract, our best-selling Cobayer series product, increased from RMB11.3 million to RMB13.5 million, turnover derived from our sales of Emu Oil Capsules increased from RMB6.6 million to RMB10.3 million, and turnover derived from our sales of Liver Tonic (Milk Thistle) Capsules increased from RMB0.9 million to RMB5.3 million, from the six months ended June 30, 2012 to the six months ended June 30, 2013. Such increases were primarily driven by our increased sales efforts to promote these products. We also launched a number of new Cobayer series products in the first half of 2013, including certain milk and protein powder products and Cod Fish Oil Capsules.
 - We expanded our retail network for our sales of Cobayer series products in the first half of 2013 by opening nine new self-managed retail stores in Jiangsu, Zhejiang, Guangdong, Yunnan and Shandong provinces.
- **Zhongsheng series products.** Turnover derived from our sales of Zhongsheng series products decreased by RMB1.9 million, or 4.9%, from RMB38.5 million for the six months ended June 30, 2012 to RMB36.6 million for the six months ended June 30, 2013. Such decrease was primarily due to decreases in turnover derived from certain key products.
 - Turnover derived from our sales of Linolenic Acid Soft Capsules decreased from RMB12.6 million for the six months ended June 30, 2012 to RMB2.0 million for the six months ended June 30, 2013, and turnover derived from our sales of Coenzyme Q₁₀ Tablets/Capsules decreased from RMB16.5 million to RMB15.0 million during the same period. These decreases were primarily driven by more resources devoted by us in respect of the marketing and

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promotion of other products, such as Weisi Capsules, one of our Zhongsheng series products, and Cobayer series products in the first half of 2013. The foregoing effects, however, were partially offset by an increase in turnover derived from our sales of Weisi Capsules from RMB1.4 million for the six months ended June 30, 2012 to RMB9.4 million for the six months ended June 30, 2013, primarily driven by our increased sales efforts.

- Our expansion of Zhongsheng retail network slowed down in the first half of 2013, as we devoted more resources in the development and expansion of our Cobayer retail network. We opened one new Zhongsheng retail store in Nanjing, Jiangsu province in the first half of 2013.
- **Others.** Turnover derived from our sales of other products increased by RMB3.0 million, or 3.8 times, from RMB0.8 million for the six months ended June 30, 2012 to RMB3.8 million for the six months ended June 30, 2013, primarily due to increasing market demand on a number of third-party branded Australian nutritional food, including macadamia oil, avocado oil, fruit flavored balsamic vinegar, honey products and jams.

Cost of sales

Our total cost of sales increased by RMB1.4 million, or 14.1%, from RMB9.9 million for the six months ended June 30, 2012 to RMB11.3 million for the six months ended June 30, 2013. The increase was mainly attributable to increases in the cost of sales for our Zhongsheng series products, our Cobayer series products and other products.

- **Zhongsheng series products.** Cost of sales for our Zhongsheng series products increased by RMB0.4 million, or 14.8%, from RMB2.7 million for the six months ended June 30, 2012 to RMB3.1 million for the six months ended June 30, 2013, despite our decreased sales of Zhongsheng series products during the same period, primarily due to our increased labor cost as a result of bonus paid to our staff in the first half of 2013.
- **Cobayer series products.** Cost of sales for our Cobayer series products increased by RMB0.2 million, or 3.0%, from RMB6.6 million for the six months ended June 30, 2012 to RMB6.8 million for the six months ended June 30, 2013, primarily driven by our increased sales of Cobayer series products during the same period.
- **Others.** Cost of sales for our other products increased by RMB0.9 million, or by 1.8 times, from RMB0.5 million for the six months ended June 30, 2012 to RMB1.4 million for the six months ended June 30, 2013, primarily driven by our increased sales of third-party branded Australian nutritional food during the same period.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by RMB19.8 million, or 36.1%, from RMB54.9 million for the six months ended June 30, 2012 to RMB74.7 million for the six months ended June 30, 2013, and our gross profit margin increased from 84.8% for the six months ended June 30, 2012 to 86.9% for the six months ended June 30, 2013.

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Gross profit for our Zhongsheng series products decreased by RMB2.2 million, or 6.1%, from RMB35.8 million for the six months ended June 30, 2012 to RMB33.6 million for the six months ended June 30, 2013. Gross profit margin for our Zhongsheng series products slightly decreased from 92.9% for the six months ended June 30, 2012 to 91.6% for the six months ended June 30, 2013, primarily due to the increase in the cost of sales as a result of our increased labor cost driven by bonus paid to our staff in the first half of 2013. Gross profit for our Cobayer series products increased by RMB19.8 million, or 104.8%, from RMB18.9 million for the six months ended June 30, 2012 to RMB38.7 million for the six months ended June 30, 2013. Gross profit margin for our Cobayer series products increased from 74.1% for the six months ended June 30, 2012 to 85.0% for the six months ended June 30, 2013. The increase in the gross profit margin for our Cobayer series products was primarily due to our better management of cost of sales in 2013, as a result of more favorable purchase prices offered by our manufacturers in Australia in respect of other Cobayer series products due to our increased purchase volume, which was driven by increased market demand for our Cobayer series products.

Other revenue and other gains and losses

Our other revenue and other gains increased by RMB0.2 million, or 50.0%, from RMB0.4 million for the six months ended June 30, 2012 to RMB0.6 million for the six months ended June 30, 2013. The increase was mainly due to an increase in short-term investment income, primarily due to our increased purchase of short-term investment products.

Selling and distribution expenses

Selling and distribution expenses increased by RMB10.6 million, or 91.4%, from RMB11.6 million for the six months ended June 30, 2012 to RMB22.2 million for the six months ended June 30, 2013. The increase was mainly due to an increase in salary and benefit expenses for employees involved in selling and distribution activities, primarily as a result of our expansion of sales network of Cobayer series products, and our increased advertising costs to promote the awareness in the local markets of our newly opened Cobayer retail stores in the first half of 2013.

Administrative expenses

Administrative expenses increased by RMB3.5 million, or 37.6%, from RMB9.3 million for the six months ended June 30, 2012 to RMB12.8 million for the six months ended June 30, 2013. The increase in administrative expenses was mainly due to the expenses associated with our preparation for the Listing on the Hong Kong Stock Exchange, an increase in research and development expenses which were primarily related to our application for CFDA approvals as health food products in respect of a number of our products, and an increase in salary and benefit expenses for employees involved in administrative activities as a result of our expansion of sales network of Cobayer series products.

Profit before income tax

As a result of the aforesaid factors, our profit before income tax increased by RMB5.9 million, or 17.2%, from RMB34.4 million for the six months ended June 30, 2012 to RMB40.3 million for the six months ended June 30, 2013.

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Income tax expense

Income tax expense increased by RMB2.3 million, or 27.7%, from RMB8.3 million for the six months ended June 30, 2012 to RMB10.6 million for the six months ended June 30, 2013. The increase was mainly due to the increase in our profit before income tax. Our effective tax rate increased from 24.0% for the six months ended June 30, 2012 to 26.3% in for the six months ended June 30, 2013, primarily due to the adjustment in our income tax return in the first half of 2013.

Profit for the period

As a result for the above factors, profit for the period increased by RMB3.5 million, or 13.4%, from RMB26.2 million for the six months ended June 30, 2012 to RMB29.7 million for the six months ended June 30, 2013.

Year ended December 31, 2012 compared with year ended December 31, 2011

Turnover

Our total turnover increased by RMB47.2 million, or 45.7%, from RMB103.2 million in 2011 to RMB150.4 million in 2012. The increase was mainly attributable to increases in turnover derived from our sales of Zhongsheng series products, and to a lesser extent, our sales of Cobayer series products.

- **Zhongsheng series products.** Turnover derived from our sales of Zhongsheng series products increased by RMB34.4 million, or 56.1%, from RMB61.3 million in 2011 to RMB95.7 million in 2012. Such increase primarily reflected increases in turnover derived from a number of our key products and the expansion of our sales network.
 - From 2011 to 2012, turnover derived from our sales of Coenzyme Q₁₀ Tablets/Capsules increased from RMB34.5 million to RMB42.2 million, turnover derived from our sales of Linolenic Acid Soft Capsules increased from RMB1.3 million to RMB24.3 million, and turnover derived from our sales of Grapeseed Capsules increased from RMB0.6 million to RMB20.1 million. These increases were primarily driven by increases in sales volume of these key products as a result of our increased sales efforts to promote these products, and partly due to our launch of Linolenic Acid Soft Capsules since the fourth quarter of 2011, and introduction of the Grapeseed Capsules with increased servings and higher selling price in 2012.
 - We significantly expanded our retail network for our sales of Zhongsheng series products in 2012 by opening ten new retail stores in Jiangsu, Zhejiang and Guangdong provinces.

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- **Cobayer series products.** Turnover derived from our sales of Cobayer series products increased by RMB11.8 million, or 28.9%, from RMB40.8 million in 2011 to RMB52.6 million in 2012. Such increase primarily reflected an increase in turnover derived from sales of a number of our key products, our launch of certain new products and the establishment and rapid expansion of our Cobayer retail stores.
 - From 2011 to 2012, turnover derived from our sales of Olive Leaf Extract, our best-selling Cobayer series product, increased from RMB7.7 million to RMB22.4 million, and turnover derived from our sales of Emu Oil Capsules increased from RMB4.0 million to RMB10.3 million. The foregoing effects, however, were partially offset by a decrease in turnover derived from our sales of Squalene Capsules from RMB7.1 million in 2011 to RMB1.7 million in 2012. The changes in the turnover derived from various products were primarily driven by sales efforts we devoted to promote these products. We also launched a number of milk and protein powder products in 2012, including Soy Protein Powder, Goat Milk Powder and Whey Protein Powder, which further enhanced our sales in 2012.
 - In 2011, all of our Cobayer series products were sold in our Zhongsheng retail stores. To expand our sales network of Cobayer series products, we established our first Cobayer retail store in June 2012 and increased our total number of Cobayer retail stores to five as of December 31, 2012.
- **Others.** Turnover derived from our sales of other products increased by RMB0.9 million, or 81.8%, from RMB1.1 million in 2011 to RMB2.0 million in 2012, primarily due to our sales of certain third-party branded products which were not offered in 2011. These third-party branded products primarily included macadamia oil, avocado oil, fruit flavored balsamic vinegar, honey products and jams.

Cost of sales

Our total cost of sales increased by RMB0.2 million, or 1.0%, from RMB20.1 million in 2011 to RMB20.3 million in 2012. The increase was mainly attributable to increases in the cost of sales for our Zhongsheng series products and cost of sales for other products, the effects of which were partially offset by a decrease in the cost of sales for our Cobayer series products.

- **Zhongsheng series products.** Cost of sales for our Zhongsheng series products increased by RMB0.7 million, or 11.3% from RMB6.2 million in 2011 to RMB6.9 million in 2012, whereas turnover derived from our sales of Zhongsheng series products increased by 56.1% during the same periods. This was primarily because of our optimization of product mix by launching new products and introduction of existing products with increased servings which had higher selling prices without significantly increasing our cost, while at the same time reducing production and sales of certain products such as Keda Green Capsules and certain propolis products which had lower or decreasing market demand.

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- **Cobayer series products.** Cost of sales for our Cobayer series products decreased by RMB1.2 million, or 9.2%, from RMB13.0 million in 2011 to RMB11.8 million in 2012, primarily attributable to (i) the decrease in cost of sales for our key product Olive Leaf Extract due to our change of third-party manufacturer for this product in the fourth quarter of 2011 which offered lower sales price to us; and (ii) more favorable purchase prices offered by our manufacturers in Australia in respect of other Cobayer series products due to our increased purchase volume, which was driven by increased market demand for our Cobayer series products.
- **Others.** Cost of sales for our other products increased by RMB0.6 million, or 66.7%, from RMB0.9 million in 2011 to RMB1.5 million in 2012, primarily driven by the introduction of third-party branded Australian nutritional food.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by RMB46.9 million, or 56.4%, from RMB83.2 million in 2011 to RMB130.1 million in 2012, and our gross profit margin increased from 80.6% in 2011 to 86.5% in 2012.

Gross profit for our Zhongsheng series products increased by RMB33.7 million, or 61.2%, from RMB55.1 million in 2011 to RMB88.8 million in 2012. Gross profit margin for our Zhongsheng series products increased from 89.9% in 2011 to 92.8% in 2012, primarily due to the increase in proportion of sales of products with higher gross profit margins through a number of efforts, including our launch of Linolenic Acid Soft Capsules, introduction of Grapeseed Capsules with increased servings and higher serving price, and reduction of sales of products with lower or decreasing market demand or profit margins.

Gross profit for our Cobayer series products increased by RMB13.0 million, or 46.8%, from RMB27.8 million in 2011 to RMB40.8 million in 2012. Gross profit margin for our Cobayer series products increased from 68.2% in 2011 to 77.5% in 2012, primarily due to our better management of cost of sales as a result of (i) our change of the third-party manufacturer for our key product Olive Leaf Extract in the fourth quarter of 2011 which offered lower sales price to us; and (ii) more favorable purchase prices offered by our manufacturers in Australia in respect of other Cobayer series products due to our increased purchase volume, which was driven by increased market demand for our Cobayer series products.

Other revenue and other gains and losses

Our other revenue and other gains increased by RMB1.2 million, or 4.0 times, from RMB0.3 million in 2011 to RMB1.5 million in 2012. The increase was mainly due to an increase in bank interest income, as a result of an increase in bank balances primarily driven by our increased sales, and our better financial management by placing excess cash in time deposits and short-term investment products. The effects of the foregoing, however, were partially offset by a decrease in compensation income, which was only recorded in 2011 on a one-off basis reflecting compensation we received from the local water utilities company in Guangzhou due to its service failure.

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Selling and distribution expenses

Selling and distribution expenses increased by RMB13.7 million, or 67.5%, from RMB20.3 million in 2011 to RMB34.0 million in 2012. The increase was mainly due to an increase in salary and benefit expenses for employees involved in selling and distribution activities and an increase in transportation expenses for delivery of our products to customers and retail stores, as a result of our expansion of sales network of Zhongsheng series products and Cobayer series products.

Administrative expenses

Administrative expenses increased by RMB4.6 million, or 28.8%, from RMB16.0 million in 2011 to RMB20.6 million in 2012. The increase in administrative expenses was mainly due to an increase in salary and benefit expenses for employees involved in administrative activities as a result of our expansion of sales network of Zhongsheng series products and Cobayer series products.

Profit before income tax

As a result of the aforesaid factors, our profit before income tax increased by RMB29.7 million, or 62.9%, from RMB47.2 million in 2011 to RMB76.9 million in 2012.

Income tax expense

Income tax expense increased by RMB7.3 million, or 58.9%, from RMB12.4 million in 2011 to RMB19.7 million in 2012. The increase was mainly due to the increase in our profit before income tax. Our effective tax rate slightly decreased from 26.3% in 2011 to 25.6% in 2012.

Profit for the year

As a result for the above factors, profit for the year increased by RMB22.4 million, or 64.4%, from RMB34.8 million in 2011 to RMB57.2 million in 2012.

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Year ended December 31, 2011 compared with year ended December 31, 2010

Turnover

Our total turnover increased by RMB36.3 million, or 54.3%, from RMB66.9 million in 2010 to RMB103.2 million in 2011. The increase was mainly attributable to increases in turnover derived from our sales of Cobayer series products, and to a lesser extent, our sales of Zhongsheng series products.

- **Zhongsheng series products.** Turnover derived from our sales of Zhongsheng series products increased by RMB12.9 million, or 26.7%, from RMB48.4 million in 2010 to RMB61.3 million in 2011. Such increase primarily reflected increases in turnover derived from a number of our key products and the expansion of our sales network.
 - From 2010 to 2011, turnover derived from our sales of Coenzyme Q₁₀ Tablets/Capsules increased from RMB18.1 million to RMB34.5 million, turnover derived from our sales of Linolenic Acid Soft Capsules increased from nil to RMB1.3 million, and turnover derived from our sales of Grapeseed Capsules increased from RMB0.3 million to RMB0.6 million. These increases were primarily driven by increases in sales volume as a result of our increased sales efforts to promote these products, and partly due to our launch of coenzyme Q₁₀ products in the form of tablets in 2011 and launch of Linolenic Acid Soft Capsules in the fourth quarter of 2011.
 - We expanded our retail network for the sales of Zhongsheng series products significantly in 2011 by opening nine new self-managed retails stores in Jiangsu, Shandong and Hubei provinces.
- **Cobayer series products.** Turnover derived from our sales of Cobayer series products increased by RMB23.9 million, or 141.4%, from RMB16.9 million in 2010 to RMB40.8 million in 2011. Such increase primarily reflected an increase in turnover derived from sales of Olive Leaf Extract, our best-selling Cobayer series product, from RMB1.6 million in 2010 to RMB7.7 million in 2011, primarily driven by increased market demand, and our launch of a number of new products in 2011, including Emu Oil Capsules, Salmon Oil Capsules, Australian Extra Virgin Olive Oil and Omega-3 Capsules.
- **Others.** Turnover derived from our sales of other products decreased by RMB0.4 million, or 26.7%, from RMB1.5 million in 2010 to RMB1.1 million in 2011, primarily driven by our decreased sales of gifts.

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Cost of sales

Our total cost of sales increased by RMB6.5 million, or 47.8%, from RMB13.6 million in 2010 to RMB20.1 million in 2011. The increase was mainly attributable to an increase in the cost of sales for our Cobayer series products, the effects of which, however, were partially offset by a decrease in our cost of sales for Zhongsheng series products and for other products.

- **Zhongsheng series products.** Cost of sales for our Zhongsheng series products decreased by RMB0.8 million, or 11.4%, from RMB7.0 million in 2010 to RMB6.2 million in 2011. Such decrease primarily reflected our optimization of product mix by launching new products and introducing existing products with new servings which had higher selling prices and lower cost, while at the same time reducing production and sales of certain products such as Keda Green Capsules and certain propolis products which had lower or decreasing market demand.
- **Cobayer series products.** Cost of sales for our Cobayer series products increased by RMB7.6 million, or 140.7%, from RMB5.4 million in 2010 to RMB13.0 million in 2011, primarily driven by the increased sales of our Cobayer series products in 2011.
- **Others.** Cost of sales for our other products decreased by RMB0.3 million, or 25.0%, from RMB1.2 million in 2010 to RMB0.9 million in 2011, primarily driven by our decreased sales of gifts.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by RMB29.9 million, or 56.1%, from RMB53.3 million in 2010 to RMB83.2 million in 2011 and our gross profit margin increased from 79.7% in 2010 to 80.6% in 2011.

Gross profit for our Zhongsheng series products increased by RMB13.7 million, or 33.1%, from RMB41.4 million in 2010 to RMB55.1 million in 2011. Gross profit margin for our Zhongsheng series products increased from 85.5% in 2010 to 89.9% in 2011, primarily due to the increase in proportion of sales of products with higher gross profit margins through a number of efforts, including our launch of new product Coenzyme Q₁₀ Tablets, introduction of Linolenic Acid Soft Capsules with increased servings, which represented higher gross profit margins, and reduction of sales of products with lower or decreasing market demand or profit margins.

Gross profit for our Cobayer series products increased by RMB16.2 million, or 139.7%, from RMB11.6 million in 2010 to RMB27.8 million in 2011. Gross profit margin for our Cobayer series products was relatively stable, with a slight decrease from 68.4% in 2010 to 68.2% in 2011.

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Other revenue and other gains and losses

Our other revenue and other gains decreased by RMB0.4 million, or 57.1%, from RMB0.7 million in 2010 to RMB0.3 million in 2011. The decrease was mainly due to our receiving of a one-time government grant of RMB0.5 million in 2010 in connection with our research and development activities and historical contribution to the local economy as a major taxpayer whereas we did not receive similar government grant in 2011. The effects of the foregoing, however, were partially offset by a compensation income we received from the local water utilities company in Guangzhou in 2011 for its service failure whereas we did not receive similar income in 2010.

Selling and distribution expenses

Selling and distribution expenses increased by RMB1.6 million, or 8.6%, from RMB18.7 million in 2010 to RMB20.3 million in 2011. The increase was mainly due to an increase in salary and benefit expenses for employees involved in selling and distribution activities as a result of our expansion of sales networks of Zhongsheng series products.

Administrative expenses

Administrative expenses increased by RMB1.8 million, or 12.7%, from RMB14.2 million in 2010 to RMB16.0 million in 2011. The increase in administrative expenses was mainly due to increases in salary and benefit expenses for employees involved in administrative activities and our general and administrative expenses as a result of our expansion of sales networks of Zhongsheng series products.

Profit before income tax

As a result of the aforesaid factors, our profit before income tax increased by RMB26.2 million, or 124.8%, from RMB21.0 million in 2010 to RMB47.2 million in 2011.

Income tax expense

Income tax expense increased by RMB7.2 million, or 138.5%, from RMB5.2 million in 2010 to RMB12.4 million in 2011. The increase was mainly due to the increase in our profit before income tax. Our effective tax rate increased from 24.8% in 2010 to 26.3% in 2011, primarily due to an increased deferred tax charged on our unrealized profit resulting from increased intra-group transactions.

Profit for the year

As a result for the above factors, profit for the year increased by RMB19.0 million, or 120.3%, from RMB15.8 million in 2010 to RMB34.8 million in 2011.

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LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The following table sets forth, for the periods indicated, a summary of our consolidated statements of cash flows.

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
				(unaudited)	
Net cash generated from operating activities.	17,347	35,181	57,923	31,058	35,396
Net cash (used in)/ generated from investing activities	(124)	(8,835)	4,670	8,092	(23,937)
Net cash (used in)/ generated from financing activities	<u>(12,836)</u>	<u>340</u>	<u>(32,307)</u>	<u>(2,252)</u>	<u>24,486</u>
Net increase in cash and bank balances .	4,387	26,686	30,286	36,898	35,945
Cash and bank balances at the beginning of the year/period	31,638	36,306	62,775	62,775	93,220
Effect of exchange rate changes on cash and bank balances .	<u>281</u>	<u>(217)</u>	<u>159</u>	<u>43</u>	<u>(782)</u>
Cash and bank balances at the end of the year/period	<u>36,306</u>	<u>62,775</u>	<u>93,220</u>	<u>99,716</u>	<u>128,383</u>

Net cash generated from operating activities

Our net cash generated from operating activities during the Track Record Period is principally from the receipt of payments from our sales. Our cash used in operating activities during the Track Record Period is principally for the purchases of raw materials and packaging materials in respect of the production of our Zhongsheng series products, purchases of finished goods from third-party manufacturers in Australia and New Zealand for our Cobayer series products, selling and distribution expenses, administrative expenses and taxes.

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We had a net cash generated from operating activities of RMB35.4 million for the six months ended June 30, 2013, primarily resulting from operating profit before changes in working capital of RMB41.3 million, and a decrease in inventory of RMB3.7 million, partially offset primarily by income tax paid of RMB9.2 million, and an increase in trade and other receivables of RMB0.6 million.

We had a net cash generated from operating activities of RMB57.9 million in 2012, primarily resulting from operating profit before changes in working capital of RMB77.7 million, a decrease in trade and other receivables of RMB2.9 million, and an increase in trade and other payables of RMB1.4 million, partially offset primarily by income tax paid of RMB20.5 million, and an increase in inventory of RMB2.7 million.

We had a net cash generated from operating activities of RMB35.2 million in 2011, primarily resulting from operating profit before changes in working capital of RMB49.1 million, and an increase in trade and other payables of RMB4.4 million, partially offset primarily by income tax paid of RMB10.3 million, an increase in inventory of RMB5.5 million, and an increase in trade and other receivables of RMB2.8 million.

We had a net cash generated from operating activities of RMB17.3 million in 2010, primarily resulting from operating profit before changes in working capital of RMB23.0 million, partially offset primarily by income tax paid of RMB3.9 million, and a decrease in trade and other payables of RMB0.8 million.

Net cash (used in)/generated from investing activities

Our cash generated from investing activities during the Track Record Period mainly consisted of interest income and redemption of short-term investments. Our net cash used in investing activities during the Track Record Period mainly consisted of purchases of property, plant and equipment.

We had a net cash used in investing activities of RMB23.9 million for the six months ended June 30, 2013, primarily resulting from purchase of short-term investments of RMB22.0 million, and payment of RMB2.4 million for the purchase of property, plant and equipment, the effects of which were partially offset by short term investment income and interest received of RMB0.4 million.

We had a net cash generated from investing activities of RMB4.7 million in 2012, primarily resulting from redemption of short-term investments of RMB9.0 million, short term investment income and interest received of RMB1.3 million, and net cash of RMB0.6 million generated from our acquisition of the equity interest in Nanjing Deao which became our wholly-owned subsidiary upon completion of such acquisition, the effects of which were partially offset by deposits of RMB3.8 million to acquire property, plant and equipment, and payment of RMB2.4 million for the purchase of property, plant and equipment.

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We had a net cash used in investing activities of RMB8.8 million in 2011, primarily resulting from purchase of RMB9.0 million short-term investments, the effects of which were partially offset by interest received of RMB0.4 million.

We had a net cash used in investing activities of RMB0.1 million in 2010, primarily resulting from payment of RMB0.6 million for the purchase of property, plant and equipment, the effects of which were partially offset by interest received of RMB0.4 million.

Net cash (used in)/generated from financing activities

Our net cash generated from financing activities during the Track Record Period mainly consisted of proceeds from our issue of new Shares. Our net cash used in financing activities during the Track Record Period mainly consisted of dividends paid to owners of our Company.

We had a net cash generated from financing activities of RMB24.5 million for the six months ended June 30, 2013, primarily resulting from proceeds of RMB50.0 million from our issue of Shares, and advances of RMB0.5 million from Mr. Gui, one of our Directors and Controlling Shareholders, the effects of which were partially offset by dividend paid to owners of our Company of RMB26.0 million.

We had a net cash used in financing activities of RMB32.3 million in 2012, primarily resulting from dividend paid to owners of our Company of RMB35.0 million, and deemed distribution of RMB4.1 million to our Controlling Shareholders following our acquisition of equity interest in Cobayer Health Food Company from our Controlling Shareholders, which became our wholly-owned subsidiary upon completion of such acquisition, the effects of which were partially offset by proceeds of RMB6.2 million from our issue of Shares and advances of RMB0.6 million from Mr. Gui, one of our Directors and Controlling Shareholders.

We had a net cash generated from financing activities of RMB0.3 million in 2011, primarily resulting from advances of RMB0.3 million from Mr. Gui, one of our Directors and Controlling Shareholders.

We had a net cash used in financing activities of RMB12.8 million in 2010, primarily resulting from dividend paid to owners of our Company of RMB6.0 million, repayment of RMB5.1 million to Mr. Gui, one of our Directors and Controlling Shareholders, and deemed distribution of RMB1.8 million to our Controlling Shareholders during the process of the deregistration of Nanjing Zhongsheng Pharmaceutical.

FINANCIAL INFORMATION

Capital Expenditures

Our capital expenditures mainly relate to purchases of fixed assets and intangible assets. The following table sets forth, for the periods indicated, our capital expenditures.

	Year ended December 31,			Six months ended	
				June 30,	
	2010	2011	2012	2012	2013
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Payments to acquire property, plant and equipment	550	246	2,390	1,271	2,364
Deposits to acquire property, plant and equipment	—	—	3,795	—	—
Purchase of a subsidiary net of cash and bank balances acquired	<u>—</u>	<u>—</u>	<u>552</u>	<u>—</u>	<u>—</u>
Total	<u><u>550</u></u>	<u><u>246</u></u>	<u><u>6,737</u></u>	<u><u>1,271</u></u>	<u><u>2,364</u></u>

We plan to fund our capital expenditures for the year ending December 31, 2014 with our existing cash and bank balances, cash flow generated from operating activities and proceeds from the Global Offering.

Working Capital

We finance our working capital needs primarily through cash generated from operating activities. Taking into account of the net proceeds available to us from the Global Offering, our cash and future operating cash flows, our Directors are satisfied, after due and careful inquiry, that we have sufficient working capital to meet our requirements for at least the next 12 months from the date of this prospectus.

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NET CURRENT ASSETS

The table below sets forth, as of the balance sheet dates indicated, our current assets, current liabilities and net current assets.

	As of December 31,			As of June 30,	As of October 31,
	2010	2011	2012	2013	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					(unaudited)
Current assets					
Inventories	5,438	10,944	13,684	9,962	8,093
Prepaid land lease payments . .	101	101	101	101	101
Trade and other receivables . . .	3,446	5,989	3,731	4,188	7,397
Amounts due from directors . .	256	271	691	—	—
Amounts due from related parties	423	478	—	—	—
Short term investments	—	9,000	—	22,000	—
Cash and bank balances	36,306	62,775	93,220	128,383	140,641
Total current assets	45,970	89,558	111,427	164,634	156,232
Current liabilities					
Trade and other payables	4,410	8,614	10,037	10,021	10,311
Amount due to a director	2,741	2,957	3,983	3,303	—
Amounts due to related parties	—	266	—	—	—
Income tax payables	3,369	6,866	6,098	7,003	3,293
Total current liabilities	10,520	18,703	20,118	20,327	13,604
Net current assets	35,450	70,855	91,309	144,307	142,628

Inventory

Our inventory primarily consists of raw materials and package materials, work in progress and finished goods which primarily represent those for Zhongsheng series products, and goods merchandised which primarily represent Cobayer series products and other third-party branded products we purchased during the Track Record Period.

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The following table sets forth, as of the balance sheet dates indicated, our balance of inventory.

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Raw materials	1,016	564	639	579
Work in progress	13	9	172	189
Finished goods	722	964	887	631
Goods merchandise	3,687	9,407	11,986	8,563
Total	<u>5,438</u>	<u>10,944</u>	<u>13,684</u>	<u>9,962</u>

Our inventory increased from RMB5.4 million as of December 31, 2010 to RMB10.9 million as of December 31, 2011, and further to RMB13.7 million as of December 31, 2012, primarily reflecting our increased purchase of Cobayer series products from third-party manufacturers in Australia in line with our expansion of operations during the same periods. Our inventory decreased from RMB13.7 million as of December 31, 2012 to RMB10.0 million as of June 30, 2013, primarily due to our increased sales of Cobayer series products in the first half of 2013, driven by the increased market demand.

The following table sets forth, for the periods indicated, the average inventory turnover days.

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Average inventory turnover days ⁽¹⁾	<u>146.6</u>	<u>148.9</u>	<u>221.7</u>	<u>191.6</u>

Note:

- (1) Average inventory turnover days are based on the average balance of inventory divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period.

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Our average inventory days remained relatively stable in 2010 and 2011. Our average inventory turnover days increased from 148.9 days in 2011 to 221.7 days in 2012, primarily reflecting our increased purchase of Cobayer series products for our inventory in anticipation of our expansion of Cobayer retail stores in 2012 while at the same time we lowered our purchasing cost due to change of the third-party manufacturer for our Olive Leaf Extract since the fourth quarter of 2011. Our average inventory turnover days decreased to 191.6 days for the six months ended June 30, 2013, primarily reflecting our increased sales of Cobayer series products during the same period.

Trade and other receivables

Our trade and other receivables primarily consist of (i) trade receivables for the goods sold and rendered to our distributors after deducting impairment losses; (ii) other receivables from employees for cash advances to them by our Company; (iii) deposits for purchase of properties to open our retail stores; and (iv) prepaid sales tax.

The following table sets forth, as of the balance sheet dates indicated, our trade and other receivables.

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	545	303	474	339
Less: Impairment losses	(179)	—	—	—
Subtotal	366	303	474	339
Other receivables	314	223	283	317
Deposits and prepayments	2,766	5,463	2,974	3,532
Total	3,446	5,989	3,731	4,188

Our trade and other receivables increased from RMB3.4 million as of December 31, 2010 to RMB6.0 million as of December 31, 2011, but decreased to RMB3.7 million as of December 31, 2012. This fluctuation primarily reflected a higher amount of deposits we paid in 2011 for the purchase of certain properties to open self-managed retail stores. Our trade and other receivables increased from RMB3.7 million as of December 31, 2012 to RMB4.2 million as of June 30, 2013, primarily due to our increased rental deposits in line with our expansion of sales network.

FINANCIAL INFORMATION

The following table sets forth, as of the balance sheet dates indicated, an aging analysis of our trade and other receivables (net of impairment losses).

	As of December 31,			As of
	2010	2011	2012	June 30,
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>2013</u>
				<u>RMB'000</u>
Within 1 month past due	42	120	165	207
1 to 3 months past due	3	–	296	127
More than 3 months but within				
1 year past due.	164	40	9	5
More than 1 year past due.	157	143	4	–
Total	<u>366</u>	<u>303</u>	<u>474</u>	<u>339</u>

Receivables that were past due but not impaired relate to a number of distributors that have a good track record with our Group. Based on past experience, our management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Our management monitors the recoverability of overdue trade and other receivables, and, when there is objective evidence that we may not be able to collect, provides for impairment of these trade receivables. The impairment provision for these accounts amounted to RMB0.2 million as of December 31, 2010. Further details in relation to our trade and other receivables are set out in Note 21 to the Accountants' Report.

The following table sets forth, for the periods indicated, the average trade receivables turnover days.

	Year ended December 31,			Six months
	2010	2011	2012	ended June 30,
	<u></u>	<u></u>	<u></u>	<u>2013</u>
Average trade receivables				
turnover days ⁽¹⁾	<u>2</u>	<u>1</u>	<u>1</u>	<u>1</u>

Note:

- (1) Average trade receivables turnover days are based on the average balance of trade receivables divided by turnover for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period.

FINANCIAL INFORMATION

Our average trade receivables turnover days decreased from 2 days in 2010 to 1 day in 2011 and 2012 and for the six months ended June 30, 2013, primarily reflecting the decrease in our sales to distributors during the same periods as a result of a decreased number of distributors. We typically granted a credit period of 30 days to our distributors and did not give any credit period to our other customers, who generally purchased our products by cash or credit cards. Starting June 2012, we had only one distributor whereas we had 15 and eight distributors as of December 31, 2010 and 2011, respectively.

Trade and Other Payables

Trade payables primarily relate to the purchases of raw materials from our suppliers and purchases of our Cobayer series products from third-party manufacturers. Other payables and accruals primarily consisted of salary and staff welfare expenses payables, tax payables and advances from customers.

The following table sets forth, as of the balance sheet dates indicated, our trade and other payables.

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	1,209	580	885	1,197
Other payables and accruals	3,201	8,034	9,152	8,824
Total	4,410	8,614	10,037	10,021

Our trade and other payables remained relatively stable as of June 30, 2013 as compared to December 31, 2012. Our trade and other payables increased from RMB8.6 million as of December 31, 2011 to RMB10.0 million as of December 31, 2012, primarily reflecting our increased purchases of Cobayer series products and increased salary and staff welfare expenses payables in line with our expansion of operations. Our trade and other payables increased from RMB4.4 million as of December 31, 2010 to RMB8.6 million as of December 31, 2011, primarily reflecting the increase in advances from customers as we started in 2011 to accept deposits from customers for product ordering, the effects of which were partially offset by a decrease in our trade payables, primarily attributable to our increased settlement of trade payables with our suppliers at the end of 2011.

FINANCIAL INFORMATION

The following table sets forth, as of the balance sheet dates indicated, an aging analysis of trade payables.

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Due within 1 month	715	15	230	107
Due after 1 month but within 3 months	6	89	443	874
Due after 3 months but within 12 months	459	93	86	3
Due after 12 months	<u>29</u>	<u>383</u>	<u>126</u>	<u>213</u>
Total	<u>1,209</u>	<u>580</u>	<u>885</u>	<u>1,197</u>

The following table sets forth, for the periods indicated, the average trade payables turnover days.

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Average trade payables turnover days ⁽¹⁾	<u>39</u>	<u>16</u>	<u>13</u>	<u>17</u>

Note:

- (1) Average trade payables turnover days are based on the average balance of trade payables divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period.

Our average trade payables turnover days decreased in general during the Track Record Period, primarily due to our increased purchases from third-party Australian manufacturers which typically did not offer credit periods to us.

FINANCIAL INFORMATION

Subsequent Utilization of Inventory and Subsequent Settlement of Trade and Other Receivables

The following table sets forth information regarding our subsequent utilization of inventory and subsequent settlement of trade and other receivables after June 30, 2013.

	As of June 30, 2013	Subsequent utilization/ settlement by October 31, 2013
	<i>RMB'000</i>	<i>RMB'000</i>
Inventory	9,962	4,248
Trade and other receivables		
Trade receivables	339	330
Other receivables ⁽¹⁾	3,849	2,308
Total	4,188	2,638

Note:

- (1) Our unsettled other receivables primarily included prepaid rental expenses and deposits for our self-managed retail stores, and prepaid taxes for our purchase of Cobayer series products.

Amounts Due from/to Directors

As of December 31, 2010, 2011 and 2012, the amounts due from Directors were RMB0.3 million, RMB0.3 million and RMB0.7 million, respectively, representing mainly advances made by our Company to certain Directors for their attending of post-graduate education programs. The amounts due from Directors were fully settled as of June 30, 2013.

As of December 31, 2010, 2011 and 2012 and June 30, 2013, the amount due to Directors were RMB2.7 million, RMB3.0 million, RMB4.0 million and RMB3.3 million, respectively, representing advances from Mr. Gui, one of our Directors and Controlling Shareholders, to our Group. All these amounts due to Directors were fully settled by September 2013.

FINANCIAL INFORMATION

INDEBTEDNESS

Borrowings

Our outstanding bank borrowings as of December 31, 2010, 2011 and 2012, June 30, 2013 and October 31, 2013 were nil. Our Directors confirm that there is no material change in our indebtedness position since October 31, 2013.

COMMITMENTS

Capital Commitments

As of December 31, 2010, 2011 and 2012 and June 30, 2013, our outstanding capital commitments was nil.

Operating Lease Commitments

We lease certain properties for the operations of our self-managed retail stores and offices, with leases negotiated for typically one to five years. We had total future minimum lease payments under non-cancellable operating leases that are payable as follows.

	As of December 31,			As of
	2010	2011	2012	June 30,
	RMB'000	RMB'000	RMB'000	2013
				RMB'000
Within 1 year.	593	437	494	1,497
After 1 year but within 5 years	—	—	495	993
Total	593	437	989	2,490

CONTINGENT LIABILITIES

As of December 31, 2010, 2011 and 2012 and June 30, 2013, we did not have any contingent liabilities and we confirm as of the Latest Practicable Date that there have been no material changes to our contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we did not enter into any off-balance sheet transactions or arrangements.

FINANCIAL INFORMATION

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT FINANCIAL RISK

We are exposed to various types of financial risks in the ordinary course of our business, including market risk (consisting of interest rates and foreign exchange rates), credit risk and liquidity risk.

Credit Risk

Our credit risk is primarily attributable to our trade and other receivables. In order to minimize the credit risk, we continuously monitor the level of exposure to ensure that follow-up action is taken to recover overdue debts. We have no significant concentration of credit risk in respect of trade receivables due to our large customer base which spread across diverse industries. In this regard, we consider that our credit risk is significantly reduced. In addition, we review the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. We believe that the provisions for impairment of trade and other receivables as of respective balance sheet dates adequately cover our related credit risk exposures.

For deposits with banks and financial institutions (including restricted cash and cash and bank balances), we have limited our credit exposure by restricting the selection of banks and financial institutions to local joint-stock commercial banks or state-owned banks.

Liquidity Risk

Our liquidity is primarily dependent on our ability to maintain adequate cash inflows from our operations to meet our debt obligations as they become due, and our ability to obtain external financing to meet our committed future capital expenditures.

As of October 31, 2013, we had no bank loans. We regularly monitor our current and expected liquidity requirements and our compliance with payment covenants, so as to ensure that we maintain sufficient reserves of cash to meet our liquidity requirements in the short and longer term. However, although we believe we will be able to fund our outstanding commitments, we are subject to various risks and uncertainties in our ability to do so. We believe we are taking all necessary measures to maintain sufficient liquidity reserves to support the sustainability and growth of our business in the current circumstances and to repay our outstanding debt obligations when they fall due.

Foreign Exchange Rate Risk

Foreign currency risk refers to the risk of loss due to adverse movements in exchange rates relating to investments and transactions denominated in foreign currencies. We use Australian dollars and New Zealand dollars to pay for nutritional supplements imported from Australia and New Zealand, respectively, and, as a result, we are exposed to foreign exchange rate fluctuation risks. We use Renminbi as the reporting and functional currency for our financial statements. All transactions in currencies other than Renminbi during a given period

FINANCIAL INFORMATION

are recorded at the exchange rates prevailing on the respective relevant dates of such transactions. Monetary assets and liabilities existing at the balance sheet date denominated in currencies other than Renminbi are re-measured at the exchange rates prevailing on such date. Exchange differences are recorded in our consolidated income statement.

Considering the level of our current exposure to foreign exchange risk, we have not used any derivative contracts to hedge against our exposure to foreign currency risk. Such risk, however, may continue to increase in the future, taking into consideration our retail network expansion plan to open additional Cobayer retail stores from 2014 to 2016, which is expected to be supported by increased purchases from third-party manufacturers in Australia and New Zealand. We will continue to monitor closely the foreign currency risk exposure and will consider hedging foreign currency exposure if the depreciation of Renminbi against Australian dollars or New Zealand dollars is over 5% during a six-month period. Our hedging measures may include entering into contracts with financial institutions to fix exchange rates for our purchases in foreign currencies. In the event that we take any hedging measures in the future, we intend to designate our chief financial officer to oversee such hedging measures, and engage staff with necessary qualifications and experience to conduct hedging activities. Our Board of Directors plans to review our hedging policies, activities and results on an annual basis and adjust our hedging policies and activities to meet our actual needs arising from business operations.

In addition, as the proceeds of the Global Offering will be in Hong Kong dollars, any appreciation of the Renminbi against the Hong Kong dollar will adversely affect the amount of proceeds we receive in terms of Renminbi. On the other hand, a depreciation of Renminbi would adversely affect the value of any dividends we pay to our Shareholders subsequent to the Global Offering.

The Renminbi is not freely convertible into other currencies and conversion of the Renminbi into foreign currencies is subject to foreign exchange control rules and regulations promulgated by the PRC government.

Interest Rate Risk

Our interest rate risk relates primarily to our bank deposits and bank borrowings that we may incur in the future. As we currently have no significant interest-bearing assets and liabilities, our income and operating cash flows are substantially independent of changes in market interest rate. To the extent that we may need to raise debt financing in the future, upward fluctuations in interest rates will increase the cost of debts.

FINANCIAL INFORMATION

DIVIDEND POLICY

Our Board of Directors is responsible for submitting proposals in respect of dividend payments, if any, to our Shareholders' general meeting for approval. Our dividend distribution was based on our profit available for appropriation. Under the PRC Company Law and our Articles of Association, all of our Shareholders have equal rights to dividends and other distributions in proportion to their shareholdings. For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, we declared and paid dividends in the amount of RMB6.0 million, nil, RMB35.0 million and RMB26.0 million, respectively. Dividends paid in prior periods may not be indicative of future dividend payments. We cannot guarantee when, if and in what form dividends will be paid in the future. We currently intend to pay dividends to our Shareholders of approximately 30% of our profit available for distribution after the Global Offering, subject to, in each case, our Board's decision after a comprehensive review of our Company's financial performance, future expectations and other factors deemed relevant by our Board, and our Shareholders' approval.

DISTRIBUTABLE RESERVES

The calculation of distributable profits for a company under PRC GAAP differs in a few respects from the calculation under HKFRS. As a result, we may not be able to pay any dividends in a given year if we do not have distributable profits as determined under PRC GAAP, even if we have profits for that year as determined under HKFRS, or vice versa.

Pursuant to our Articles of Association, following the Listing of our H Shares on the Hong Kong Stock Exchange, the amount of retained profits available for distribution to our Shareholders shall be the lower of the amount determined in accordance with PRC GAAP and that determined in accordance with HKFRS. As of June 30, 2013, our distributable reserves determined on this basis were the retained earnings of our Group under HKFRS, which were RMB66.7 million.

LISTING EXPENSES

As of June 30, 2013, we incurred expenses in connection with the Global Offering in an amount of RMB2.0 million, which were accounted for as part of our administrative expenses for the six months ended June 30, 2013. Between June 30, 2013 and completion of the Global Offering, we expect to incur additional listing expenses of RMB31.7 million, among which an estimated amount of RMB13.8 million will be recognized as our administrative expenses and an estimated amount of RMB17.9 million will be recognized directly in equity.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

		Year ended December 31/ As of December 31,			Six months ended June 30/ As of June 30,
	<i>Notes</i>	2010	2011	2012	2013
Current ratio	(1)	4.4	4.8	5.5	8.1
Quick ratio	(2)	3.9	4.2	4.9	7.6
Debt to assets ratio	(3)	n.a.	n.a.	n.a.	n.a.
Gearing ratio	(4)	n.a.	n.a.	n.a.	n.a.
Interest coverage	(5)	n.a.	n.a.	n.a.	n.a.

Notes:

- (1) Current ratio = Current assets/Current liabilities.
- (2) Quick ratio = (Current assets - Inventory)/Current liabilities.
- (3) Debt to assets ratio = Total liabilities/Total assets. We had no interest bearing debt during the periods indicated.
- (4) Gearing ratio = Total interest-bearing debts/Total equity. We had no interest bearing debt during the periods indicated.
- (5) Interest coverage = Earnings before interest and tax/Interest expense. We had no interest bearing debt during the periods indicated.

Current Ratio

Our current ratio was 4.4, 4.8, 5.5 and 8.1 for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively. The increases in our current ratio were mainly due to increases in our cash and cash equivalents.

Quick Ratio

Our quick ratio was 3.9, 4.2, 4.9 and 7.6 for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013. The increases in our quick ratio were mainly due to increases in our cash and bank balances.

FINANCIAL INFORMATION

POTENTIAL ADVERSE CHANGE IN NET PROFIT FOR THE YEAR ENDING DECEMBER 31, 2013

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position of our Group since June 30, 2013 (being the date to which our latest financial information was prepared as set out in the “Accountants’ Report” in Appendix I to this prospectus). Based on our current estimates, we will recognize RMB13.8 million as our administrative expenses between June 30, 2013 and the completion of the Global Offering, which is likely to have a material adverse impact on our net profit for the year ending December 31, 2013.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances which, had they been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

PROPERTY INTERESTS AND PROPERTY VALUATION

Particulars of our Group’s owned property interests are set out in Appendix III to this prospectus. BMI Appraisals Limited has valued the property interests owned by our Group as of September 30, 2013. A summary of values and valuation certificates issued by BMI Appraisals Limited are included in Appendix III to this prospectus.

The table below sets forth the reconciliation of the aggregate amount of net book value of our Group’s property interests from our audited financial information as of June 30, 2013 to the unaudited net book value of our Group’s property interests as of September 30, 2013:

	<i>RMB’000</i>
Net book value of property interests ⁽¹⁾ of our Group as of June 30, 2013 .	22,693
Less: Depreciation	(331)
Net book value as of September 30, 2013	22,362
Add: Valuation surplus	23,738
Valuation as of September 30, 2013 per “Appendix III – Property Valuation Report”.	46,100

Note:

(1) Property interests include buildings and land use rights.

FINANCIAL INFORMATION

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of the Group is based on the consolidated net assets derived from the financial information of the Group as of June 30, 2013, as set out in Appendix I to this prospectus and adjusted as follows:

	Audited consolidated net tangible assets attributable to the owners of the Company as of June 30, 2013 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company	Unaudited pro forma adjusted net tangible assets per Share ⁽³⁾	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB</i>	<i>HK\$</i>
Based on an Offer					
Price of HK\$1.50 per Offer Share . . .	172,736	224,879	397,615	0.49	0.62
Based on an Offer					
Price of HK\$2.00 per Offer Share . . .	172,736	301,595	474,331	0.58	0.74

Notes:

1. The audited consolidated net tangible assets attributable to the owners of our Company as of June 30, 2013 is derived from the consolidated net assets attributable to the owners of the Company as of June 30, 2013 of RMB172,801,000 as reported in the Accountants' Report set out in Appendix I to this Prospectus, after deducting intangible assets of RMB65,000.
2. The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$1.50 and HK\$2.00 per Offer Share after deduction of underwriting fees and other related expenses payable by the Company in connection with the Global Offering and do not take into account of any Shares which may be allotted and issued upon exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are translated at the exchange rate of RMB0.7884 to HK\$1.00.
3. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company and the amounts per Share are arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 814,911,000 Shares are expected to be in issue following the Global Offering (including 203,800,000 Offer Shares newly issued upon the Global Offering) and the respective Offer Prices of HK\$1.50 and HK\$2.00 per Offer Share.
4. The unaudited pro forma adjusted net tangible assets per Share are converted into Hong Kong dollars at an exchange rate of RMB0.7884 to HK\$1.00, the PBOC rate prevailing on December 16, 2013. No representation is made that the RMB amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate.
5. No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to June 30, 2013.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section headed “Business – Strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the net proceeds we will receive from the Global Offering (after deducting underwriting commissions, fees and anticipated expenses payable by us in connection with the Global Offering) will be approximately HK\$333.9 million, assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$1.75 per H Share, being the mid-point of the Offer Price range stated in this prospectus.

If the Over-allotment Option is exercised in full, we estimate that we will receive additional net proceeds of approximately HK\$51.1 million, assuming an Offer Price of HK\$1.75 per H Share, being the mid-point of the Offer Price range stated in this prospectus.

If the Offer Price is set at HK\$2.00 per H Share (being the high end of the Offer Price range), and assuming that the Over-allotment Option is not exercised, the net proceeds from the Global Offering will increase by approximately HK\$48.7 million.

If the Offer Price is set at HK\$1.50 per H Share (being the low end of the Offer Price range), and assuming that the Over-allotment Option is not exercised, the net proceeds from the Global Offering will decrease by approximately HK\$48.7 million.

We currently intend to apply these net proceeds for the following purposes:

- approximately 43%, or HK\$143.6 million, will be used to expand our production facilities in Nanjing, Jiangsu province, among which:
 - approximately 31%, or HK\$103.6 million, will be used to construct a new production line to manufacture products in the forms of soft gelatin capsules, canned powder and miniature bottled drinks with a designed annual capacity of 800,000 units, 650,000 units and 2.0 million units, respectively;
 - approximately 6%, or HK\$20.0 million, will be used to build a research and development and testing center; and
 - approximately 6%, or HK\$20.0 million, will be used to establish an information and logistics control center;
- approximately 34%, or HK\$113.5 million, will be used to finance our marketing and promotional activities for the next two years so as to enhance the nationwide brand awareness of our Zhongsheng and Cobayer brands, among which:
 - approximately 23%, or HK\$76.8 million, will be used for TV, print, radio and online advertising;

FUTURE PLANS AND USE OF PROCEEDS

- approximately 6%, or HK\$20.0 million, will be used for engagement of celebrity spokespersons;
- approximately 3%, or HK\$10.0 million, will be used for promotion and enhancement of our corporate and brand image by creating and introducing new corporate video, new product packaging design and new marketing materials; and
- approximately 2%, or HK\$6.7 million, will be used for promotional events across China during major holidays;

As of the Latest Practicable Date, we only maintained effective CFDA advertising approvals for five major health food products, namely Coenzyme Q₁₀ Capsules, Coenzyme Q₁₀ Tablets, Linolenic Acid Soft Capsules, Keda Green Capsules and Weisi Capsules. We intend to apply for CFDA advertising approvals for selected health food products when there comes an actual advertising need, based on the most recent market demand and customer feedback of such specific products, and launch such advertisements upon obtaining the relevant CFDA advertising approvals. In the absence of CFDA advertising approval for any particular health food product, we intend to, among other marketing strategies, rely upon advertising of our brand and corporate image without referring to any particular health food product. For details of our marketing strategies, see “Business – Marketing and Customer Service – Marketing and Promotional Activities”.

- approximately 18%, or HK\$60.1 million, will be used to strengthen and expand our existing sales network and expand into new regions in the next few years, in particular, first-tier cities, provincial capitals and affluent second-tier cities in China, among which:
 - approximately 6%, or HK\$20.0 million, will be used to support our expansion of sales network in 2014. Based on prevailing market conditions, we currently contemplate increasing the number of our Zhongsheng retail stores to 45 and the number of our Cobayer retail stores to 72 by the end of 2014, respectively; and
 - approximately 12%, or HK\$40.1 million, will be used to support our expansion of sales network in 2015 and 2016. Subject to the prevailing macroeconomic conditions and the market demand of our products, and based on the minimum capital required to open Zhongsheng and Cobayer retail stores, the proceeds will allow us to open 20 and 80 additional Zhongsheng and Cobayer retail stores, respectively, in 2015 and 2016; and
- the remaining amount of approximately 5%, or HK\$16.7 million will be used for our working capital and other general corporate purposes.

In the event that the Over-allotment Option is exercised in full, we intend to apply the additional net proceeds to the above uses in the proportions stated above.

FUTURE PLANS AND USE OF PROCEEDS

The above allocation of the net proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range stated in this prospectus.

To the extent that the net proceeds are not immediately applied to the above purposes, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments as permitted by the relevant laws and regulations. Our PRC legal advisor is of the view that there is no legal impediment in remittance to the PRC provided that relevant registration with SAFE for the Listing is completed within 15 working days after the Global Offering. We will comply with the PRC laws in respect of foreign exchange registration and proceeds remittance.

OUR CORNERSTONE INVESTOR

THE CORNERSTONE PLACING

We have entered into a cornerstone investment agreement with Town Health Corporate Advisory and Investments Limited (the “Cornerstone Investor”) who has agreed to subscribe for such number of our H Shares (rounded down to the nearest whole board lot of 2,000 H Shares) which may be purchased with an aggregate amount of US\$5.0 million (or approximately HK\$38.8 million). Assuming an Offer Price of HK\$1.50 per H Share (being at the low end of the Offer Price range set out in this prospectus), the total number of H Shares subscribed by the Cornerstone Investor would be approximately 25,844,000, representing approximately (i) 12.7% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 3.2% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised; and (iii) 3.1% of the Shares in issue assuming that the Over-allotment Option is fully exercised. Assuming an Offer Price of HK\$1.75 per H Share (being the mid-point of the Offer Price range set out in this prospectus), the total number of H Shares subscribed by the Cornerstone Investor would be approximately 22,152,000, representing approximately (i) 10.9% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 2.7% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised; and (iii) 2.6% of the Shares in issue assuming that the Over-allotment Option is fully exercised. Assuming an Offer Price of HK\$2.00 per H Share (being at the high end of the Offer Price range set out in this prospectus), the total number of H Shares subscribed by the Cornerstone Investor would be approximately 19,382,000, representing approximately (i) 9.5% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 2.4% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised; and (iii) 2.3% of the Shares in issue assuming that the Over-allotment Option is fully exercised.

The Cornerstone Investor is a company incorporated with limited liability in Hong Kong in 2004. The Cornerstone Investor is an indirectly wholly-owned subsidiary of Town Health International Investments Limited, which is a listed company on the Hong Kong Stock Exchange (stock code: 3886). Town Health International Investments Limited is one of the largest and leading private healthcare institutes in Hong Kong with an extensive network of over 65 clinics in Hong Kong and the PRC. Town Health International Investments Limited offers a diversified range of general practice, special and multidisciplinary healthcare services, involving family medicine and specialty medicine, dentistry, paramedical services and preventive healthcare services.

The Cornerstone Investor is an Independent Third Party and is not our connected person. The Cornerstone Investor will acquire the Offer Shares pursuant to, and as part of, the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investor will rank *pari passu* in all respects with the other fully paid H Shares in issue and will be counted towards the public float of our Company. The Cornerstone Investor will not have any representation on the Board of Directors or be a substantial Shareholder of our Company and will not subscribe for any Offer Shares under the Global Offering other than pursuant to the cornerstone investment agreement referred to above.

OUR CORNERSTONE INVESTOR

The Offer Shares to be subscribed by the Cornerstone Investor may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed “Structure of the Global Offering – Hong Kong Public Offering” in this prospectus. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investor will be disclosed in the allotment results announcement to be issued by us on or around January 14, 2014.

CONDITIONS PRECEDENT

The subscription obligation of the Cornerstone Investor is subject to, among other things, the following conditions precedent:

- (a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional and not having been terminated (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements;
- (b) the Listing Committee having granted the listing of, and permission to deal in, the H Shares and that such approval or permission not having been revoked prior to the commencement of dealings in the H Shares;
- (c) no relevant laws or regulations shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or in the cornerstone investment agreement, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (d) the respective representations, warranties, undertaking and confirmations of the Cornerstone Investor under the cornerstone investment agreement are accurate and true in all respects and not misleading and that there is no material breach of the cornerstone investment agreement on the part of the Cornerstone Investor.

RESTRICTIONS ON DISPOSAL OF H SHARES BY THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed that without the prior written consent of the Company and the Sole Global Coordinator, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the “**Lock-up Period**”), dispose of any of the H Shares it has purchased pursuant to the cornerstone investment agreement, save for transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of the Cornerstone Investor, including the Lock-up Period restriction.

UNDERWRITING

HONG KONG UNDERWRITERS

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager

BOCOM International Securities Limited

Co-Managers (in alphabetical order)

Convoy Investment Services Limited

Quam Securities Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Public Offering, we are offering the Hong Kong Public Offer Shares for subscription on, and subject to, the terms and conditions of this prospectus and the Application Forms. Subject to the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the H Shares to be offered pursuant to the Global Offering as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for the Hong Kong Public Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been signed, becoming unconditional and not having been terminated.

Grounds for Termination

The Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) may by giving notice to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect at its sole discretion without liability to any of the parties to the Hong Kong Underwriting Agreement if prior to 8:00 a.m. on the Listing Date:

- (a) there develops, occurs, exists or comes into effect:
 - (i) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and

UNDERWRITING

credit markets), in or affecting Hong Kong, the PRC, Australia, New Zealand, the United States, the United Kingdom, the European Union or any member thereof, Japan or any other jurisdiction relevant to any member of our Group (collectively, the “**Relevant Jurisdictions**”); or

- (ii) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting any of the Relevant Jurisdictions; or
- (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shenzhen Stock Exchange and the Shanghai Stock Exchange; or
- (iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organization or other non-governmental regulatory authority, or any court, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign (“**Authority**”)), New York (imposed at Federal or New York State level or other competent Authority), London, the PRC, Australia, New Zealand, the European Union or any member thereof, Japan or any other jurisdiction relevant to any member of our Group, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in those places or jurisdictions; or
- (v) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent Authority in or affecting Hong Kong, the PRC, Australia, New Zealand, the United States, the United Kingdom, the European Union (or any member thereof), Japan or any Relevant Jurisdictions; or
- (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the United States, Australia, New Zealand or the European Union (or any member thereof) on the PRC or any Relevant Jurisdictions; or

UNDERWRITING

- (vii) a change or development involving a prospective change in taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in Hong Kong, the PRC, Australia, New Zealand, the United States, the United Kingdom, the European Union (or any member thereof), Japan or any Relevant Jurisdictions; or
- (viii) any change or prospective change in the condition (financial or otherwise), or in the earnings, business affairs, business prospects or trading position of our Company or any other member of our Group; or
- (ix) any change or development involving a prospective change, or a materialization of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (x) any litigation or claim of any third party being threatened or instigated against any member of our Group; or
- (xi) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (xii) the chairman, chief executive officer or chief financial officer of our Company vacating his or her office; or
- (xiii) an Authority or a political body or organization in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or
- (xiv) a contravention by any member of our Group of the Listing Rules or applicable laws; or
- (xv) a prohibition on our Company for whatever reason from allotting or selling the H Shares (including the H Shares to be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (xvi) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and subscription of the H Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or
- (xvii) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and subscription of the Offer Shares) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Stock Exchange, CSRC and/or the SFC; or

UNDERWRITING

- (xviii) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

which, individually or in the aggregate, in the sole opinion of the Sole Global Coordinator:

- (1) has or will or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole; or
- (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or
- (3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or
- (4) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Sole Global Coordinator:

- (i) that any statement contained in this prospectus or the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any respect, or that any forecast, expression of opinion, intention or expectation contained in any of this prospectus or the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and not based on reasonable assumptions; or

UNDERWRITING

- (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission from this prospectus or the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or
- (iii) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or
- (iv) that a valid demand by any creditor for repayment or payment of any indebtedness of our Company or any other member of our Group or in respect of which our Company or any other member of our Group is liable prior to its stated maturity, which demand has or could reasonably be expected to have a material adverse effect on our Group taken as a whole; or
- (v) that a petition is presented for the winding-up or liquidation of our Company or any other member of our Group or our Company or any other member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of our Company or any other member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or any other member of our Group or any thing analogous thereto occurs in respect of our Company or any other member of our Group, which in the sole opinion of the Sole Global Coordinator, may or is likely to be material in the context of the Global Offering; or
- (vi) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to the Hong Kong Underwriting Agreement; or
- (vii) any adverse change or development involving a prospective adverse change in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Company or any other member of our Group; or
- (viii) any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties given under the Hong Kong Underwriting Agreement; or

UNDERWRITING

- (ix) approval by the Listing Committee of the Hong Kong Stock Exchange of the listing of, and permission to deal in, the H Shares to be issued (including any additional H Shares that may be issued pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (x) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

Undertakings to the Hong Kong Stock Exchange

By Our Company

We have undertaken to the Hong Kong Stock Exchange that we will not issue any further shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the date on which our H Shares first commence dealing on the Hong Kong Stock Exchange (whether or not such issue of shares or securities will be completed within six months from the commencement of dealing), except for the circumstances as permitted by Rule 10.08 of the Listing Rules.

By Our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholder has undertaken to the Company and to the Hong Kong Stock Exchange that he or she shall not, and shall procure that the relevant registered holder(s) shall not:

- (a) in the period commencing from the date by reference to which disclosure of his or her shareholding in our Company is made in this prospectus and ending on the date which is six months from the date on which dealings in the H Shares first commence on the Hong Kong Stock Exchange (“**First Six-month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he or she is shown by this prospectus to be the beneficial owner; and
- (b) in the period of six months commencing on the date on which the period referred to in (a) above expires (“**Second Six-month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or she would cease to be a controlling shareholder (as the term is defined in the Listing Rules).

UNDERWRITING

Each of the Controlling Shareholders has further undertaken to our Company, the Sole Global Coordinator, the Sole Sponsor, the Hong Kong Underwriters and the Hong Kong Stock Exchange that, within the period commencing from the date by reference to which disclosure of his or her shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date:

- (a) when he or she pledges or charges any of the Shares or securities of our Company beneficially owned by him or her, whether directly or indirectly, in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155, Laws of Hong Kong)), he or she will immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when he or she receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or securities of our Company will be disposed of, he or she will immediately inform our Company of such indications.

Undertakings to the Hong Kong Underwriters

By Our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to each of the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters not to, and have agreed to procure that each other member of our Group not to, except for the offer and subscription and issue of the Offer Shares pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option), during the First Six-month Period, without the prior written consent of the Sole Sponsor and Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or

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- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or
- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period). In the event that, during the Second Six-month Period, our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

By Our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to each of our Company, the Sole Global Coordinator, the Hong Kong Underwriters and the Sole Sponsor that, without the prior written consent of BOCOM International Securities (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) it will not, at any time during the First Six-month Period:
 - (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable), or

UNDERWRITING

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any interest therein in (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or
- (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above, or
- (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

- (b) it will not, during the Second Six-month Period, enter into any of the transactions specified in paragraphs (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a controlling shareholder (as the term is defined in the Listing Rules) of our Company; and
- (c) until the expiry of the Second Six-month period, in the event that it enters into any of the transactions specified in paragraphs (a)(i), (ii) or (iii) above or offer to or agrees to or announce any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

We will also, as soon as we have been informed of the above matters (if any) by the Controlling Shareholders, inform the Sole Global Coordinator and disclose such matters as soon as possible by way of an announcement to be published as required under the Listing Rules.

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Indemnity

The Company has agreed to indemnify the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the terms and conditions of the Hong Kong Underwriting Agreement.

Commission, Incentive Fee and Expenses

Under the terms and conditions of the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive a gross underwriting commission of 3.5% of the Offer Price payable for the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commissions. For unsubscribed Hong Kong Public Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the Sole Global Coordinator and the relevant Underwriters (but not the Hong Kong Underwriters). We may also in our sole discretion pay the Sole Global Coordinator an additional incentive fee of up to 1.0% of the Offer Price for each Offer Share.

The aggregate commissions and fees payable by us in relation to the Global Offering, together with Hong Kong Stock Exchange listing fees, SFC transaction levy, the Hong Kong Stock Exchange trading fee, legal and other professional fees, and printing and other expenses relating to the Global Offering are estimated to amount to approximately HK\$42.8 million (assuming an Offer Price of HK\$1.75 per Offer Share, which is the mid-point of our indicative offer price range, and assuming the Over-allotment Option is not exercised) in total.

Minimum Public Float

Our Directors and the Sole Global Coordinator will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering.

The International Offering

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions, will agree severally to purchase, or procure purchasers for, the International Offer Shares being offered and sold pursuant to the International Offering.

Under the International Underwriting Agreement, we will grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriters during the 30-day period after the last day for lodging applications under the Hong Kong Public Offering to require us to issue up to an aggregate of 30,570,000 additional H Shares, representing 15% of the aggregate number of the Offer Shares initially available under the Global Offering. These additional H Shares will be issued and sold at the Offer Price and will be for the purpose of, among other things, covering over-allocations in the International Offering, if any.

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RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

STABILIZATION AND OVER-ALLOTMENT

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, BOCOM International Securities as the stabilizing manager (the “**Stabilizing Manager**”), its affiliates or any person acting for it, on behalf of the International Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate Offer Shares and/or effect any other transactions with a view to stabilizing or maintaining the market price of our H Shares at a level higher than that which might otherwise prevail in the open market for a limited period from the Listing Date and ending on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. Such over-allocations and/or transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end on or before Friday, February 7, 2014, being the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering.

UNDERWRITING

The Stabilizing Manager or any person acting for it may take all or any of the following stabilizing actions in Hong Kong during the stabilization period:

- (i) purchase, or agree to purchase, any of the H Shares or offer or attempt to do so for the sole purpose of preventing or minimizing any reduction in the market price of the H Shares; and
- (ii) in connection with any action described in paragraph (i) above:
 - (A) (1) over-allocate the H Shares, or
 - (2) sell or agree to sell the H Shares so as to establish a short position in them;
 - (B) exercise the Over-allotment Option and purchase or subscribe for or agree to purchase or subscribe for the H Shares in order to close out any position established under paragraph (ii)(A) above;
 - (C) sell or agree to sell any of the H Shares acquired by it in the course of the stabilizing action referred to in paragraph (i) above in order to liquidate any position that has been established by such action; or
 - (D) offer or attempt to do anything as described in paragraphs (ii)(A), (ii)(B) or (ii)(C) above.

Specifically, prospective applications for and investors in the H Shares should note that:

- the Stabilizing Manager or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the H Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilizing Manager or any person acting for it may have an adverse impact on the market price of the H Shares;
- no stabilizing action can be taken to support the price of the H Shares for longer than the stabilizing period which will begin on the Listing Date and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering, after which an announcement will be made pursuant to section 9 of, and schedule 3 to, the Securities and Futures (Price Stabilizing) Rules of Hong Kong (Chapter 571W of the Laws of Hong Kong). After this date, when no further stabilizing action may be taken, demand for the H Shares, and therefore the price of the H Shares, could fall;
- the price of the H Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and

UNDERWRITING

- stabilizing bids must be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the H Shares.

We will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of Hong Kong (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilizing period.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

HONG KONG UNDERWRITERS' INTEREST IN OUR COMPANY

Save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters is interested legally or beneficially in any Shares of our Company or any other member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in our Company or any other member of our Group in the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering which forms part of the Global Offering. The Global Offering comprises (assuming the Over-allotment Option is not exercised):

- (i) the Hong Kong Public Offering of an initial 20,380,000 H Shares to be offered by our Company (subject to adjustment as mentioned below) (representing 10% of the total number of the Offer Shares initially available under the Global Offering) in Hong Kong, as described in the paragraph headed “Hong Kong Public Offering” below; and
- (ii) the International Offering of an initial 183,420,000 H Shares to be offered by our Company (subject to adjustment as mentioned below and the Over-allotment Option) (representing 90% of the total number of the Offer Shares initially available under the Global Offering) outside the United States in offshore transactions in reliance on Regulation S.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, respectively, may be subject to adjustment and reallocation and in the case of the International Offering only, the Over-allotment Option as described in the section headed “Underwriting – The International Offering” in this prospectus.

PRICING AND ALLOCATION

Offer Price Range

The Offer Price will be not more than HK\$2.00 per Offer Share and is expected to be not less than HK\$1.50 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

Price Payable on Application

Applicants for Hong Kong Public Offer Shares under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$2.00 for each Hong Kong Public Offer Share (plus brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee). If the Offer Price is less than HK\$2.00, appropriate refund payments (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants. See the section headed “How to Apply for Hong Kong Public Offer Shares – 13. Refund of Application Monies” in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

Determining the Offer Price

The International Underwriters are soliciting from prospective investors indications of interest in acquiring our H Shares in the International Offering. Prospective investors will be required to specify the number of our H Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around Wednesday, January 8, 2014, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and us on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Thursday, January 9, 2014 and in any event, no later than Monday, January 13, 2014, and the number of H Shares to be allocated under the Global Offering will be determined shortly thereafter.

If for any reason, we and the Sole Global Coordinator (on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Monday, January 13, 2014, the Global Offering will not become unconditional and will lapse.

Reduction in Offer Price Range and/or Number of Offer Shares

If based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Sole Global Coordinator (on behalf of the Underwriters and with our consent) considers it appropriate, the indicative offer price range and/or the number of Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering, provided that it will not result in our Company not fulfilling the requirement under Rule 8.05(2)(d) of the Listing Rules.

In such a case, we will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notice of the reduction in the indicative offer price range and/or number of Offer Shares. Such notice(s) will also be available at the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company at www.zs-united.com. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed “Summary” in this prospectus and any other financial information which may change as a result of such reduction. Upon issue of such notice, the number of Offer Shares and/or the revised offer price range will be final and conclusive, and the Offer Price, if agreed upon, will be fixed within such revised offer price range. In the absence of any such notice, the Offer Price shall under no circumstances be set outside the offer price range indicated in this prospectus and the number of Offer Shares shall under no circumstances be fewer than the number of the Offer Shares initially offered. Before submitting applications for Hong Kong Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative offer price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

Allocation

The H Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell, H Shares after Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our H Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of the Hong Kong Public Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by applicants. The allocation of Hong Kong Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

Announcement of Offer Price and Basis of Allotment

The Offer Price for H Shares under the Global Offering and the level of applications in the Hong Kong Public Offering, the level of indication of interest in the International Offering, and the basis of allotment of the Hong Kong Public Offer Shares is expected to be announced on Tuesday, January 14, 2014 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and in a variety of channels in the manner described in the section headed "How to Apply for Hong Kong Public Offer Shares – 11. Publication of Results" in this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including the additional H Shares which may be made available pursuant to the exercise of the Over-allotment Option) and such listing and permission not having been revoked prior to the commencement of dealings in the Offer Shares on the Hong Kong Stock Exchange;

STRUCTURE OF THE GLOBAL OFFERING

- the Offer Price having been duly agreed between us and the Sole Global Coordinator (on behalf of the Underwriters) and the execution and delivery of the Price Determination Agreement on or around the Price Determination Date;
- the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having become and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be caused to be published by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned to the applicants, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Public Offer Shares – 13. Refund of Application Monies” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

H Share certificates for the Offer Shares are expected to be issued on Tuesday, January 14, 2014 but will only become valid certificates of title at 8:00 a.m. on Wednesday, January 15, 2014, provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for termination” in this prospectus has not been exercised.

HONG KONG PUBLIC OFFERING

We are initially offering 20,380,000 H Shares at the Offer Price, representing 10% of the 203,800,000 H Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Hong Kong Public Offer Shares will represent approximately 2.5% of our enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

STRUCTURE OF THE GLOBAL OFFERING

The total number of Hong Kong Public Offer Shares available under the Hong Kong Public Offering will initially be divided equally into two pools for allocation purposes as follows:

- Pool A: The Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) of HK\$5 million or less; and
- Pool B: The Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) of more than HK\$5 million and up to the value of Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Public Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Hong Kong Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For this purpose, the “subscription amount” for the Hong Kong Public Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants can only receive an allocation of Hong Kong Public Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 10,190,000 Hong Kong Public Offer Shares (being 50% of the initial number of Hong Kong Public Offer Shares) will be rejected.

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any International Offer Shares, and such applicant’s application will be rejected if the said undertaking and/or confirmation is breached and/or untrue.

Our Company, our Directors and the Hong Kong Underwriters will take reasonable steps to identify and reject applications under the Hong Kong Public Offering from investors who have received H Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received H Shares in the Hong Kong Public Offering.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered H Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for H Shares under the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of H Shares available under the Hong Kong Public Offering to certain percentage of the total number of H Shares offered in the Global Offering as follows if certain prescribed total demand levels are reached:

- if the number of H Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of H Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of H Shares available under the Hong Kong Public Offering will be 61,140,000 H Shares, representing 30% of the Offer Shares initially available under the Global Offering;
- if the number of H Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of H Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of H Shares available under the Hong Kong Public Offering will be 81,520,000 H Shares, representing 40% of the Offer Shares initially available under the Global Offering; and
- if the number of H Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of H Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of H Shares available under the Hong Kong Public Offering will be 101,900,000 H Shares, representing 50% of the Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator. Subject to the foregoing paragraph, the Sole Global Coordinator may in its discretion reallocate H Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator will have the discretion (but shall not be under any obligation) to reallocate to the International Offering all or any unsubscribed Hong Kong Public Offer Shares in such amounts as it deem appropriate.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE INTERNATIONAL OFFERING

The International Offering will consist of initially 183,420,000 H Shares, representing 90% of the H Shares (subject to adjustment and the Over-allotment Option) under the Global Offering and approximately 22.5% of our enlarged issued share capital immediately after completion of the Global Offering assuming that the Over-allotment Option is not exercised, to be offered by us outside of the United States in reliance on Regulation S under the U.S. Securities Act, including to professional and institutional investors in Hong Kong.

We expect to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriters at any time on or before the date that is the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an additional 30,570,000 H Shares, representing 15% of the aggregate number of the Offer Shares initially available under the Global Offering. These H Shares will be issued or sold at the same price per H Share under the International Offering to, among other things, cover over-allocations in the International Offering, if any. We will make an announcement if the Over-allotment Option is exercised.

The International Offering is subject to the Hong Kong Public Offering becoming unconditional.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into the Central Clearing and Settlement System, or CCASS, established and operated by HKSCC.

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, January 15, 2014, it is expected that dealings in our H Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Wednesday, January 15, 2014.

Our H Shares will be traded in board lots of 2,000 H Shares each.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Public Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

You may make an application for Hong Kong Public Offer Shares by the following channels:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** Service Provider at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors or those who have obtained approval from competent regulatory authorities).

If you apply online through the **White Form eIPO** Service Provider, in addition to the above, you must also: (i) have a valid Hong Kong identity card number; and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator (or its agents or nominees) may accept it at its discretion and on any conditions it thinks fit, including evidence of the authority of the attorney.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** Service Provider for the Hong Kong Public Offer Shares.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of our subsidiaries;
- a Director, Supervisor or chief executive officer of our Company and/or any of our subsidiaries;
- an associate of any of the above;
- a connected person of our Company or a person who will become a connected person of our Company immediately upon completion of the Global Offering; or
- a person who have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG PUBLIC OFFER SHARES

(a) Which Application Channel to Use

For Hong Kong Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk.

For Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

(b) Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, December 31, 2013 until 12:00 noon on Wednesday, January 8, 2014 from:

- (i) the following office of the Hong Kong Underwriters:

BOCOM International Securities Limited	9th Floor, Man Yee Building, 68 Des Voeux Road Central, Hong Kong
Convoy Investment Services Limited	G/F & 1/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong
Quam Securities Company Limited	18/F-19/F, Aon China Building, 29 Queen's Road Central, Hong Kong

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

(ii) any of the branches of the following receiving bank:

Bank of Communications Co., Ltd. Hong Kong Branch

	<u>Branch Name</u>	<u>Branch Address</u>
Hong Kong Island	Hong Kong Branch	20 Pedder Street, Central
	Hennessy Road Sub-Branch	G/F., Bank of Communications Building, 368 Hennessy Road
Kowloon	Mongkok Sub-Branch	Shops A & B, G/F., Hua Chiao Commercial Centre, 678 Nathan Road
	Wong Tai Sin Sub-Branch	Shops 127-129, 1/F., Lung Cheung Plaza, 136 Lung Cheung Road, Wong Tai Sin
New Territories	Tsuen Wan Sub-Branch	G/F., Shop G9B-G11, Pacific Commercial Plaza, Bo Shek Mansion, 328 Sha Tsui Road, Tsuen Wan
	Tai Po Sub-Branch	Shop No.1, G/F., Wing Fai Plaza, 29-35 Ting Kok Road, Tai Po

You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on Tuesday, December 31, 2013 until 12:00 noon on Wednesday, January 8, 2014 from the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

(c) Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of Communications (Nominee) Co. Ltd. – Nanjing Sinolife United Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Tuesday, December 31, 2013	: 9:00 a.m. to 5:00 p.m.
Thursday, January 2, 2014	: 9:00 a.m. to 5:00 p.m.
Friday, January 3, 2014	: 9:00 a.m. to 5:00 p.m.
Saturday, January 4, 2014	: 9:00 a.m. to 1:00 p.m.
Monday, January 6, 2014	: 9:00 a.m. to 5:00 p.m.
Tuesday, January 7, 2014	: 9:00 a.m. to 5:00 p.m.
Wednesday, January 8, 2014	: 9:00 a.m. to 12:00 noon

The application lists will be open from **11:45 a.m.** to **12:00 noon** on Wednesday, January 8, 2014, the last application day or such later time as described in the section headed "10. Effect of Bad Weather on the Opening of the Application Lists" below.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** Service Provider, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- (vi) agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to our Company, our H Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorize our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and our Company and/or our agents to send any H Share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the H Share certificate(s) and/or refund cheque(s) in person;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for **YELLOW** Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE PROVIDER

(a) General

Individuals who meet the criteria in the section headed “2. Who can apply” above may apply through the **White Form eIPO** Service Provider for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** Service Provider are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** Service Provider.

(b) Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from **9:00 a.m.** on Tuesday, December 31, 2013 until **11:30 a.m.** on Wednesday, January 8, 2014, and the

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

latest time for completing full payment of application monies in respect of such applications will be **12:00 noon** on Wednesday, January 8, 2014, or such later time under the section headed “10. Effect of Bad Weather on the Opening of the Application Lists” below.

(c) No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** Service Provider to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** Service Provider or by any other means, all of your applications are liable to be rejected.

(d) Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

(e) Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “Nanjing Sinolife United Company Limited” **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Source of DongJiang – Hong Kong Forest” project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

(a) General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System at <https://ip.ccass.com> (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2/F Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect this prospectus from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our H Share Registrar.

(b) Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant’s stock account on your behalf or your CCASS Investor Participant’s stock account;
 - agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send H Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our H Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriters and/or its respective advisors and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that we will not offer any Hong Kong Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Public Offer Shares;
- agree with our Company, for ourselves and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for ourselves and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

(c) Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

(d) Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of number of 2,000 Hong Kong Public Offer Shares. Instructions for more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

(e) Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, December 31, 2013	: 9:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, January 2, 2014	: 8:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, January 3, 2014	: 8:00 a.m. to 8:30 p.m.⁽¹⁾
Saturday, January 4, 2014	: 8:00 a.m. to 1:00 p.m.⁽¹⁾
Monday, January 6, 2014	: 8:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, January 7, 2014	: 8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, January 8, 2014	: 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, December 31, 2013 until 12:00 noon on Wednesday, January 8, 2014 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, January 8, 2014, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” below.

(f) No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

(g) Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

(h) Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, our H Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares through the **White Form eIPO** Service Provider is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Bookrunner, the Sole Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** Service Provider will be allotted any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, January 8, 2014.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** Service Provider, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

The term “unlisted company” means a company with no equity securities listed on the Hong Kong Stock Exchange, and the term “statutory control” means you (i) control the composition of the board of directors of the company; (ii) control more than half of the voting power of the company; or (iii) hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Hong Kong Public Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for the Hong Kong Public Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** Service Provider in respect of a minimum of 2,000 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering – Pricing and Allocation – Price payable on application”.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, January 8, 2014. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, January 8, 2014 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares on Tuesday, January 14, 2014 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on our Company’s website at www.zs-united.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.zs-united.com and the Hong Kong Stock Exchange’s website at www.hkexnews.hk by no later than 8:00 a.m. on Tuesday, January 14, 2014;
- from the designated results of allocations website of our H Share Registrar at www.iporesults.com.hk with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Tuesday, January 14, 2014 to 12:00 midnight on Monday, January 20, 2014;
- by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Tuesday, January 14, 2014 to Friday, January 17, 2014;
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, January 14, 2014 to Thursday, January 16, 2014 at all the receiving bank branches and sub-branches.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

If our Company accepts your offer to purchase (in whole or in part), which it may do so by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering” of this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG PUBLIC OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

(ii) If our Company or our agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Public Offer Shares is void:

The allotment of Hong Kong Public Offer Shares will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks from the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** Service Provider are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believes that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$2.00 per H Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure of the Global Offering – Conditions of the Hong Kong Public Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, January 14, 2014.

14. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- H Share certificate(s) for all the Hong Kong Public Offer Shares allotted to you (for **YELLOW** Application Forms, H Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per H Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Subject to arrangement on despatch/collection of H Share certificates and refund monies as mentioned below, any refund cheques and H Share certificates are expected to be posted on or around Tuesday, January 14, 2014. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

H Share certificates will only become valid at 8:00 a.m. on Wednesday, January 15, 2014 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or H Share certificate(s) from our H Share Registrar at Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, January 14, 2014 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to our H Share Registrar.

If you do not collect your refund cheque(s) and/or H Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) and/or H Share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, January 14, 2014, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, January 14, 2014, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, January 14, 2014, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, January 14, 2014 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO Service Provider

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and your application is wholly or partially successful, you may collect your H Share certificate(s) from our H Share Registrar at Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, January 14, 2014, or such other date as notified by our Company in the newspapers as the date of despatch/collection of H Share certificates, e-Refund payment instructions or refund cheques.

If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Tuesday, January 14, 2014 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

(iv) If you apply via Electronic Application Instructions to HKSCC

(a) Allocation of Hong Kong Public Offer Shares

For the purposes of allocating Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

(b) Deposit of H Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, January 14, 2014, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Tuesday, January 14, 2014. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, January 14, 2014 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, January 14, 2014. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, January 14, 2014.

15. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



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Fax: +852 2815 2239
www.bdo.com.hk

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111 Connaught Road Central
Hong Kong

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傳真 : +852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

31 December 2013

The Directors

Nanjing Sinolife United Company Limited

BOCOM International (Asia) Limited

Dear Sirs,

We set out below our report on the financial information of 南京中生聯合股份有限公司 (Nanjing Sinolife United Company Limited*) (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) which comprises the consolidated statements of financial position of the Group and statements of financial position of the Company, as at 31 December 2010, 2011 and 2012 and 30 June 2013, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 (the “Relevant Periods”) and a summary of significant accounting policies and other explanatory notes (the “Financial Information”), together with the comparative financial information of the Group including the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2012 (the “Comparative Financial Information”), prepared on the basis set out in Note 3 of Section II below, for inclusion in the prospectus of the Company dated 31 December 2013 (the “Prospectus”) in connection with the listing of the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was established as a stock company under the name of 南京中科生物研究所 (Nanjing Sinolife United Bio-Tech Research Institute*) in the People's Republic of China (the “PRC”) on 24 May 1999 under the Company Law of the PRC. On 13 May 2005, the Company changed to a limited liability company and was renamed as 南京中科生物研究所有限公司. On 26 October 2012, the Company was transformed into a joint stock limited liability company and changed its name to 南京中生聯合生物科技股份有限公司. On 25 November 2013, the Company was renamed as 南京中生聯合股份有限公司.

* for identification purposes only

As at date of this report, the particulars of the Company's subsidiaries, all of which are companies with limited liability, are as follows:

Name	Place and date of incorporation/ establishment and type of legal entity	Place of operations	Issued and fully paid share capital/ registered capital	Attributable equity interest directly held	Principal activities
南京中生生物科技有限公司 (Nanjing Zhongsheng Bio-Tech Co. Limited*)	The PRC/ 17 June 2003/ Limited liability company	PRC	Registered and fully paid up capital RMB20,000,000	100%	Manufacture, processing and sale of health food products
蘇州中生健康生物製品有限公司 (Suzhou Zhongsheng Health & Biological Products Co. Limited*)	The PRC/ 26 March 2008/ Limited liability company	PRC	Registered and fully paid up capital RMB600,000	100%	Retailing of health food products
杭州中研生物製品有限公司 (Hangzhou Zhongyan Biological Products Co. Limited*)	The PRC/ 2 April 2008/ Limited liability company	PRC	Registered and fully paid up capital RMB600,000	100%	Retailing of health food products
北京中生美好健康科技有限公司 (Beijing Zhongsheng Wonderful Health Technology Co. Limited*)	The PRC/ 9 April 2008/ Limited liability company	PRC	Registered and fully paid up capital RMB600,000	100%	Retailing of health food products
無錫中研健康品有限公司 (Wuxi Zhongyan Health Products Co. Limited*)	The PRC/ 10 April 2008/ Limited liability company	PRC	Registered and fully paid up capital RMB600,000	100%	Retailing of health food products
常州中生美好生物製品有限公司 (Changzhou Zhongsheng Wonderful Bio-Health Products Co. Limited*)	The PRC/ 22 April 2008/ Limited liability company	PRC	Registered and fully paid up capital RMB600,000	100%	Retailing of health food products
濟南中生華商生物製品有限公司 (Jinan Zhongsheng Chinese Commerce Biological Products Co. Limited*)	The PRC/ 30 April 2008/ Limited liability company	PRC	Registered and fully paid up capital RMB600,000	100%	Retailing of health food products
廣州中院生物科技有限公司 (Guangzhou Zhongyuan Bio-Tech Co. Limited*)	The PRC/ 27 June 2008/ Limited liability company	PRC	Registered and fully paid up capital RMB600,000	100%	Retailing of health food products
Australia Cobayer Health Food Co Pty Ltd.	Australia/ 2 March 2009/ Limited liability company	Australia	Fully paid up share capital AUD2,000	100%	Trading of food products

Name	Place and date of incorporation/ establishment and type of legal entity	Place of operations	Issued and fully paid share capital/ registered capital	Attributable equity interest directly held	Principal activities
深圳市中生華商生物科技股份有限公司 (Shenzhen Zhongsheng Chinese Commerce Bio-Tech Co. Limited*)	The PRC/ 23 April 2009/ Limited liability company	PRC	Registered and fully paid up capital RMB600,000	100%	Retailing of health food products
成都中生華美生物科技股份有限公司 (Chengdu Zhongsheng Hua Mei Bio-Tech Co. Limited*)	The PRC/ 6 April 2011/ Limited liability company	PRC	Registered and fully paid up capital RMB500,000	100%	Retailing of health food products
鎮江中康健健康科技有限公司 (Zhenjiang Zhongsheng Health Bio-Tech Co. Limited*)	The PRC/ 28 April 2011/ Limited liability company	PRC	Registered and fully paid up capital RMB100,000	100%	Retailing of health food products
武漢中生華商生物科技股份有限公司 (Wuhan Zhongsheng Chinese Commerce Biological Technology Co. Limited*)	The PRC/ 23 May 2011/ Limited liability company	PRC	Registered and fully paid up capital RMB100,000	100%	Retailing of health food products
青島中康健生物製品有限公司 (Qingdao Zhongsheng Biological Products Co. Limited*)	The PRC/ 24 June 2011/ Limited liability company	PRC	Registered and fully paid up capital RMB100,000	100%	Retailing of health food products
南京德澳國際貿易有限公司 (Nanjing Deao International Trade Co. Limited*)	The PRC/ 15 July 2011/ Limited liability company	PRC	Registered and fully paid up capital RMB1,000,000	100%	Importing of food products
上海康赫生物科技股份有限公司 (Shanghai Kanghe Bio-Tech Co. Limited*)	The PRC/ 18 November 2013/ Limited liability company	PRC	Registered and fully paid up capital RMB100,000	100%	Retailing of health food products

All of the above subsidiaries and the Company adopt 31 December as the financial year end date.

* for identification purposes only

The statutory or audited financial statements of the Company's subsidiaries established in the PRC and Australia were prepared in accordance with the relevant accounting policies and financial regulations in the local jurisdiction and were audited by the respective certified public accountants. Details of these statutory or audited financial statements are as follows:

Name of subsidiary	Financial periods	Auditor
Nanjing Zhongsheng Bio-Tech Co. Limited*	31 December 2010, 2011, and 2012	南京中正同仁會計師事務所有限公司 (Nanjing Zhongzheng Tongren Certified Public Accountants*)
Beijing Zhongsheng Wonderful Health Technology Co. Limited*	31 December 2011 and 2012	北京東審鼎立國際會計師事務所有限責任公司 (Beijing Dongshen Dingli International Certified Public Accountants*)
Suzhou Zhongsheng Health & Biological Products Co. Limited*	31 December 2010, 2011, and 2012	蘇州市嘉泰聯合會計師事務所 (Justice United Certified Public Accountants*)
Hangzhou Zhongyan Biological Products Co. Limited*	31 December 2011 and 2012	杭州正瑞會計師事務所 (Hangzhou Zhengrui Certified Public Accountants*)
Changzhou Zhongsheng Wonderful Bio-Health Products Co. Limited*	31 December 2011 and 2012	常州中正會計師事務所有限公司 (Changzhou Zhongzheng Certified Public Accountants Co. Ltd*)
Wuxi Zhongyan Health Products Co. Limited*	31 December 2011 and 2012	無錫大方會計師事務所(普通合夥) (Wuxi Dafang Certified Public Accountants*)
Guangzhou Zhongyuan Bio-Tech Co. Limited*	31 December 2010	廣州粵科會計師事務所(普通合夥) (Guangzhou Yueke Certified Public Accountants*)
	31 December 2011	廣州正和會計師事務所(有限合夥) (Guangzhou Zhenghe Certified Public Accountants*)
	31 December 2012	廣州名博會計師事務所有限公司 (Guangzhou Mingbo Certified Public Accountants Co., Ltd.*)
Jinan Zhongsheng Chinese Commerce Biological Products Co. Limited*	31 December 2011 and 2012	山東今日會計師事務所 (Shandong Jinri Certified Public Accountants*)
Shenzhen Zhongsheng Chinese Commerce Bio-Tech Co. Limited*	31 December 2011 and 2012	中聯會計師事務所有限公司深圳分所 (Zhonglian Certified Public Accountants – Shenzhen Branch*)
Chengdu Zhongsheng Hua Mei Bio-Tech Co. Limited*	31 December 2011 and 2012	成都銘春會計師事務所有限公司 (Chengdu Mingchun Certified Public Accountants*)
Wuhan Zhongsheng Chinese Commerce Biological Technology Co. Limited*	31 December 2011 and 2012	湖北長江會計師事務所有限公司 (Hubei Changjiang Certified Public Accountants Co., Ltd.*)
Qingdao Zhongsheng Biological Products Co. Limited*	31 December 2011 and 2012	山東天健正信會計師事務所有限公司 (Shandong Tianjianzhengxin Certified Public Accountants*)
Zhenjiang Zhongsheng Health Bio-Tech Co. Limited*	31 December 2012	鎮江同泰會計師事務所有限公司 (Zhenjiang Tongtai Certified Public Accountants Office Co. Ltd.*)
Nanjing Deao International Trade Co. Limited*	31 December 2011 and 2012	江蘇中正同仁會計師事務所 (Jiangsu Zhongzheng Tongren Certified Public Accountants*)
Australia Cobayer Health Food Co Pty Ltd. (Note)	31 December 2010, 2011, and 2012	Raymond Yi Kuen Lee Registered Company Auditor

Note: Australia Cobayer Health Food Co Pty Ltd. was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods (the “Underlying Financial Statements”), in accordance with the basis of preparation in Note 3 of Section II below and the accounting policies set out in Note 4 of Section II below which conform with Hong Kong Financial Reporting Standards (“HKFRSs”), issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements with no adjustment made thereon and in accordance with the basis of preparation set out in Note 3 of Section II below.

The directors of the Company are responsible for the contents of the Prospectus including the preparation and true and fair presentation of the Financial Information in accordance with the basis of preparation set out in Note 3 of Section II below, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an opinion on the Financial Information based on our procedures and to report our opinion to you.

For the purpose of this report, we have carried out audit procedures in respect of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Financial Information of the Group and carried out appropriate procedures as we considered necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

For the purpose of this report, we have also reviewed the Comparative Financial Information, which has been prepared in accordance with the basis of preparation set out in Note 3 of Section II below and the accounting policies set out in Note 4 of Section II below, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. The directors are responsible for the preparation and presentation of the Comparative Financial Information in accordance with basis of preparation set out in Note 3 of Section II below and the accounting policies set out in Note 4 of Section II below, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Our responsibility is to express a conclusion on the Comparative Financial Information based on our review. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures to the Comparative Financial Information. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Comparative Financial Information.

Opinion in respect of the Financial Information

In our opinion, the Financial Information, for the purpose of this report, prepared on the basis set out in Note 3 of Section II below and in accordance with the accounting policies set out in Note 4 of Section II below, gives a true and fair view of the state of affairs of the Group and the Company as at 31 December 2010, 2011 and 2012 and 30 June 2013 and of the results and cash flows of the Group for the Relevant Periods then ended.

Review conclusion in respect of the Comparative Financial Information

Based on our review, nothing has come to our attention that causes us to believe that the Comparative Financial Information, for the purpose of this report, is not prepared, in all material respects, in accordance with same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

(A) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December			Six months ended 30 June	
		2010	2011	2012	2012	2013
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					(unaudited)	
Turnover	7	66,850	103,244	150,372	64,819	85,965
Cost of sales		(13,588)	(20,080)	(20,276)	(9,881)	(11,264)
Gross profit		53,262	83,164	130,096	54,938	74,701
Other revenue and other gains and losses	8	679	337	1,484	436	581
Selling and distribution expenses		(18,732)	(20,339)	(34,047)	(11,626)	(22,216)
Administrative expenses		(14,214)	(15,955)	(20,621)	(9,315)	(12,788)
Profit before income tax	9	20,995	47,207	76,912	34,433	40,278
Income tax expense	10	(5,207)	(12,393)	(19,675)	(8,265)	(10,578)
Profit for the year/period attributable to owners of the Company		15,788	34,814	57,237	26,168	29,700
Other comprehensive income that may be reclassified to profit or loss in subsequent periods, after tax						
Exchange differences on translation of foreign operations		75	(108)	(11)	–	(412)
Total comprehensive income for the year/period attributable to owners of the Company		15,863	34,706	57,226	26,168	29,288
Earnings per share attributable to owners of the Company						
– Basic and diluted	13	0.29	0.63	1.04	0.48	0.53

(B) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December			As at 30 June
		2010	2011	2012	2013
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets					
Property, plant and equipment	15	19,957	18,072	18,476	23,146
Prepaid land lease payments	16	4,467	4,366	4,266	4,215
Intangible assets	17	228	163	98	65
Deposit for acquisition of property, plant and equipment		–	–	3,795	–
Deferred tax assets	19	385	1,737	1,569	1,068
		<u>25,037</u>	<u>24,338</u>	<u>28,204</u>	<u>28,494</u>
Current assets					
Inventories	20	5,438	10,944	13,684	9,962
Prepaid land lease payments		101	101	101	101
Trade and other receivables	21	3,446	5,989	3,731	4,188
Amounts due from directors	28(iv)	256	271	691	–
Amounts due from related parties	28(i)	423	478	–	–
Short term investments	22	–	9,000	–	22,000
Cash and bank balances	23	36,306	62,775	93,220	128,383
		<u>45,970</u>	<u>89,558</u>	<u>111,427</u>	<u>164,634</u>
Current liabilities					
Trade and other payables	24	4,410	8,614	10,037	10,021
Amount due to a director	28(iii)	2,741	2,957	3,983	3,303
Amounts due to related parties	28(i)	–	266	–	–
Income tax payables		3,369	6,866	6,098	7,003
		<u>10,520</u>	<u>18,703</u>	<u>20,118</u>	<u>20,327</u>
Net current assets		<u>35,450</u>	<u>70,855</u>	<u>91,309</u>	<u>144,307</u>
Net assets		<u>60,487</u>	<u>95,193</u>	<u>119,513</u>	<u>172,801</u>
Capital and reserves attributable to owners of the Company					
Share capital	25	26,000	26,000	55,000	61,111
Reserves	26	34,487	69,193	64,513	111,690
Total equity		<u>60,487</u>	<u>95,193</u>	<u>119,513</u>	<u>172,801</u>

(C) STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December			As at 30 June
		2010	2011	2012	2013
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets					
Property, plant and equipment	15	12,988	12,060	12,025	12,165
Deposit for acquisition of investment property		–	–	3,795	–
Investment property	18	–	–	–	3,704
Interests in subsidiaries	27	24,800	25,600	31,540	31,540
		<u>37,788</u>	<u>37,660</u>	<u>47,360</u>	<u>47,409</u>
Current assets					
Inventories	20	4,731	10,956	15,763	9,194
Trade and other receivables	21	752	236	312	833
Amounts due from directors	28(iv)	668	793	691	–
Amounts due from related parties	28(i)	52	156	–	–
Amounts due from subsidiaries	28(ii)	129	974	99	885
Short term investments	22	–	–	–	15,000
Cash and bank balances	23	16,139	27,571	37,847	80,857
		<u>22,471</u>	<u>40,686</u>	<u>54,712</u>	<u>106,769</u>
Current liabilities					
Trade and other payables	24	2,071	2,664	3,478	4,817
Amount due to a director	28(iii)	–	–	161	–
Amounts due to related parties	28(i)	–	266	–	–
Amounts due to subsidiaries	28(ii)	3,107	1,405	7,604	1,730
Income tax payables		1,746	2,636	2,654	2,733
		<u>6,924</u>	<u>6,971</u>	<u>13,897</u>	<u>9,280</u>
Net current assets		<u>15,547</u>	<u>33,715</u>	<u>40,815</u>	<u>97,489</u>
Net assets		<u>53,335</u>	<u>71,375</u>	<u>88,175</u>	<u>144,898</u>
Capital and reserves					
Share capital	25	26,000	26,000	55,000	61,111
Reserves	26	27,335	45,375	33,175	83,787
Total equity		<u>53,335</u>	<u>71,375</u>	<u>88,175</u>	<u>144,898</u>

(D) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Capital reserve*	Translation reserve*	Surplus reserve*	Merger reserve*	Retained profits*	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2010	26,000	–	79	2,144	2,009	22,172	52,404
Dividend declared and paid	–	–	–	–	–	(6,000)	(6,000)
Deemed distribution to controlling shareholders (<i>Note 26(v)(a)</i>)	–	–	–	–	(1,780)	–	(1,780)
Transaction with owners	–	–	–	–	(1,780)	(6,000)	(7,780)
Profit for the year	–	–	–	–	–	15,788	15,788
Exchange difference on translation of foreign operations	–	–	75	–	–	–	75
Total comprehensive income	–	–	75	–	–	15,788	15,863
Transfer to surplus reserve	–	–	–	1,146	–	(1,146)	–
At 31 December 2010 and 1 January 2011	26,000	–	154	3,290	229	30,814	60,487
Profit for the year	–	–	–	–	–	34,814	34,814
Exchange difference on translation of foreign operations	–	–	(108)	–	–	–	(108)
Total comprehensive income	–	–	(108)	–	–	34,814	34,706
Transfer to surplus reserve	–	–	–	1,797	–	(1,797)	–
At 31 December 2011 and 1 January 2012	26,000	–	46	5,087	229	63,831	95,193
Issue of share capital	1,000	5,194	–	–	–	–	6,194
Deemed distribution to a controlling shareholder (<i>Note 26(v)(b)</i>)	–	–	–	–	(4,100)	–	(4,100)
Capitalisation of shares	28,000	(2,791)	–	(5,087)	–	(20,122)	–
Dividend declared and paid	–	–	–	–	–	(35,000)	(35,000)
Transaction with owners	28,000	(2,791)	–	(5,087)	(4,100)	(55,122)	(39,100)
Profit for the year	–	–	–	–	–	57,237	57,237
Exchange difference on translation of foreign operations	–	–	(11)	–	–	–	(11)
Total comprehensive income	–	–	(11)	–	–	57,237	57,226
Transfer to surplus reserve	–	–	–	2,927	–	(2,927)	–
At 31 December 2012	55,000	2,403	35	2,927	(3,871)	63,019	119,513

APPENDIX I

ACCOUNTANTS' REPORT

	Share capital	Capital reserve*	Translation reserve*	Surplus reserve*	Merger reserve*	Retained profits*	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2013	55,000	2,403	35	2,927	(3,871)	63,019	119,513
Issue of share capital	6,111	43,889	–	–	–	–	50,000
Dividend declared and paid	–	–	–	–	–	(26,000)	(26,000)
Transaction with owners	–	–	–	–	–	(26,000)	(26,000)
Profit for the period	–	–	–	–	–	29,700	29,700
Exchange difference on translation of foreign operations	–	–	(412)	–	–	–	(412)
Total comprehensive income	–	–	(412)	–	–	29,700	29,288
At 30 June 2013	<u>61,111</u>	<u>46,292</u>	<u>(377)</u>	<u>2,927</u>	<u>(3,871)</u>	<u>66,719</u>	<u>172,801</u>
Unaudited:							
At 1 January 2012	26,000	–	46	5,087	229	63,831	95,193
Dividend declared	–	–	–	–	–	(15,000)	(15,000)
Transaction with owners	–	–	–	–	–	(15,000)	(15,000)
Profit for the period	–	–	–	–	–	26,168	26,168
Exchange difference on translation of foreign operations	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	26,168	26,168
At 30 June 2012	<u>26,000</u>	<u>–</u>	<u>46</u>	<u>5,087</u>	<u>229</u>	<u>74,999</u>	<u>106,361</u>

* These reserve accounts comprise the consolidated reserves in the consolidated statements of financial position.

(E) CONSOLIDATED STATEMENTS OF CASH FLOWS

Notes	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Operating activities					
Profit before income tax	20,995	47,207	76,912	34,433	40,278
Adjustment for:					
Depreciation	2,203	2,091	1,982	1,001	1,389
Amortisation of prepaid land lease payments	101	101	100	50	51
Amortisation of intangible assets	65	65	65	33	33
Waiver of long outstanding trade and other payables	(74)	(62)	(49)	–	–
Loss on disposal of property, plant and equipment	158	6	–	–	3
Excess written off to profit or loss arising from the acquisition of business	29	–	20	–	–
Other receivables written off	–	111	–	–	–
Short term investment income	–	–	(318)	(144)	(242)
Interest income	(405)	(381)	(985)	(219)	(180)
Operating profit before working capital changes	23,043	49,138	77,727	35,154	41,332
Inventories	39	(5,506)	(2,740)	(4,385)	3,723
Trade and other receivables	(540)	(2,751)	2,934	689	(585)
Trade and other payables	(845)	4,398	1,446	8,263	99
Amounts due from related parties	(229)	(55)	(647)	1,124	–
Amounts due to related parties	(228)	266	(266)	372	–
Cash generated from operations	21,240	45,490	78,454	41,217	44,569
Income tax paid	(3,893)	(10,309)	(20,531)	(10,159)	(9,173)
Net cash generated from operating activities	17,347	35,181	57,923	31,058	35,396
Investing activities					
Payments to acquire property, plant and equipment	(550)	(246)	(2,390)	(1,271)	(2,364)
Deposits to acquire property, plant and equipment	–	–	(3,795)	–	–
Proceeds from disposal of property, plant and equipment	21	30	–	–	5
Purchase of a subsidiary, net of cash and bank balances acquired	29	–	552	–	–
(Purchase of)/redemption of short term investments	–	(9,000)	9,000	9,000	(22,000)
Short term investment income received	–	–	318	144	242
Interest received	405	381	985	219	180
Net cash (used in)/generated from investing activities	(124)	(8,835)	4,670	8,092	(23,937)
Financing activities					
Proceeds from issue of shares	–	–	6,194	–	50,000
Net (repayment)/advances from directors	(5,056)	340	599	148	486
Deemed distribution to controlling shareholders	(1,780)	–	(4,100)	–	–
Dividend paid to owners of the Company	(6,000)	–	(35,000)	(2,400)	(26,000)
Net cash (used in)/generated from financing activities	(12,836)	340	(32,307)	(2,252)	24,486
Net increase in cash and bank balances	4,387	26,686	30,286	36,898	35,945
Cash and bank balances at beginning of year/period	31,638	36,306	62,775	62,775	93,220
Effect of exchange rate changes on cash and bank balances	281	(217)	159	43	(782)
Cash and bank balances at end of year/period	23	36,306	62,775	99,716	128,383

II. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Nanjing Sinolife United Company Limited (the “Company”) was established as a limited company under the name of 南京中科生物研究所 (Nanjing Sinolife United Bio-Tech Research Institute*) in the People’s Republic of China (the “PRC”) on 24 May 1999 under the Company Law of the PRC. On 13 May 2005, the Company changed to a limited liability company and was renamed as 南京中科生物研究所有限公司. On 26 October 2012, the Company was transformed into a joint stock limited liability company and changed its name to 南京中生聯合生物科技股份有限公司. On 25 November 2013, the Company was renamed as 南京中生聯合股份有限公司. The address of its registered office is 30/F, Deji Building, 188 Chang Jiang Road, Xuanwu District, Nanjing, Jiangsu Province, PRC.

The Company and its subsidiaries (referred to as the “Group”) are engaged in the manufacture and sale of nutritional supplements and health food products in the mainland China.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted all of new and revised standards, amendments and interpretation (hereinafter collectively referred to as “HKFRSs”) issued by the HKICPA, which are effective for the accounting periods beginning on or after 1 January 2013 in the preparation of Financial Information throughout the Relevant Periods.

The HKICPA has also issued the following new and revised HKFRSs that are not yet effective, potentially relevant to the Group but have not been early adopted in the preparation of the Financial Information.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities ¹
Amendments to HKFRS 7 and HKFRS 9	Financial Instruments – Mandatory Effective Date and Transition Disclosures ²
HKFRS 9	Financial Instruments ²
Amendments to HKAS 36	Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets ¹
Amendments to HKAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities ¹

Notes:

¹ Effective for annual periods beginning on or after 1 January 2014.

² Effective for annual periods beginning on or after 1 January 2015.

The Group is in the process of making an assessment of the potential impact of the new/revised HKFRSs and the directors so far concluded that the application of the new/revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. BASIS OF PREPARATION

(a) Statement of compliance

The Financial Information has been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The Financial Information has been prepared under the historical cost.

(c) Functional and presentation currency

The Financial Information is presented in Renminbi (“RMB”), which is the same as the functional currency of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

(i) *Merger accounting for common control combination*

The Financial Information incorporates the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of comprehensive income include the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

(ii) *Acquisition method of accounting for non-common control combination*

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

The results of subsidiaries acquired or disposed of are included in the consolidated statements of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's statements of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Buildings	20 years
Leasehold improvements	Over shorter of 5 years and the remaining lease terms
Plant and machinery	5 to 10 years
Office equipment	3 to 5 years
Motor vehicles	4 to 5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(d) Investment property

Investment property is a property held either to earn rentals or for capital appreciation or for both, or held for undetermined future use, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Depreciation is charged so as to write off the cost of investment property net of expected residual value over the estimated useful life using straight-line method. The useful life, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

(e) Intangible assets**(i) Acquired intangible assets**

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation on registered licenses is provided on a straight-line basis over their useful lives of 10 years. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in administrative expenses.

(ii) Impairment

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired (Note 4(m)).

(f) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

As lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

As lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

(g) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs to completion and estimated costs necessary to make the sale.

(h) Financial instruments**(i) Financial assets**

The Group has one category of financial assets being loans and receivables.

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset.

Loans and receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtors' financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iii) Financial liabilities

The Group has one category of financial liabilities being financial liabilities at amortised cost. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost including trade and other payables, amounts due to related parties and a director are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(i) Revenue recognition

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

(j) Income taxes

Income taxes for the Relevant Periods comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items directly recognised in other comprehensive income in which case the taxes are also directly recognised in other comprehensive income.

(k) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which case, the exchange differences are also recognised directly in other comprehensive income.

On preparing the Financial Information, the results of foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising on the translation are recognised directly in other comprehensive income and accumulated as translation reserve within equity. Exchange differences recognised in profit or loss of group entities’ separate financial statements on the translation of long-term monetary items forming part of the Group’s net investment in the foreign operation concerned are reclassified to the translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

(l) Employee benefits

(i) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(ii) Pension obligations

For employees in the People’s Republic of China (the “PRC”), the Group contributes to a state-sponsored retirement plans. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are/are not reduced by contributions forfeited by those employees who leave the plan prior to vesting fully in the contributions.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(m) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- investment property; and
- intangible assets with finite useful lives.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately.

(n) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key sources of estimation uncertainty are discussed below.

(i) Impairment of property, plant and equipment

The Group tests annually whether property, plant and equipment have suffered any impairment. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

(ii) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives, and related depreciation charges for its property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. Management will increase the depreciation and amortisation charges where useful lives are less than previously estimated lives. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore affect the depreciation charges in future periods.

(iii) Provision for obsolete inventories

The management estimates the net realisable value of inventories based primarily on the latest market prices and current market conditions. The Group carries out an inventory review at the end of each period and makes allowance on obsolete and slow moving items to write off or write down inventories to their net realisable values. Where the expectation on the net realisable value is lower than the cost, an impairment may arise.

(iv) Impairment of trade receivables

Recoverability of the trade receivables are reviewed by management based on the receivables' aging characteristics, and the current creditworthiness and past collection history of each customer. Judgment is required in assessing the ultimate realisation of these receivables, and the financial conditions of the debtors may undergo adverse changes since the last management evaluation. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required in future accounting periods.

(v) Income taxes and deferred tax

The Group is subject to income taxes in Mainland China and Australian jurisdictions. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of businesses. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when our management determines it is likely that future taxable profits will be available against the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates are changed.

6. SEGMENT REPORTING**a. Reportable segments**

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The Group principally operates in one business segment, which is the manufacture and sale of nutritional supplements and sale of packaged health food products in the mainland China.

b. Geographical information

Most of the group companies are domiciled in the PRC and majority of the non-current assets are located in the PRC. All the Group's revenue from external customers are derived in the PRC.

c. Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Nutritional supplements developed and manufactured in China	48,410	61,332	95,744	38,547	36,635
Australian or New Zealand made food and nutritional supplements	16,922	40,837	53,129	25,631	48,510
Others	1,518	1,075	1,499	641	820
	<u>66,850</u>	<u>103,244</u>	<u>150,372</u>	<u>64,819</u>	<u>85,965</u>

d. Information about major customers

No revenue from transactions with single external customer is amounted to 10% or more of the Group's revenue in each of the reporting periods over the Relevant Periods.

7. TURNOVER

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, net of value-added tax, during the Relevant Periods.

8. OTHER REVENUE AND OTHER GAINS AND LOSSES

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Bank interest income	405	381	985	219	180
Short term investment income	—	—	318	144	242
Net exchange (loss)/gain	(152)	(234)	111	68	126
Waiver of long outstanding trade and other payables	74	62	49	—	—
Government grant	510	—	—	—	—
Loss on disposal of property, plant and equipment	(158)	(6)	—	—	(3)
Compensation income	—	130	—	—	34
Others	—	4	21	5	2
	<u>679</u>	<u>337</u>	<u>1,484</u>	<u>436</u>	<u>581</u>

9. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Cost of inventories sold	12,656	18,450	17,840	8,903	9,643
Staff costs (<i>Note 11</i>)	12,965	15,940	28,392	10,719	17,820
Amortisation of prepaid land lease payments	101	101	100	50	51
Amortisation of intangible assets	65	65	65	33	33
Auditor's remuneration	33	282	329	5	47
Depreciation of property, plant and equipment	2,203	2,091	1,982	1,001	1,389
Other receivables written off	–	111	–	–	–
Operating lease payments on properties	2,754	2,530	4,025	1,915	2,884
Research and development expenses	354	224	219	89	383
Listing expenses	–	–	–	–	2,038
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

10. INCOME TAX EXPENSE

a. The amounts of taxation in the consolidated statements of comprehensive income represent:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Current tax – PRC Enterprise Income Tax					
– Provision for the year/period	5,088	12,758	19,319	7,878	10,077
– Under provision in respect of prior year	16	–	–	–	–
Current tax – Australia Income Tax					
– Provision for the year/period	40	987	188	333	–
	<u>5,144</u>	<u>13,745</u>	<u>19,507</u>	<u>8,211</u>	<u>10,077</u>
Deferred tax – origination and reversal of temporary differences	63	(1,352)	168	54	501
Income tax expense	<u>5,207</u>	<u>12,393</u>	<u>19,675</u>	<u>8,265</u>	<u>10,578</u>

Provision for PRC Enterprise Income Tax is based on a statutory rate of 25% of the assessable profits of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC for the Relevant Periods.

Provision for Australian Income Tax is calculated at 30% of the assessable profits of the subsidiary in Australia for the Relevant Periods.

- b. The income tax expense for the Relevant Periods can be reconciled to the profit per the consolidated statements of comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Profit before income tax	20,995	47,207	76,912	34,433	40,278
Tax on profit before income tax, calculated at PRC Enterprise Income Tax rate	5,249	11,802	19,228	8,608	10,069
Effect of different tax rates of subsidiaries operating in other jurisdictions	6	19	96	79	(10)
Tax effect of expenses not deductible for tax purposes	556	299	802	106	153
Tax effect of deductible temporary differences not recognised	(581)	21	(4)	–	(149)
Under provision in prior year	16	–	–	–	–
Others	(39)	252	(447)	(528)	515
Income tax expense	5,207	12,393	19,675	8,265	10,578

11. STAFF COSTS

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Staff costs (including directors) comprise:					
Wages and salaries	9,527	11,494	21,152	7,624	13,680
Other benefits	1,593	1,751	3,374	1,498	1,476
Social insurance and housing fund	1,845	2,695	3,866	1,597	2,664
	<u>12,965</u>	<u>15,940</u>	<u>28,392</u>	<u>10,719</u>	<u>17,820</u>

12. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND HIGHEST PAID INDIVIDUALS

a. Directors' and supervisors' emoluments

The emoluments of every director and supervisor for the Relevant Periods are set out below:

Year ended 31 December 2010

	Fees	Basic salaries and bonus	Social insurance and housing fund	Housing and other allowances and benefits in kind	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Name of Executive Directors					
Mr. Gui Ping Hu (note i)	–	563	63	–	626
Ms. Zhu Feifei (note i)	–	40	10	–	50
Ms. Xu Li (note i)	–	192	16	–	208
Ms. Zhang Yuan (note i)	–	212	16	–	228
Total	<u>–</u>	<u>1,007</u>	<u>105</u>	<u>–</u>	<u>1,112</u>
Name of Supervisors					
Ms. Yu Min (note i)	–	50	10	–	60
Ms. Wu Xuemei (note i)	–	38	8	–	46
Ms. Lu Jiachun (note i)	–	40	10	–	50
Ms. Chen Xiu (note ii)	–	36	8	–	44
Total	<u>–</u>	<u>164</u>	<u>36</u>	<u>–</u>	<u>200</u>

Year ended 31 December 2011

	Fees	Basic salaries and bonus	Social insurance and housing fund	Housing and other allowances and benefits in kind	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Name of Executive Directors					
Mr. Gui Ping Hu (note i)	–	590	76	–	666
Ms. Zhu Feifei (note i)	–	49	12	–	61
Ms. Xu Li (note i)	–	187	20	–	207
Ms. Zhang Yuan (note i)	–	225	20	–	245
Total	–	1,051	128	–	1,179
Name of Supervisors					
Ms. Yu Min (note i)	–	58	17	–	75
Ms. Wu Xuemei (note i)	–	49	12	–	61
Ms. Lu Jiachun (note i)	–	47	14	–	61
Ms. Chen Xiu (note ii)	–	42	11	–	53
Total	–	196	54	–	250

Year ended 31 December 2012

	Fees	Basic salaries and bonus	Social insurance and housing fund	Housing and other allowances and benefits in kind	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Name of Executive Directors					
Mr. Gui Ping Hu (note i)	–	537	80	–	617
Ms. Zhu Feifei (note i)	–	135	12	–	147
Ms. Xu Li (note i)	–	207	20	–	227
Ms. Zhang Yuan (note i)	–	219	21	–	240
Total	–	1,098	133	–	1,231
Name of Independent Non-executive Directors					
Mr. Jiang Fuxin (note i)	60	–	–	–	60
Mr. Feng Qiaogen (notes i and iv)	60	–	–	–	60
Total	120	–	–	–	120
Name of Supervisors					
Ms. Yu Min (note i)	–	119	21	–	140
Ms. Wu Xuemei (note i)	–	138	16	–	154
Ms. Lu Jiachun (note i)	–	72	16	–	88
Ms. Chen Xiu (note ii)	–	73	15	–	88
Total	–	402	68	–	470

Six months ended 30 June 2012 (Unaudited)

	Fees	Basic salaries and bonus	Social insurance and housing fund	Housing and other allowances and benefits in kind	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Name of Executive Directors					
Mr. Gui Ping Hu <i>(note i)</i>	–	277	44	–	321
Ms. Zhu Feifei <i>(note i)</i>	–	24	8	–	32
Ms. Xu Li <i>(note i)</i>	–	45	12	–	57
Ms. Zhang Yuan <i>(note i)</i>	–	44	12	–	56
Total	–	390	76	–	466
Name of Supervisors					
Ms. Yu Min <i>(note i)</i>	–	37	9	–	46
Ms. Wu Xuemei <i>(note i)</i>	–	43	8	–	51
Ms. Lu Jiachun <i>(note i)</i>	–	30	8	–	38
Ms. Chen Xiu <i>(note ii)</i>	–	28	7	–	35
Total	–	138	32	–	170

Six months ended 30 June 2013

	Fees	Basic salaries and bonus	Social insurance and housing fund	Housing and other allowances and benefits in kind	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Name of Executive Directors					
Mr. Gui Ping Hu (note i)	–	369	39	–	408
Ms. Zhu Feifei (note i)	–	41	8	–	49
Ms. Xu Li (note i)	–	67	11	–	78
Ms. Zhang Yuan (note i)	–	71	12	–	83
Total	–	548	70	–	618
Name of Non-executive Director					
Mr. Xu Chuntao (note ii)	–	–	–	–	–
Name of Independent Non-executive Directors					
Mr. Jiang Fuxin (note i)	–	–	–	–	–
Mr. Feng Qiaogen (notes i and iv)	–	–	–	–	–
Ms. Feng Qing (note iii)	30	–	–	–	30
Total	30	–	–	–	30
Name of Supervisors					
Ms. Yu Min (note i)	–	46	11	–	57
Ms. Wu Xuemei (note i)	–	49	9	–	58
Ms. Lu Jiachun (note i)	–	36	11	–	47
Ms. Chen Xiu (note i)	–	38	9	–	47
Mr. Tao Xingrong (note ii)	–	–	–	–	–
Total	–	169	40	–	209

Notes:

- (i) Appointed on 25 October 2012. The director's fee for the forthcoming 12 months was paid to the director on the date of appointment and will be payable on the same date of each year subsequently.
- (ii) Appointed on 16 May 2013 as representatives of 上海復星創富股權投資基金合夥企業(有限合夥) (Shanghai Fosun Chuangfu Shareholding Fund Limited Partnership*) and not entitled to any emoluments.
- (iii) Appointed on 25 January 2013.
- (iv) Appointed as Executive Director on 25 October 2012 and resigned on 20 July 2013.

b. Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013 included three, three, three, three and four directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining highest paid individuals during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Wages and salaries	618	580	395	260	129
Social insurance and housing fund	56	52	36	25	14
	<u>674</u>	<u>632</u>	<u>431</u>	<u>285</u>	<u>143</u>

The emoluments of each of the above highest paid individuals were all within the band from nil to RMB1,000,000 during the Relevant Periods.

The number of directors and senior management whose remuneration fell within the following bands were as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
				(unaudited)	
nil to					
RMB1,000,000	<u>15</u>	<u>15</u>	<u>18</u>	<u>16</u>	<u>21</u>

During the Relevant Periods no emoluments were paid by the Group to the directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived or agreed to waive any emoluments during the Relevant Periods.

13. EARNINGS PER SHARE

The basic earnings per share for the each of the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013 is calculated based on the profit attributable to the owners of the Company and on the assumption that 55,000,000 shares issued upon the transformation of the Company from a limited liability company to a joint stock limited liability company had been in issue since 1 January 2010.

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
				(unaudited)	
Profit attributable to owners of the Company (RMB'000)	15,788	34,814	57,237	26,168	29,700
Weighted average number of ordinary shares in issue	55,000,000	55,000,000	55,000,000	55,000,000	56,553,097
Basic earnings per share	0.29	0.63	1.04	0.48	0.53

There were no dilutive potential ordinary shares in issue during the Relevant Periods, the amount of diluted earnings per share is the same as basic earnings per share for the Relevant Periods.

14. DIVIDENDS

The dividends paid or payable during the Relevant Periods by the Company were as follows:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Special dividend approved and paid/payable during the year/period	6,000	–	35,000	15,000	26,000

The directors of the Company proposed an interim dividend of RMB30,000,000 after the end of the reporting period. The Company's shareholders passed a written resolution on 10 September 2013 and the dividend has been subsequently paid. The final dividend has not been recognised as liabilities at the end of the reporting period.

The dividend rates and the number of shares ranking for dividends are not presented as such information is not meaningful for the purpose of this report.

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Leasehold improvements	Plant and machinery	Office equipment	Motor vehicles	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2010:						
Cost	21,818	30	4,461	2,085	2,857	31,251
Accumulated depreciation	(3,266)	(14)	(3,018)	(1,438)	(1,730)	(9,466)
Net carrying amount	<u>18,552</u>	<u>16</u>	<u>1,443</u>	<u>647</u>	<u>1,127</u>	<u>21,785</u>
At 1 January 2010, net of accumulated depreciation	18,552	16	1,443	647	1,127	21,785
Additions	–	–	–	225	325	550
Depreciation	(1,044)	(6)	(401)	(277)	(475)	(2,203)
Disposals	–	–	–	(179)	–	(179)
Exchange realignment	–	–	–	4	–	4
At 31 December 2010, net of accumulated depreciation	<u>17,508</u>	<u>10</u>	<u>1,042</u>	<u>420</u>	<u>977</u>	<u>19,957</u>
31 December 2010:						
Cost	21,818	30	4,461	1,767	3,182	31,258
Accumulated depreciation	(4,310)	(20)	(3,419)	(1,347)	(2,205)	(11,301)
Net carrying amount	<u>17,508</u>	<u>10</u>	<u>1,042</u>	<u>420</u>	<u>977</u>	<u>19,957</u>
At 1 January 2011, net of accumulated depreciation	17,508	10	1,042	420	977	19,957
Additions	–	–	74	172	–	246
Depreciation	(1,044)	(6)	(391)	(200)	(450)	(2,091)
Disposals	–	–	(1)	(29)	(6)	(36)
Exchange realignment	–	–	–	(4)	–	(4)
At 31 December 2011, net of accumulated depreciation	<u>16,464</u>	<u>4</u>	<u>724</u>	<u>359</u>	<u>521</u>	<u>18,072</u>
31 December 2011:						
Cost	21,818	30	4,513	1,400	2,985	30,746
Accumulated depreciation	(5,354)	(26)	(3,789)	(1,041)	(2,464)	(12,674)
Net carrying amount	<u>16,464</u>	<u>4</u>	<u>724</u>	<u>359</u>	<u>521</u>	<u>18,072</u>

	Buildings	Leasehold improvements	Plant and machinery	Office equipment	Motor vehicles	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2012, net of accumulated depreciation	16,464	4	724	359	521	18,072
Additions	–	639	–	658	1,093	2,390
Depreciation	(1,047)	(39)	(239)	(287)	(370)	(1,982)
Exchange realignment	–	–	–	–	(4)	(4)
At 31 December 2012, net of accumulated depreciation	<u>15,417</u>	<u>604</u>	<u>485</u>	<u>730</u>	<u>1,240</u>	<u>18,476</u>
31 December 2012:						
Cost	21,818	669	4,513	2,058	4,074	33,132
Accumulated depreciation	(6,401)	(65)	(4,028)	(1,328)	(2,834)	(14,656)
Net carrying amount	<u>15,417</u>	<u>604</u>	<u>485</u>	<u>730</u>	<u>1,240</u>	<u>18,476</u>
At 1 January 2013, net of accumulated depreciation	15,417	604	485	730	1,240	18,476
Additions	3,795	1,607	–	563	193	6,158
Depreciation	(607)	(244)	(95)	(172)	(271)	(1,389)
Disposals	–	–	–	(2)	(6)	(8)
Exchange realignment	–	–	–	(8)	(83)	(91)
At 30 June 2013, net of accumulated depreciation	<u>18,605</u>	<u>1,967</u>	<u>390</u>	<u>1,111</u>	<u>1,073</u>	<u>23,146</u>
30 June 2013:						
Cost	25,613	2,276	4,513	2,597	3,953	38,952
Accumulated depreciation	(7,008)	(309)	(4,123)	(1,486)	(2,880)	(15,806)
Net carrying amount	<u>18,605</u>	<u>1,967</u>	<u>390</u>	<u>1,111</u>	<u>1,073</u>	<u>23,146</u>

The Company

	Buildings	Leasehold improvements	Office equipment	Motor vehicles	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2010:					
Cost	15,580	–	691	1,059	17,330
Accumulated depreciation	(2,368)	–	(505)	(667)	(3,540)
Net carrying amount	<u>13,212</u>	<u>–</u>	<u>186</u>	<u>392</u>	<u>13,790</u>
At 1 January 2010, net of accumulated depreciation	13,212	–	186	392	13,790
Additions	–	–	91	95	186
Depreciation	(748)	–	(111)	(129)	(988)
At 31 December 2010, net of accumulated depreciation	<u>12,464</u>	<u>–</u>	<u>166</u>	<u>358</u>	<u>12,988</u>
31 December 2010:					
Cost	15,580	–	782	1,154	17,516
Accumulated depreciation	(3,116)	–	(616)	(796)	(4,528)
Net carrying amount	<u>12,464</u>	<u>–</u>	<u>166</u>	<u>358</u>	<u>12,988</u>
At 1 January 2011, net of accumulated depreciation	12,464	–	166	358	12,988
Additions	–	–	46	–	46
Depreciation	(748)	–	(89)	(123)	(960)
Disposals	–	–	(8)	(6)	(14)
At 31 December 2011, net of accumulated depreciation	<u>11,716</u>	<u>–</u>	<u>115</u>	<u>229</u>	<u>12,060</u>
31 December 2011:					
Cost	15,580	–	642	957	17,179
Accumulated depreciation	(3,864)	–	(527)	(728)	(5,119)
Net carrying amount	<u>11,716</u>	<u>–</u>	<u>115</u>	<u>229</u>	<u>12,060</u>

APPENDIX I
ACCOUNTANTS' REPORT

	Buildings	Leasehold improvements	Office equipment	Motor vehicles	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2012, net of accumulated depreciation	11,716	–	115	229	12,060
Additions	–	516	354	138	1,008
Depreciation	(748)	(64)	(98)	(133)	(1,043)
At 31 December 2012, net of accumulated depreciation	<u>10,968</u>	<u>452</u>	<u>371</u>	<u>234</u>	<u>12,025</u>
31 December 2012:					
Cost	15,580	516	996	1,095	18,187
Accumulated depreciation	<u>(4,612)</u>	<u>(64)</u>	<u>(625)</u>	<u>(861)</u>	<u>(6,162)</u>
Net carrying amount	<u>10,968</u>	<u>452</u>	<u>371</u>	<u>234</u>	<u>12,025</u>
At 1 January 2013, net of accumulated depreciation	10,968	452	371	234	12,025
Additions	–	526	314	–	840
Depreciation	<u>(374)</u>	<u>(176)</u>	<u>(85)</u>	<u>(65)</u>	<u>(700)</u>
At 30 June 2013, net of accumulated depreciation	<u>10,594</u>	<u>802</u>	<u>600</u>	<u>169</u>	<u>12,165</u>
30 June 2013:					
Cost	15,580	1,042	1,310	1,095	19,027
Accumulated depreciation	<u>(4,986)</u>	<u>(240)</u>	<u>(710)</u>	<u>(926)</u>	<u>(6,862)</u>
Net carrying amount	<u>10,594</u>	<u>802</u>	<u>600</u>	<u>169</u>	<u>12,165</u>

16. PREPAID LAND LEASE PAYMENTS

The Group

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount at beginning of year/period	4,669	4,568	4,467	4,367
Release to profit or loss during the year/period	(101)	(101)	(100)	(51)
Carrying amount at end of year/period	4,568	4,467	4,367	4,316
Less: Amounts classified as current assets	(101)	(101)	(101)	(101)
	<u>4,467</u>	<u>4,366</u>	<u>4,266</u>	<u>4,215</u>

The prepaid land lease payments represented the Group's interest in medium-term leasehold land in the PRC.

17. INTANGIBLE ASSETS

The Group

	<u>Registered license</u> <i>RMB'000</i>
Cost:	
At 1 January 2010, 31 December 2010, 2011 and 2012 and 30 June 2013	<u>1,050</u>
Accumulated amortisation and impairment:	
At 1 January 2010	(757)
Charge for the year	<u>(65)</u>
At 31 December 2010	(822)
Charge for the year	<u>(65)</u>
At 31 December 2011	(887)
Charge for the year	<u>(65)</u>
At 31 December 2012	(952)
Charge for the period	<u>(33)</u>
At 30 June 2013	<u>(985)</u>

	<u>Registered license</u>
	<u>RMB'000</u>
Carrying amount:	
At 31 December 2010	228
At 31 December 2011	163
At 31 December 2012	98
At 30 June 2013	65
18. INVESTMENT PROPERTY	
The Company	
	<u>RMB'000</u>
Cost:	
At 1 January 2010, 31 December 2010, 2011 and 2012	–
Addition	3,795
At 30 June 2013	3,795
Accumulated depreciation:	
At 1 January 2010, 31 December 2010, 2011 and 2012	–
Charge for the period	(91)
At 30 June 2013	(91)
Carrying amount:	
At 31 December 2010, 2011 and 2012	–
At 30 June 2013	3,704

Investment property is situated in the PRC and held on a medium-term leasehold land. Currently the investment property is rented to a subsidiary. At the end of the reporting period, the directors consider no impairment of the investment property is necessary.

19. DEFERRED TAX ASSETS

Details of the deferred tax assets recognised in the consolidated statements of financial position and movements during the Relevant Periods are as follows:

	Unrealised profit on inter-company transactions
	<i>RMB'000</i>
At 1 January 2010	448
Charged to profit or loss	(63)
At 31 December 2010	385
Credited to profit or loss	1,352
At 31 December 2011	1,737
Charged to profit or loss	(168)
At 31 December 2012	1,569
Charged to profit or loss	(501)
At 30 June 2013	1,068

20. INVENTORIES**The Group**

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	1,016	564	639	579
Work-in-progress	13	9	172	189
Finished goods	722	964	887	631
Goods merchandise	3,687	9,407	11,986	8,563
	5,438	10,944	13,684	9,962

The Company

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Goods in transit	2,739	6,639	566	1,729
Goods merchandise	1,992	4,317	15,197	7,465
	4,731	10,956	15,763	9,194

21. TRADE AND OTHER RECEIVABLES

The Group

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	545	303	474	339
Less: impairment losses	(179)	–	–	–
	366	303	474	339
Other receivables	314	223	283	317
Deposits and prepayments	2,766	5,463	2,974	3,532
	3,446	5,989	3,731	4,188

The ageing analysis of trade receivables (net of impairment losses) as of the end of each reporting period is as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	42	120	165	207
Over 1 month but within 3 months	3	–	296	127
Over 3 months but within 1 year	164	40	9	5
Over 1 year	157	143	4	–
	366	303	474	339

The Group gives a 15-60 days credit period on sales of goods to a few specific customers. In general, the Group has no credit period granted to all other customers, invoices would be due once they have been issued.

The ageing of trade receivables which are past due but not impaired are as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	42	11	13	62
Over 1 month but within 3 months	3	–	5	–
Over 3 months but within 1 year	164	40	9	5
Over 1 year	157	143	4	–
	366	194	31	67

The below table reconciled the impairment loss of trade receivables for the Relevant Periods:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year/period	254	179	–	–
Uncollectible amounts written off	(75)	(179)	–	–
At end of year/period	<u>179</u>	<u>–</u>	<u>–</u>	<u>–</u>

The Group recognised impairment loss on individual assessment based on the accounting policy stated in Note 4(h)(ii).

The Company

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	296	180	31	89
Less: impairment losses	–	–	–	–
	<u>296</u>	<u>180</u>	<u>31</u>	<u>89</u>
Other receivables	37	52	74	32
Deposits and prepayments	419	4	207	712
	<u>752</u>	<u>236</u>	<u>312</u>	<u>833</u>

The ageing analysis of trade receivables (net of impairment losses) as of the end of each reporting period is as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	–	5	13	69
Over 1 month but within 3 months	–	–	5	15
Over 3 months but within 1 year	138	32	9	5
Over 1 year	158	143	4	–
	<u>296</u>	<u>180</u>	<u>31</u>	<u>89</u>

The Company gives 30 days credit period on sales of goods to a few specific customers. In general, the Company has no credit period granted to customers, invoices would be due once they have been issued.

The ageing of trade receivables which are past due but not impaired are as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	–	5	13	62
Over 1 month but within 3 months	–	–	5	–
Over 3 months but within 1 year	138	32	9	5
Over 1 year	158	143	4	–
	<u>296</u>	<u>180</u>	<u>31</u>	<u>67</u>

The Group and the Company's receivables that were past due but not impaired related to a number of independent customers that have a good track record. Based on past experience, the directors consider that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group's and the Company's receivables that were neither past due nor impaired related to a number of independent customers that have no recent history of default. The Group and the Company does not hold any collateral over these balances.

22. SHORT TERM INVESTMENTS

The Group

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Capital guaranteed fund	<u>–</u>	<u>9,000</u>	<u>–</u>	<u>22,000</u>

The Company

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Capital guaranteed fund	<u>–</u>	<u>–</u>	<u>–</u>	<u>15,000</u>

The Group's and the Company's investments in capital guaranteed fund are placed in financial institutions with a maturity of 6 months and offer the Group and the Company a fixed guaranteed capital and return rates of 4.35% to 5.4% per annum.

The carrying value of capital guaranteed fund is stated at amortised cost using the effective interest method.

23. CASH AND BANK BALANCES

The Group

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Time deposits	5,000	7,000	9,000	9,000
Cash at banks and on hand	31,306	55,775	84,220	119,383
	<u>36,306</u>	<u>62,775</u>	<u>93,220</u>	<u>128,383</u>

The currency analysis of cash and bank balances are shown as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Renminbi	33,673	56,257	87,913	124,345
Australian dollars	2,633	6,518	5,307	4,038
	<u>36,306</u>	<u>62,775</u>	<u>93,220</u>	<u>128,383</u>

Cash and bank balances comprise cash and bank balances held by the Group with an original maturity within 3 months. Bank balances carry interest rate at 0.36% per annum, 0.5% per annum, 0.5% per annum and 0.35% per annum as at 31 December 2010, 2011 and 2012 and 30 June 2013 respectively.

Time deposits at banks of the Group were non-pledged time deposits with original maturity of more than three months. The time deposits carry fixed interest rates of 2.75% per annum, 3.5% per annum, 3.5% per annum and 3.5% per annum as at 31 December 2010, 2011 and 2012 and 30 June 2013 respectively.

The Company

Bank balances carry interest rate at 0.36% per annum, 0.5% per annum, 0.35% per annum and 0.35% per annum as at 31 December 2010, 2011 and 2012 and 30 June 2013 respectively.

24. TRADE AND OTHER PAYABLES

The Group

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	1,209	580	885	1,197
Other payables and accruals	3,201	8,034	9,152	8,824
	4,410	8,614	10,037	10,021

All trade payables and other payables and accruals are due to be settled within twelve months.

The ageing analysis of trade payables as of the end of reporting period is as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	715	15	230	107
Over 1 month but within 3 months	6	89	443	874
Over 3 month but within 1 year	459	93	86	3
Over 1 year	29	383	126	213
	1,209	580	885	1,197

The Company

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	–	9	–	16
Other payables and accruals	2,071	2,655	3,478	4,801
	2,071	2,664	3,478	4,817

25. SHARE CAPITAL

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Registered and paid up capital				
At beginning of year/period	26,000	26,000	26,000	55,000
Issue of shares (<i>notes i and iii</i>)	–	–	1,000	6,111
Share capitalisation (<i>note ii</i>)	–	–	28,000	–
At end of year/period	26,000	26,000	55,000	61,111

Notes:

- (i) Pursuant to the resolution passed on shareholders' meeting on 2 July 2012, the authorised share capital increased from RMB26,000,000 to RMB27,000,000. It was resolved that an additional paid-in capital of RMB1,000,000 was subscribed by 南京中研投資合夥企業(有限合夥) (Nanjing Zhongyan Investment Limited Partnership*) at a total consideration of RMB6,193,700.
- (ii) Pursuant to the resolution passed on shareholders' meeting on 8 October 2012, the Company was transformed from a limited liability company to a joint stock limited liability company. As part of the transformation, the Company's paid-in capital of RMB27,000,000 was converted into 27,000,000 ordinary shares of RMB1 par value and 28,000,000 new ordinary shares of RMB1 each were allotted and issued to the original shareholders according to their original portion in shareholding by way of capitalisation of capital reserve of RMB2,791,000, surplus reserve of RMB5,078,000 and retained earnings of RMB20,122,000.
- (iii) Pursuant to the resolution passed on shareholders' meeting on 16 May 2013, the authorised share capital increased from 55,000,000 ordinary shares with par value of RMB1 each to 61,111,100 ordinary shares with par value of RMB1 each. It was resolved that an additional 6,111,100 ordinary shares of RMB1 par value were issued to 上海復星創富股權投資基金合夥企業(有限合夥) (Shanghai Fosun Chuangfu Shareholding Fund Limited Partnership*) at a total consideration of RMB50,000,000.

26. RESERVES

The Group

The amount of the Group's reserves and movements for the Relevant Periods are presented in the consolidated statements of changes in equity on page I-10 and I-11 of the Financial Information.

The Company

	Capital reserve	Surplus reserve	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2010	–	2,144	13,435	15,579
Total comprehensive income for the year	–	–	11,756	11,756
Transfer to surplus reserve	–	1,146	(1,146)	–
At 31 December 2010 and 1 January 2011	–	3,290	24,045	27,335
Total comprehensive income for the year	–	–	18,040	18,040
Transfer to surplus reserve	–	1,797	(1,797)	–
At 31 December 2011 and 1 January 2012	–	5,087	40,288	45,375
Issue of share capital	5,194	–	–	5,194
Total comprehensive income for the year	–	–	45,606	45,606
Transfer to surplus reserve	–	2,927	(2,927)	–
Dividend declared and paid	–	–	(35,000)	(35,000)
Capitalisation of shares	(2,791)	(5,087)	(20,122)	(28,000)
At 31 December 2012 and 1 January 2013	2,403	2,927	27,845	33,175
Issue of share capital	43,889	–	–	43,889
Total comprehensive income for the period	–	–	32,723	32,723
Dividend declared and paid	–	–	(26,000)	(26,000)
At 30 June 2013	<u>46,292</u>	<u>2,927</u>	<u>34,568</u>	<u>83,787</u>
Unaudited:				
At 1 January 2012	–	5,087	40,288	45,375
Total comprehensive income for the period	–	–	10,931	10,931
Dividend declared	–	–	(15,000)	(15,000)
At 30 June 2012	<u>–</u>	<u>5,087</u>	<u>36,219</u>	<u>41,306</u>

(i) Surplus reserve

In accordance with the PRC regulations, certain companies in the PRC are required to transfer part of their profits after tax determined under the PRC accounting standards to the surplus reserve fund, before profit distributions are made. The statutory reserve fund is non-distributable and may be used either to offset losses, or for capitalisation issues by way of paid-up capital.

(ii) Capital reserve

The amount arose from the share issue in 2012 which represented the balance of the credit amount arising from the excess of the par value of the shares from the paid-in capital.

(iii) Merger reserve

- (a) On 10 August 2010, the Company acquired the business of Nanjing Zhongsheng Pharmaceutical Co., Limited ("Nanjing Zhongsheng Pharmaceutical") from Mr. Gui Ping Hu ("Mr. Gui") and his spouse, Ms. Wu Yan Mei, the controlling shareholders at Nil consideration. This transaction has been accounted for as business combination using the principles of merger accounting set out in Note 4(a)(i). The nominal value of the paid-in capital of Nanjing Zhongsheng Pharmaceutical was directly recognised in the merger reserve.
- (b) On 24 December 2012, the Group acquired the entire equity interest in Australia Cobayer Health Food Co Pty Ltd. ("Australia Cobayer") from Mr. Gui. This transaction has been accounted for using the principles of merger accounting. The excess of consideration paid over the nominal value of the issued share capital was directly recognised in the merger reserve.

(iv) Translation reserve

This reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. This reserve is dealt with in accordance with the accounting policy in Note 4(k).

(v) Deemed distribution to Controlling Shareholders

- (a) In 2010, Nanjing Zhongsheng Pharmaceutical went into the process of de-registration. In December 2010, the assets of Nanjing Zhongsheng Pharmaceutical were liquidated and paid to the controlling shareholders in cash amounting to RMB1,780,000. The distribution was regarded as deemed distribution to controlling shareholders.
- (b) As mentioned in note (iii)(b), the Group acquired the entire equity interest in Australia Cobayer and the consideration paid to Mr. Gui amounting to RMB4,100,000 was regarded as a deemed distribution to a controlling shareholder.

27. INVESTMENT IN SUBSIDIARIES

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Investments in subsidiaries, at cost	24,800	25,600	31,540	31,540

28. AMOUNTS DUE FROM/(TO) DIRECTORS/RELATED PARTIES/SUBSIDIARIES

- (i) The amounts due from/(to) related parties were unsecured, interest-free and repayable on demand.
- (ii) The amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand.
- (iii) The amount due to a director is unsecured, interest-free and repayable on demand.
- (iv) The amounts due from directors were unsecured, interest-free and repayable on demand. Details of amounts due from directors and maximum amounts outstanding disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

The Group

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Zhang Yuan	256	271	271	–
Xu Li	–	–	420	–
	<u>256</u>	<u>271</u>	<u>691</u>	<u>–</u>
Maximum amounts outstanding:				
Zhang Yuan	256	271	271	271
Xu Li	–	–	420	420
	<u>–</u>	<u>–</u>	<u>420</u>	<u>420</u>

The Company

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Gui Pinghu	412	522	–	–
Zhang Yuan	256	271	271	–
Xu Li	–	–	420	–
	<u>668</u>	<u>793</u>	<u>691</u>	<u>–</u>
Maximum amounts outstanding:				
Gui Pinghu	412	522	522	–
Zhang Yuan	256	271	271	271
Xu Li	–	–	420	420
	<u>–</u>	<u>–</u>	<u>420</u>	<u>420</u>

29. ACQUISITION OF BUSINESS

On 27 September 2012, the Group acquired 100% equity interests in 南京德澳國際貿易有限公司 (Nanjing Deao International Trade Co. Limited) from a related party of the controlling shareholder, for a total consideration of RMB1,840,000. These transactions have been accounted for by the acquisition method of accounting.

The net assets acquired in the transaction are as follows:

	Fair value
	<i>RMB'000</i>
Net assets acquired:	
Cash and bank balances	2,392
Other receivables and prepayments	662
Amounts due to related companies	(1,125)
Tax payable	(109)
	1,820
Total consideration settled by cash	1,840
Excess written off to profit or loss	20
	<i>RMB'000</i>
Net cash inflow arising on acquisition:	
Cash consideration	(1,840)
Cash and bank balances acquired	2,392
	552

The acquisition of import trading business is to improve the Group's supply chain. After the acquisition, the contribution of profit to the Group since the date of acquisition up to 31 December 2012 amounted to approximately RMB96,000. No revenue was contributed to the Group since the date of acquisition up to 31 December 2012 because all the sales transactions were within the group companies. If the acquisition had occurred on 1 January 2012, there would be no effect on the Group's revenue and the Group's profit for the year would have been increased by RMB199,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2012, nor is it intended to be a projection of future performance. The acquisition-related cost is immaterial.

The fair value and gross amount of other receivables and prepayments at the date of acquisition amounted to RMB662,000. None of these balances have been impaired and it is expected that the full contractual amounts can be collected.

30. OPERATING LEASE ARRANGEMENTS**As lessee**

The Group and the Company leases the majority of its properties. The terms of property leases range from one to five years, with an option to renew the lease terms at the expiry date.

The total future minimum lease payments under non-cancellable operating leases are due as follows:

The Group

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	593	437	494	1,497
After one year but within five years	–	–	495	993
	<u>593</u>	<u>437</u>	<u>989</u>	<u>2,490</u>

The Company

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	330	61	200	272
After one year but within five years	–	–	495	242
	<u>330</u>	<u>61</u>	<u>695</u>	<u>514</u>

As lessor**The Company**

The Company leases its investment property to its subsidiary under operating lease arrangement, with a lease term of 2 years, with an option to renew the lease term at the expiry date or at dates as mutually agreed.

The total future minimum lease receivables under a non-cancellable operating lease are due as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	–	–	–	120
After one year but within five years	–	–	–	100
	<u>–</u>	<u>–</u>	<u>–</u>	<u>220</u>

31. RELATED PARTY DISCLOSURES

Save as disclosed in Note 28, the related party disclosures for the Group during the Relevant Periods are as follows:

- (a) During the Relevant Periods, the Group has the following related parties which have transactions with the Group:

Name	Relationship
Gui Pinghu (桂平湖) ("Mr. Gui")	Controlling shareholder and director of the Company ("Controlling Shareholder")
Wu Yan Mei (吳艷梅)	Spouse of Mr. Gui
Gui Ke (桂客)	Son of Mr. Gui ("close family member")
Zhang Yuan (張源)	Director (appointed on 25 October 2012), General Manager of the Company
Xu Li (徐麗)	Director (appointed on 25 October 2012), Deputy General Manager of the Company
Wu Wenting (吳雯婷)	Niece of the spouse of Mr. Gui (Relative)

- (b) During the Relevant Periods, the Group entered into the following significant transactions with its related parties:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Transactions with related companies owned by Controlling Shareholder:					
– Sales (note i)	2,032	2,270	702	452	–
Transactions with Controlling Shareholder:					
– Rental expenses paid (note ii)	240	90	90	45	45
– Rental of office owned by Controlling Shareholder (note iii)	–	–	–	–	–
Transaction with a close family member of Controlling Shareholder:					
– Rental expenses paid (note ii)	240	–	–	–	–
Transactions with a relative of Controlling Shareholder:					
– Consideration paid for the acquisition of business (Note 29)	–	–	1,840	–	–
– Import agency fees paid (note iv)	–	771	766	487	–

Notes:

- (i) Sales transactions were conducted at prices agreed by both parties. There was no credit period granted to the related parties. The outstanding trade receivables at 31 December 2010, 2011 and 2012 and 30 June 2013 were RMB678,000, RMB483,000, nil and nil respectively. They were interest free and unsecured. The Group has not made any provision for bad or doubtful debts in respect of related party debtors nor has any guarantee been given or received during the Relevant Periods regarding related party transactions. These transactions were discontinued as these companies were dissolved.
- (ii) Rental expenses were charged according to the agreement.
- (iii) During the Relevant Periods, an office occupied by a subsidiary located in Australia was owned by the Controlling Shareholder of which no rental charged by the Controlling Shareholder. The market rental values were estimated as minimal.
- (iv) The amounts represented the net agency fees paid for arranging imports of Australian products. This transaction was discontinued as this company was acquired by the Group (Note 29).

The directors are of the opinion that these transactions were conducted in normal business terms and in the ordinary course of business.

- (c) Compensation of key management personnel

Total emoluments of the Group's directors and senior management during the Relevant Periods:

	Year ended 31 December			Six months ended 30 June	
	2010	2011	2012	2012	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
– Basic salaries and bonus	1,459	1,630	2,668	831	1,174
– Social insurance and housing fund	197	278	338	169	188
	<u>1,656</u>	<u>1,908</u>	<u>3,006</u>	<u>1,000</u>	<u>1,362</u>

32. CAPITAL RISK MANAGEMENT

The Group's objective when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

The Group monitors capital (including share capital and reserves) by regularly reviewing the capital structure. As a part of this review, the directors of the Company consider the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchases the Company's shares.

33. FINANCIAL RISK MANAGEMENT

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to market risk, including credit risk, liquidity risk, interest rate risk and currency risk. As the directors of the Company consider that the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group's risk management objectives and policies mainly focus on minimising the potential adverse effects of these risks on the Group by closely monitoring the individual exposure as follows:

(a) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. In order to minimise the credit risk, the Group's management continuously monitors the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk. Trade receivables consist of a large number of customers which had no recent history of default.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 21.

(b) Liquidity risk

The Group's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the Group's and the Company's remaining contractual maturities for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The maturity dates for financial liabilities are based on the agreed repayment dates.

The Group

	Carrying amount	Total contractual undiscounted cash flows	On demand or within one year
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 December 2010			
Trade and other payables	4,279	4,279	4,279
Amount due to a director	2,741	2,741	2,741
	<u>7,020</u>	<u>7,020</u>	<u>7,020</u>
As at 31 December 2011			
Trade and other payables	5,428	5,428	5,428
Amounts due to related parties	266	266	266
Amount due to a director	2,957	2,957	2,957
	<u>8,651</u>	<u>8,651</u>	<u>8,651</u>
As at 31 December 2012			
Trade and other payables	8,774	8,774	8,774
Amount due to a director	3,983	3,983	3,983
	<u>12,757</u>	<u>12,757</u>	<u>12,757</u>
As at 30 June 2013			
Trade and other payables	9,782	9,782	9,782
Amount due to a director	3,303	3,303	3,303
	<u>13,085</u>	<u>13,085</u>	<u>13,085</u>

The Company

	Carrying amount	Total contractual undiscounted cash flows	On demand or within one year
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 December 2010			
Trade and other payables	1,940	1,940	1,940
Amounts due to subsidiaries	3,107	3,107	3,107
	<u>5,047</u>	<u>5,047</u>	<u>5,047</u>
As at 31 December 2011			
Trade and other payables	2,664	2,664	2,664
Amounts due to subsidiaries	1,405	1,405	1,405
	<u>4,069</u>	<u>4,069</u>	<u>4,069</u>
As at 31 December 2012			
Trade and other payables	3,367	3,367	3,367
Amounts due to subsidiaries	7,604	7,604	7,604
	<u>10,971</u>	<u>10,971</u>	<u>10,971</u>
As at 30 June 2013			
Trade and other payables	4,784	4,784	4,784
Amounts due to subsidiaries	1,730	1,730	1,730
	<u>6,514</u>	<u>6,514</u>	<u>6,514</u>

(c) Currency risk

The group companies mainly operated in their local jurisdiction with most of the transactions settled in their functional currency of the operation and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

(d) Interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rate.

34. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts of financial assets and liabilities as defined in Note 4(h).

The Group

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Short term investments	–	9,000	–	22,000
Loans and receivables (including cash and bank balances)	37,766	64,167	94,959	129,781
Total	37,766	73,167	94,959	151,781
Financial liabilities				
Financial liabilities measured at amortised cost:				
– Trade and other payables	4,279	5,428	8,774	9,782
– Amount due to a director	2,741	2,957	3,983	3,303
– Amounts due to related parties	–	266	–	–
Total	7,020	8,651	12,757	13,085

The Company

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Short term investments	–	–	–	15,000
Loans and receivables (including cash and bank balances)	17,321	29,726	38,847	82,094
Total	17,321	29,726	38,847	97,094
Financial liabilities				
Financial liabilities measured at amortised cost:				
– Trade and other payables	1,940	2,664	3,367	4,784
– Amount due to a director	–	–	161	–
– Amounts due to related parties	–	266	–	–
– Amounts due to subsidiaries	3,107	1,405	7,604	1,730
Total	5,047	4,335	11,132	6,514

The fair values of the Group's and the Company's financial assets and financial liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

35. SUBSEQUENT EVENTS

Save as disclosed in Note 14, there are no other significant events which have taken place subsequent to 30 June 2013.

III. SUBSEQUENT ACCOUNTS

No audited accounts have been prepared by the Group in respect of any period subsequent to 30 June 2013. Save as disclosed in Note 14 of Section II above, no dividend or other distribution has been declared, made or paid by the Company in respect of any period subsequent to 30 June 2013.

Yours faithfully,

BDO Limited

Certified Public Accountants

Ng Wai Man

Practising Certificate number P05309

Hong Kong

The information set forth in this appendix does not form part of the accountants' report prepared by BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only.

For illustrative purposes, only the unaudited pro forma financial information prepared in accordance with paragraph 4.29 of the Listing Rules is set forth below to provide the prospective investors with further information on how the Global Offering might have affected the net tangible assets of the Group attributable to owners of the Company after completion of the Global Offering.

(A) UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted consolidated net tangible assets prepared on the basis of the notes set out below for the purpose of illustrating the effect of the issue of new Shares pursuant to the Global Offering on the net tangible assets of the Group attributable to owners of the Company as if the Global Offering had taken place on 30 June 2013. This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company had the Global Offering been completed as of 30 June 2013 or at any future dates.

	Audited consolidated net tangible assets attributable to the owners of the Company as at 30 June 2013 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company	Unaudited pro forma adjusted net tangible assets per Share ⁽³⁾	
	RMB'000	RMB'000	RMB'000	RMB	HK\$
Based on an Offer Price of HK\$1.50 per Offer Share	172,736	224,879	397,615	0.49	0.62
Based on an Offer Price of HK\$2.00 per Offer Share	172,736	301,595	474,331	0.58	0.74

Notes:

1. The audited consolidated net tangible assets attributable to the owners of the Company as of 30 June 2013 is derived from the consolidated net assets attributable to the owners of the Company as of 30 June 2013 of RMB172,801,000 as reported in the Accountants' Report set out in Appendix I to this Prospectus, after deducting intangible assets of RMB65,000.
2. The estimated net proceeds from the Global Offering are based on the Offer price of HK\$1.50 and HK\$2.00 per Offer Share after deduction of underwriting fees and other related expenses payable by the Company in connection with the Global Offering and do not take into account of any Shares which may be allotted and issued upon exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are translated at the exchange rate of RMB0.7884 to HK\$1.00.
3. The unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company and the amounts per Share are arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 814,911,000 Shares are expected to be in issue following the Global Offering (including 203,800,000 Offer Shares newly issued upon the Global Offering) and the respective Offer Prices of HK\$1.50 and HK\$2.00 per Offer Share.
4. The unaudited pro forma adjusted net tangible assets per Share are converted into Hong Kong dollars at an exchange rate of RMB0.7884 to HK\$1.00, the PBOC Rate prevailing on 16 December 2013. No representation is made that the RMB amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate.
5. No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 30 June 2013.

**(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report received from the reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information.



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www.bdo.com.hk

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111 Connaught Road Central
Hong Kong

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香港干諾道中111號
永安中心25樓

31 December 2013

The Directors
Nanjing Sinolife United Company Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Nanjing Sinolife United Company Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated net tangible assets as at 30 June 2013 and related notes as set out on Section A of Appendix II to the prospectus issued by the Company dated 31 December 2013 (the “Prospectus”) (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described on Section A of Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Global Offering on the Group’s consolidated net tangible assets attributable to the owners of the Company as at 30 June 2013 as if the Global Offering had taken place at 30 June 2013. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements included in the accountants’ report set out in Appendix I to the Prospectus.

Directors’ Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction at 30 June 2013 would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

BDO Limited

Certified Public Accountants

Ng Wai Man

Practising Certificate number P05309

Hong Kong

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from BMI Appraisals Limited, an independent valuer, in connection with its valuations as at 30 September 2013 of the properties located in the PRC.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

33rd Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong

香港灣仔港灣道6-8號瑞安中心33樓

Tel 電話 : (852) 2802 2191 Fax 傳真 : (852) 2802 0863

Email 電郵 : info@bmintelligence.com Website 網址 : www.bmi-appraisals.com

31 December 2013

The Directors

Nanjing Sinolife United Company Limited

Level 30, Deji Building

No. 188 Chang Jiang Road

Xuanwu District, Nanjing City

Jiangsu Province

The PRC

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from Nanjing Sinolife United Company Limited (the “Company”) for us to value the properties held and occupied by the Company and/or its subsidiaries (together referred to as the “Group”) located in the People’s Republic of China (the “PRC”). We confirm that we have conducted inspections, made relevant enquiries and obtained such further information, as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 30 September 2013 (the “valuation date”).

BASIS OF VALUATION

Our valuations of the concerned properties have been based on the Market Value, which is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

VALUATION METHODOLOGY

For Property No. 1, we have adopted the Depreciated Replacement Cost Approach. Depreciated replacement cost is defined as “the aggregate amount of the value of the land for the existing use or a notional replacement site in the same locality and the new replacement cost of the buildings and other site works, from which appropriate deductions may then be made to allow for the age, condition, economic or functional obsolescence and environmental factors, etc.; all of these might result in the existing property being worth less to the undertaking in occupation than would a new replacement”. This basis has been used due to the lack of an established market upon which to base comparable transactions, which generally furnishes the most reliable indication of values for assets without a known used market. This opinion of value is subject to adequate profitability of the business compared to the value of the total assets employed.

In valuing Property Nos. 2 to 5, we have valued them on market basis by the Comparison Approach assuming sale in their existing state with the benefit of vacant possession and by making reference to comparable sales evidences as available in the relevant market. Appropriate adjustments have then been made to account for the differences between the properties and the comparables in terms of all relevant factors.

TITLE INVESTIGATION

We have been provided with copies of title documents/tenancy agreements and have been advised by the Group that no further relevant documents have been produced. However, we have not examined the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. In the course of our valuations, we have relied upon the advice and information given by the Group’s PRC legal adviser – Yongheng Partners (江蘇永衡昭輝律師事務所) regarding the title of the properties located in the PRC. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumptions that the properties are sold in the market without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to affect the values of the properties.

In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no forced sale situation in any manner is assumed in our valuations.

VALUATION CONSIDERATIONS

The site inspections were conducted by Ms. Joannau Chan (MHKIS) and Mr. Man Lam (MHKIS) in July 2013. We have inspected the properties externally and where possible, the interior of the properties. In the course of our inspections, we did not note any serious defects. However, no structural surveys have been made. We are, therefore, unable to report whether the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of their services.

In the course of our valuations, we have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, completion dates of buildings, particulars of occupancy, site/floor areas, identifications of the properties and other relevant information.

We have not carried out detailed on-site measurements to verify the correctness of the site/floor areas in respect of the properties but have assumed that the site/floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group and we have relied on your confirmation that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties or for any expenses or taxation, which may be incurred in effecting a sale.

Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Our valuations have been prepared in accordance with The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

Our valuations have been prepared under the generally accepted valuation procedures and are in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Renminbi (RMB) and no allowances have been made for any exchange transfer.

Our Summary of Values and the Valuation Certificates are attached herewith.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Dr. Tony C.H. Cheng

*BSc., MUD, MBA(Finance), MSc.(Eng), PhD(Econ),
SIFM, FCIM, CPA UK, MHKIS, MCIArb
MASCE, MIET, MIEEE, MASME, MIIE*

Managing Director

Joannau W.F. Chan

BSc., MSc., MRICS, MHKIS, RPS(GP)
Senior Director

Notes: Dr. Tony C.H. Cheng is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 20 years' experience in valuations of properties in Hong Kong and the People's Republic of China.

Ms. Joannau W.F. Chan is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 20 years' experience in valuations of properties in Hong Kong and over 14 years' experience in valuations of properties in the People's Republic of China.

SUMMARY OF VALUES

No. Property	Market Value in existing state as at 30 September 2013 RMB

Properties held and occupied by the Group in the PRC

1. A land parcel, various buildings and structures located at No. 3 Qing Ma Road, Qixia District, Nanjing City, Jiangsu Province, the PRC 位於中國江蘇省 南京市棲霞區 青馬路3號 之一塊土地、若干房屋及構築物	17,200,000
2. Level 30, Deji Building, No. 188 Chang Jiang Road, Xuanwu District, Nanjing City, Jiangsu Province, the PRC 中國江蘇省 南京市玄武區 長江路188號 德基大廈30層	19,500,000
3. Car Parking Space Nos. 130, 230 261, 266 and 272, Deji Building, No. 188 Chang Jiang Road, Xuanwu District, Nanjing City, Jiangsu Province, the PRC 中國江蘇省 南京市玄武區 長江路188號 德基大廈 130、230、261、266及272號停車位	1,400,000

No.	Property	Market Value in existing state as at 30 September 2013 RMB
4.	Suite 435, Level 4, Harmony Plaza, No. 666 Gan Jiang Road East, Pingjiang District, Suzhou City, Jiangsu Province, the PRC 中國江蘇省 蘇州市平江區 幹將東路666號 和基廣場4樓435室	3,500,000
5.	Suite 1002, Level 10, Injoy International Building, Block 6, Injoy International Plaza, No. 123 Yan Ling Road West, Zhonglou District, Changzhou City, Jiangsu Province, the PRC 中國江蘇省 常州市鐘樓區 延陵西路123號 吾悅國際廣場6座 吾悅國際大廈 10樓1002室	4,500,000
		Grand-total: <u><u>46,100,000</u></u>

VALUATION CERTIFICATE

Properties held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2013 RMB
1.	A land parcel, various buildings and structures located at No. 3 Qing Ma Road, Qixia District, Nanjing City, Jiangsu Province, the PRC 位於中國江蘇省 南京市棲霞區 青馬路3號之一塊 土地、若干房屋及 構築物	The property comprises a land parcel with a site area of approximately 28,337 sq.m. together with 4 buildings and various ancillary structures completed in 2004 erected thereon. The total gross floor area ("GFA") of the buildings of the property is approximately 3,237.44 sq.m. The buildings mainly include an office building and a factory. The land use rights of the property have been granted for a term expiring on 7 April 2054 for industrial use.	The property is occupied by the Group for industrial and other ancillary purposes.	17,200,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract (國有土地使用權出讓合同), Ning Guo Tu Zi Rang He (2004) No. 262 (寧國土資讓合(2004)第262號), dated 17 September 2004, the land use rights of the property were contracted to be granted to Nanjing Xian Sheng Dong Yuan Health Food Co., Limited (南京先聲東元保健品有限公司) (now known as Nanjing Zhongsheng Bio-Tech Co. Limited (南京中生生物科技有限公司)) ("Nanjing Zhongsheng") for a term of 50 years commencing on 8 April 2004 for industrial use and the plot ratio of the land parcel is less than 1.
2. Pursuant to a State-owned Land Use Rights Certificate (國有土地使用證), Ning Qi Guo Yong (2007) No. 11319 (寧棲國用(2007)第11319號), the land use rights of the property with a site area of 28,337 sq.m. have been granted to Nanjing Zhongsheng for a term expiring on 7 April 2054 for industrial use.
3. Pursuant to 4 Building Ownership Certificates (房屋所有權證), Ning Fang Quan Zheng Qi Chu Zi Nos. 381160, 381186, 381187 and 381190 (寧房權證棲初字第381160, 381186, 381187及381190號), the building ownership rights of 4 buildings of the property with a total GFA of 3,237.44 sq.m. are legally owned by Nanjing Zhongsheng.
4. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. Nanjing Zhongsheng has obtained the land use rights and building ownership rights of the property and is entitled to transfer the property with its residual term of land use rights at no extra land premium payable to the government;
 - b. The land premium of the property have been settled in full;
 - c. The property is not subject to mortgage or any other material encumbrances;

- d. Planning, design, construction and existing use of the property are in compliance with relevant planning regulations and have been approved by the relevant government authorities; and
 - e. Nanjing Zhongsheng has the rights to legally use, lease, mortgage and dispose of the property freely in the market with its residual term of land use rights.
5. Nanjing Zhongsheng is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2013 RMB
2.	Level 30, Deji Building, No. 188 Chang Jiang Road, Xuanwu District, Nanjing City, Jiangsu Province, the PRC 中國江蘇省 南京市玄武區 長江路188號 德基大廈30層	The property comprises the whole of Level 30 of a 35-storey office building erected on a 2-storey commercial podium (plus a 3-storey basement) completed in 2003. The gross floor area (“GFA”) of the property is approximately 1,087.49 sq.m. The land use rights of the property have been granted for a term expiring on 28 April 2043 for commercial use.	The property is occupied by the Group for office purpose.	19,500,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate (國有土地使用證), Ning Xuan Guo Yong (2013) No. 03709 (寧玄國用(2013)第03709號), the land use rights of the property with an apportioned site area of 43.4 sq.m. have been granted to Nanjing Sinolife United Bio-Tech Corporation (南京中生聯合生物科技股份有限公司) (now known as Nanjing Sinolife United Company Limited (南京中生聯合股份有限公司)) (the “Company”) for a term expiring on 28 April 2043 for commercial use.
2. Pursuant to a Building Ownership Certificate (房屋所有權證), Ning Fang Quan Zheng Xuan Bian Zi No. 398250 (寧房權證玄變字第398250號), the building ownership rights of the property with a GFA of 1,087.49 sq.m. are legally owned by the Company.
3. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. The land use rights and building ownership rights of the property are legally vested in the Company and the Company has the right to legally use the property for the designated use as well as to lease, mortgage and transfer the property freely in the market; and
 - b. The property is not subject to mortgage or any other material encumbrances.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2013 RMB
3.	Car Parking Space Nos. 130, 230, 261, 266 and 272, Deji Building, No. 188 Chang Jiang Road, Xuanwu District, Nanjing City, Jiangsu Province, the PRC 中國江蘇省 南京市玄武區 長江路188號 德基大廈 130、 230、261、266及 272號停車位	The property comprises 5 car parking spaces within a 3-storey basement car park completed in 2003. The total gross floor area ("GFA") of the property is approximately 196.14 sq.m. The land use rights of the property have been granted for a term expiring on 28 April 2043 for commercial use.	The property is occupied by the Group for car parking purpose.	1,400,000

Notes:

1. Pursuant to 5 State-owned Land Use Rights Certificates (國有土地使用證), Ning Xuan Guo Yong (2013) Nos. 03704, 03631, 03705, 03702 and 03632 (寧玄國用(2013)第03704, 03631, 03705, 03702 及 03632號), the land use rights of the property with a total apportioned site area of 196.15 sq.m. have been granted to Nanjing Sinolife United Bio-Tech Corporation (南京中生聯合生物科技股份有限公司) (now known as Nanjing Sinolife United Company Limited (南京中生聯合股份有限公司)) (the "Company") for a term expiring on 28 April 2043 for commercial use.
2. Pursuant to 5 Building Ownership Certificates (房屋所有權證), Ning Fang Quan Zheng Xuan Bian Zi Nos. 398253, 398252, 398249, 398251 and 398248 (寧房權證玄變字第398253, 398252, 398249, 398251 及 398248號), the building ownership rights of the property with a total GFA of 196.14 sq.m. are legally owned by the Company.
3. The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - a. The land use rights and building ownership rights of the property are legally vested in the Company and the Company has the right to legally use the property for the designated use as well as to lease, mortgage and transfer the property freely in the market; and
 - b. The property is not subject to mortgage or any other material encumbrances.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2013 RMB
4.	Suite 435, Level 4, Harmony Plaza, No. 666 Gan Jiang Road East, Pingjiang District, Suzhou City, Jiangsu Province, the PRC 中國江蘇省 蘇州市平江區 幹將東路666號 和基廣場4樓435室	The property comprises an office unit on Level 4 of a 6-storey commercial building (plus a 2-storey basement) completed in about 2009. The gross floor area (“GFA”) of the property is approximately 199.25 sq.m. The land use rights of the property have been granted for a term expiring on 22 September 2044 for commercial use.	Pursuant to a tenancy contract, the property is leased to Suzhou Zhongsheng Health & Biological Products Co. Limited (蘇州中健康生物製品有限公司), a wholly-owned subsidiary of the Company, for a term commencing on 1 January 2013 and expiring on 31 December 2015 at an annual rent of RMB120,000 exclusive of telephone, water, electricity and gas charges and management fee for office purpose.	3,500,000

Notes:

- Pursuant to a Real Estate Sale & Purchase Contract (房地產買賣合同) entered into between Suzhou Aijian Huanqiu Real Estate Development Co. Limited (蘇州愛建環球房地產發展有限公司) and Nanjing Zhongsheng Bio-Tech Co. Limited (南京中生物科技股份有限公司) (“Nanjing Zhongsheng”) dated 1 September 2009, the former agreed to transfer to the latter the property at a consideration of RMB2,590,250.
- Pursuant to a State-owned Land Use Rights Certificate (國有土地使用證), Su Guo Yong (2010) No. 03014575 (蘇國用(2010)第03014575號), the land use rights of the property with an apportioned site area of 42.93 sq.m. have been granted to Nanjing Zhongsheng for a term expiring on 22 September 2044 for commercial use.
- Pursuant to a Building Ownership Certificate (房屋所有權證), Su Fang Quan Zheng Shi Qu Zi No. 10253431 (蘇房權證市區字第10253431號), the building ownership rights of the property with a GFA of 199.25 sq.m. are legally owned by Nanjing Zhongsheng.
- The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - The land use rights and building ownership rights of the property are legally vested in Nanjing Zhongsheng and Nanjing Zhongsheng has the right to legally use the property for the designated use as well as to lease, mortgage and transfer the property freely in the market; and
 - The property is not subject to mortgage or any other material encumbrances.
- Nanjing Zhongsheng is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2013 RMB
5.	Suite 1002, Level 10, Injoy International Building, Block 6, Injoy International Plaza, No. 123 Yan Ling Road West, Zhonglou District, Changzhou City, Jiangsu Province, the PRC 中國江蘇省 常州市鐘樓區 延陵西路123號 吾悅國際廣場6座 吾悅國際大廈10樓 1002室	The property comprises an office unit on Level 10 of a 28-storey office building erected on a 6-storey commercial podium (plus a 4-storey basement) completed in 2012. The gross floor area (“GFA”) of the property is approximately 264.27 sq.m. The land use rights of the property have been granted for a term expiring on 30 March 2047 for office use.	Pursuant to a tenancy contract, the property is leased to Changzhou Zhongsheng Wonderful Bio-Health Products Co. Limited (常州中美好生物製品有限公司), a wholly-owned subsidiary of the Company, for a term commencing on 1 May 2013 and expiring on 30 April 2015 at an annual rent of RMB120,000 exclusive of telephone, water, electricity and gas charges and management fee for office purpose.	4,500,000

Notes:

- Pursuant to a Commodity Real Estate Sale & Purchase Contract (商品房買賣合同) entered into between Changzhou Future Land Wanbo Property Company Limited (常州新城萬博置業有限公司) and Nanjing Sinolife United Bio-Tech Corporation (南京中生聯合生物科技股份有限公司) (now known as Nanjing Sinolife United Company Limited (南京中生聯合股份有限公司)) (the “Company”) dated 14 November 2012, the former agreed to transfer to the latter the property at a consideration of RMB3,790,000.
- Pursuant to a State-owned Land Use Rights Certificate (國有土地使用證), Chang Guo Yong (2013) No. 42256 (常國用(2013)第42256號), the land use rights of the property with an apportioned site area of 17.68 sq.m. have been granted to the Company for a term expiring on 30 March 2047 for office use.
- Pursuant to a Building Ownership Certificate (房屋所有權證), Chang Fang Quan Zheng Zi No. 00634320 (常房權證字第00634320號), the building ownership rights of the property with a GFA of 264.27 sq.m. are legally owned by the Company.
- The opinion of the PRC legal adviser to the Group contains, inter alia, the following:
 - The land use rights and building ownership rights of the property are legally vested in the Company and the Company has the right to legally use the property for the designated use as well as to lease, mortgage and transfer the property freely in the market; and
 - The property is not subject to mortgage or any other material encumbrances.

This appendix contains a summary of the laws and regulations in respect of taxation and foreign exchange in the PRC and Hong Kong.

TAXATION

A. Taxation in the PRC

Taxes Applicable to Joint Stock Limited Liability Companies

Enterprise Income Tax

Law of the PRC on Enterprise Income Tax (中華人民共和國企業所得稅法) (hereinafter referred to as “**EIT Law**”) was promulgated on March 16, 2007 and came into effect on January 1, 2008. The EIT Law regulates the enterprise income tax rate at 25%. According to the requirements of the State Council, enterprises, which were established before the promulgation of the EIT Law and entitled to benefit from a preferential tax rate in light of the tax laws and administrative regulations prevailed then, may gradually shift to the tax rate stipulated by the EIT Law within five years after the effective date of the EIT Law. Those entitled to the preference of fixed tax holiday or fixed-term tax reductions may continue to benefit in the same manner according to the requirements of the State Council until the expiration of the tax holiday or the term of the preference. For those who have not benefited from such preference due to the failure to realize profit, the preference has been applied since the effective date of the EIT Law, being January 1, 2008.

Business Tax

According to the Provisional Regulations of the PRC on Business Tax (中華人民共和國營業稅暫行條例) which came into effect on January 1, 1994 and was amended on November 5, 2008, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Business Tax (中華人民共和國營業稅暫行條例實施細則) which came into effect on January 1, 2009 and was amended on October 28, 2011, institutions and individuals providing taxable services, transferring intangible assets or selling real estates within the territory of the PRC shall pay business tax. The latest amendments of the abovementioned regulations and rules supplemented the regulatory system in the following aspects:

- The withholding agent of business tax should be: (1) the domestic agents of foreign entities or individuals, who provide taxable services, transfer intangible assets or sell real estates within the territory of the PRC but have no business institutions in the PRC; or (2) the assignee of the assets or the purchaser of the services in case there is no domestic agent.
- The column specifying the taxable services and business is deleted from the appendix of the regulations, which enable MOF and SAT to define the scope of taxable business and services.
- The preferential policies approved by the State Council before the effective date of the abovementioned amendments on January 1, 2009 could still be applied.

Value-added Tax (VAT)

According to the Provisional Regulations of the PRC on Value-added Tax (中華人民共和國增值稅暫行條例) which came into effective on January 1, 1994 and was amended on December 5, 2008, and the Detailed Rules for Implementation of the Provisional Regulations of the PRC on Value-added Tax (中華人民共和國增值稅暫行條例實施細則) which came into effective on December 25, 1993 and was amended on October 28, 2011, institutions and individuals selling goods or providing processing, repairing or replacement services or importing goods within the territory of the PRC shall pay value-added tax (“VAT”). The tax rate of 13% shall be levied on general taxpayers selling or importing grain, edible vegetable oil, tap water, heating supply, air-conditioning, hot water, gas, liquefied petroleum gas, natural gas, marsh gas, coal products for civil use, books, newspapers, magazines, feedstuff, chemical fertilizer, pesticide, farming machines, films for agricultural use and other goods specified by the State Council. The tax rate applicable to goods exported by taxpayers shall be zero unless otherwise prescribed by the State Council. The tax rate of 17% shall be levied on taxpayers selling or importing goods other than the abovementioned items, and on taxpayers providing processing, repairing or replacement services. The tax rate applicable to goods sold or taxable services provided by small-scale taxpayers is 3%. A small-scale taxpayer is defined as a taxpayer engaged in the manufacturing of goods or the supply of taxable services, or primarily dealing in the manufacturing of goods or supply of taxable services while concurrently engaged in the wholesale or retail of goods as secondary operations, and having annual taxable sales (hereinafter referred to as “**taxable sales**”) of less than RMB0.5 million; or a taxpayer engaged in the wholesale or retail of goods and having annual taxable sales of less than RMB0.8 million. Individuals whose annual taxable sales volumes exceed the standards for small-scale taxpayers shall be taxed as small-scale taxpayers; non-enterprise organizations or enterprises without frequent occurrence of taxable actions may choose to be taxed as small-scale taxpayers.

In addition, the new regulations and rules also provide the followings:

- the input tax for reselling fixed assets could be deducted from the output tax;
- the withholding agent of VAT should be: (1) the domestic agents of foreign entities or individuals, who provide taxable services within the territory of the PRC but have no business institutions in the PRC; or (2) the assignee of the assets or the purchaser of the services in case there is no domestic agent; and
- the preferential policies approved by the State Council before the effective date of the abovementioned amendments on December 5, 2008 could still be applied where there is no conflict with the amendments.

Stamp Duty

According to the Provisional Regulations of the PRC on Stamp Duty (中華人民共和國印花稅暫行條例) which came into effective on October 1, 1988 and amended on January 8, 2011, and the Detailed Rules for the Implementation of the Provisional Regulations of the People's Republic of China on Stamp Duty (中華人民共和國印花稅暫行條例實行細則) which came into effect on October 1, 1988, institutions and individuals executing or receiving taxable documents within the territory of the PRC shall pay stamp duty. The list of taxable documents includes reselling contracts, processing contracts, construction project contracts, property lease contracts, cargo freight contracts, warehousing and storage contracts, loan contracts, property insurance contracts, technology contracts, other documents that resemble contracts in nature, title transfer deeds, business account books, certificates of rights, licenses and other taxable documents specified by MOF.

*Taxes Applicable to Shareholders of Companies**Dividend-related Tax*

Individual investors. According to the Law of the PRC on Individual Income Tax (中華人民共和國個人所得稅法) which came into effect on January 1, 1994 and amended on October 31, 1993, August 30, 1999, October 27, 2005, June 29, 2007, December 29, 2007 and June 30, 2011, and its implementation rules, for the receipt of dividends paid by the PRC companies, an individual is ordinarily subject to individual income tax at the flat rate of 20%. For a foreign individual shareholder who is not a PRC resident, pursuant to the Circular on the Individual Income Tax Matters after the Repeal of Guo Shui Fa [1993] No. 045 Circular (國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知) (Guo Shui Han [2011] No. 348) issued by SAT on June 28, 2011, the receipt of dividends on our H Shares is subject to a withholding tax ranging from 5% to 20% (usually 10%) depending on the applicable tax treaty between the PRC and the jurisdiction in which the foreign national resides. For foreign residents of jurisdictions that have not entered into a tax treaty with the PRC, the tax rate on dividends is 20%.

Enterprises. According to the EIT Law and its implementation rules, non-resident enterprises having no office or premises inside the PRC or whose income has no actual connection to its office or premises inside the PRC are subject to enterprise income tax at the rate of 10% on their income derived from the PRC. Under the Circular on Questions Concerning Withholding and Remitting Enterprise Income Tax for Dividends Received by Overseas Non-resident Enterprise Shareholders of H Shares from Chinese Resident Enterprises (Guo Shui Han [2008] No. 897) (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知(國稅函[2008]897號)) issued by SAT on November 6, 2008, enterprise income tax rate of 10% is levied on dividends on H Shares received by any overseas enterprise shareholders that are non-PRC residents. The Response to Questions on Enterprise Income Tax over Dividend of B-Shares and Other Shares Received by Non-resident Enterprises (Guo Shui Han [2009] No. 394) (關於非居民企業取得B股等股票股息徵收企業所得稅問題的批復(國稅函[2009]394號)) issued by SAT on July 24, 2009 further provides that any PRC resident enterprise that publicly issues A-shares, B-shares or overseas shares on stock exchanges in or outside the PRC, such as our H Shares, must withhold enterprise income tax at the rate of 10% from dividends distributed by them to non-resident enterprises.

Tax treaties. Investors who do not reside in the PRC but reside in jurisdictions that have entered into treaties for the avoidance of double taxation with the PRC may be entitled to a reduction or exemption of the withholding tax imposed on dividends received from a PRC-resident enterprise. The PRC currently has treaties for the avoidance of double taxation with a number of jurisdictions, which include Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. The PRC also has an arrangement for the avoidance of double taxation with Hong Kong.

Share Transfer-related Tax

For individual investors. According to the Law of the PRC on Individual Income Tax and its implementation rules, individuals are subject to individual income tax at the rate of 20% on profits realized by the sale of equity of PRC resident enterprises. The implementation rules also provide that the MOF shall draft measures for collection of individual income tax on income from the transfer of shares, and such measures are subject to the approval of the State Council. However, as of the Latest Practicable Date, no such measures have been drafted and enacted. According to the Circular Declaring That Individual Income Tax Continues to Be Exempted over Income of Individuals from Transfer of Shares (Cai Shui Zi [1998] No. 61) (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知(財稅字[1998]61號)) issued by MOF and SAT on March 30, 1998, from January 1, 1997, income of individuals from the transfer of shares in listed enterprises continues to be exempted from individual income tax. After the latest amendment to the Law of the People's Republic of China on Individual Income Tax on September 1, 2011 and the latest amendment to its implementation rules on September 1, 2011, SAT has not stated whether it will continue to exempt from individual income tax over income derived by individuals from the transfer of listed shares. However, on December 31, 2009, MOF, SAT and CSRC jointly issued the Circular on Related Issues on Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (Cai Shui [2009] No. 167) (關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知(財稅[2009]167號)), which states that individuals' income from transferring listed shares on certain domestic exchanges shall continue to be exempted from the individual income tax, except under certain situations for the shares of certain specified companies which are subject to sales limitations (as defined in such Circular and its supplementary notice issued on November 10, 2010). As of the Latest Practicable Date, no legislation has expressly provided that individual income tax shall be collected from non-Chinese resident individuals on the sale of shares in PRC resident enterprises listed on overseas stock exchanges, such as our H Shares, and in practice the taxation administrations do not collect individual income tax on such income.

For enterprises. According to the EIT Law and its implementation rules, non-resident enterprises are generally subject to enterprise income tax at the rate of 10% with respect to their income derived from the sale of shares of PRC companies. However, as of the Latest Practicable Date, no legislation has expressly provided that enterprise income tax shall be collected from non-Chinese resident enterprises on their income derived from the sale of the shares in PRC companies listed on overseas stock exchanges, such as our H Shares, while the possibility that taxation administrations will collect enterprise income tax on such income in practice cannot be entirely ruled out.

Tax treaties. Overseas investors that reside in jurisdictions that have entered into treaties for the avoidance of double taxation with the PRC may be entitled to exemption from any income tax imposed by the PRC tax authorities on their income derived from sale of the shares in PRC-resident companies depending on the specific provisions as set forth in the applicable tax treaties. The PRC currently has treaties for the avoidance of double taxation with a number of jurisdictions, which include Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States (the treaty with the United States does not contain an exemption from any PRC tax imposed on gains derived from the sale of shares in a PRC resident enterprise). The PRC also has an arrangement for the avoidance of double taxation with Hong Kong.

Additional PRC Tax Considerations

PRC stamp duty. According to the Provisional Regulations of the PRC on Stamp Duty and its implementation rules, both came into effect on October 1, 1988, PRC stamp duty should not apply to acquisitions or dispositions of H Shares outside of the PRC, as PRC stamp duty is only imposed on documents, which are executed or received within the PRC and are legally binding in the PRC and protected by PRC laws.

Estate duty. No liability for estate duty under PRC laws will arise for non-PRC nationals holding H Shares.

B. Taxation in Hong Kong

Tax on Dividends

According to the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by us.

Taxation on Gains from Sale

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as H Shares. However, trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the rate of 16.5% on corporations and at a maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers are likely to be regarded as deriving trading gains rather than capital gains (for example, financial institutions, insurance companies and securities dealers) unless these taxpayers can prove that the investment securities are held for long-term investment. Trading gains from sales of H Shares on the Hong Kong Stock Exchange will be considered to be derived from or arising in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from the sales of H Shares on the Hong Kong Stock Exchange, realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty is currently payable upon sale and purchase of H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of H Shares. Where one of the parties to a transfer is resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If stamp duty is not paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which estate duty ceased to be chargeable in Hong Kong in respect of the estates of persons dying on or after that date. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

C. Taxation in Australia

This contains a summary of the law and regulations in relation to taxation in Australia.

Corporate Tax

Companies and corporations pay company tax on profits. Unlike personal income taxes which adopt a progressive scale, corporate taxes in Australia are calculated at a flat rate of 30%. Tax is paid on corporate income at the corporate level before it is distributed to individual shareholders as dividends. A tax credit (also known as a franking credit) is provided to individuals who receive dividends to reflect the tax already paid at the corporate level (a process known as dividend imputation).

A company will be resident in Australia for tax purposes if:

- it is incorporated in Australia; or
- it is not incorporated in Australia but its central management or control is in Australia, or its voting power is controlled by Australian resident shareholders.

Non-resident taxpayers (including an Australian branch of a non-resident entity) are only subject to tax on income from Australian sources.

The Australian income tax system operates on a self-assessment basis. Most companies pay four quarterly installments of tax in advance (based on assessable income derived in the last quarter), and submit an annual assessment at year end. The financial year for income tax purposes is generally from July 1 to June 30. However, taxpayers may apply for a different financial year for income tax purpose.

Dividends and Imputation

Australian resident shareholders are usually assessed on dividends paid out of a company's profits. However, Australia operates an imputation system that is designed to avoid the double taxation of corporate profits.

Non-residents are generally subject to dividend withholding tax instead of income tax.

For example, when a company pays tax on its profits and then pays part of the remaining profits to its shareholder as a dividend, the shareholder gets a credit for the tax that the company has already paid (this is known as dividend imputation and the tax credit is commonly referred to as a franking credit).

When filling in the tax return, the shareholder declares the grossed up dividend (dividend received plus tax credit) as dividend income and claim the tax credit against his/her tax payable.

Note that if the company pays tax at the full company tax rate of 30% then the shareholder's dividend is "fully franked"; otherwise his/her dividend payment is only partly franked.

Some companies offer dividend reinvestment plans where dividends are automatically used to purchase shares in the company. Although the shareholder does not actually receive the dividend in cash, he/she must still include the amount in his/her tax return.

If he/she does not normally lodge a tax return, he/she can claim his/her tax (franking) credits and get a refund from the Tax Office.

Non-resident investors pay no withholding taxes on franked dividends but a withholding tax on unfranked dividends of 15% (where a relevant double tax agreement exists) or 30% (where no such double tax agreement exists).

Personal Income Taxes

Income taxes on individuals are imposed at the federal level in Australia. Under *Income Tax Assessment Act 1936*, *Income Tax Assessment Act 1997* and other relevant provisions, personal income taxes in Australia are imposed on the personal income of each person on a progressive basis, with higher rates applying to higher income levels. Unlike some other countries, personal income tax in Australia is imposed on an individual and not on a family unit.

Individuals are also taxed on their share of any partnership or trust profits to which they are entitled for the financial year. Each financial year starts on July 1 and finishes on June 30.

Capital Gains Tax

Capital Gains Tax (“CGT”) applies to the capital gain made on disposal of any asset, except for specific exemptions. The most significant exemption is a taxpayer’s main residence. Rollover provisions apply to some disposals, one of the most significant examples is transfer to beneficiaries on death.

CGT operates by treating net gains as taxable income in the tax year when an asset is sold or otherwise disposed of. If an asset is held for at least one year, then any gain is first discounted by 50% for individual taxpayers, or by 33⅓% for superannuation funds. Net capital losses in a tax year may be carried forward and offset against future capital gains. However, capital losses cannot be offset against income.

Personal use assets and collectibles are treated as separate categories and losses on those are quarantined so they can only be applied against gains in the same category.

Goods and Services Taxes

The Federal Government of Australia levies a value added tax of 10% on the supply of most goods and services by entities registered for Goods and Services Tax (“GST”). This tax system was introduced in Australia on July 1, 2000. A number of supplies are GST-free (e.g. basic foodstuffs and export of medical and educational services), input-taxed (e.g. residential accommodation and financial services), exempted (government charges) or are outside the scope of GST.

The revenue from this tax is distributed to the states.

State governments do not levy sales taxes though they impose stamp duties on a range of transactions.

In summary, the GST rate of 10% is charged on most goods and services consumed in Australia. If a resident company is registered for GST, it should include GST in the selling price of goods and services. However, the resident company will be able to claim a credit for the GST it has paid on business expenses and other inputs (known as a GST credit). The resident company has to pay the difference between GST charged on sales and GST credits to the Tax Office periodically.

There are two types of sales which are treated differently:

1. Suppliers of GST-free goods and services do not have to pay GST when they make a sale but they will be entitled to claim GST credits.
2. Suppliers of input taxed goods and services do not have to charge GST on sales but they will not be entitled to claim GST credits from their purchases of inputs.

Furthermore, 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 (“ATO”). Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

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 ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of a group’s entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity’s functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost shall be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations, whose functional currency is different from a group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at the average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction. Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed.

Property Taxes

Local governments are typically funded largely by taxes on land value (council rates) on residential, industrial and commercial properties. In addition, some state governments levy tax on land values for investors and primary residences of high value. The state governments also levy stamp duties on transfers of land and other similar transactions.

Fire and Emergency Services Levy

Fire and Emergency Services Levies are also commonly applied to domestic house insurance and business insurance contracts. These levies are required under state government law to assist in funding the fire services in each state.

PRC LAWS AND REGULATIONS CONCERNING FOREIGN EXCHANGE CONTROL

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange. SAFE, under the authority of the PBOC, administers all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On December 28, 1993, PBOC issued the Notice to Further Reform the Foreign Exchange Control System (進一步改革外匯管理體制的通知) which came into effect on January 1, 1994. The Notice abolished the system of foreign exchange quotas and announced the unification of the official Renminbi exchange rate and the market exchange rate for foreign exchange swap center.

On January 29, 1996, the State Council promulgated the Regulations on Foreign Exchange Administration of the PRC (中華人民共和國外匯管理條例) (hereinafter referred to as “**Foreign Exchange Regulations**”) which came into effect on April 1, 1996. The Foreign Exchange Regulations classify all international payments and transfers into current account items and capital account items. Most of the current account items are no longer subject to the approval from SAFE while capital account items still are. The Foreign Exchange Regulations were subsequently amended on January 14, 1997 and on August 5, 2008. This latest amendment affirmatively states that the State shall not restrict international current account payments and transfers.

On June 20, 1996, PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) which came into effect on July 1, 1996. The Regulations superseded the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯暫行規定) and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items.

On October 25, 1998, PBOC and SAFE jointly promulgated the Notice Concerning Closure of the Foreign Exchange Swap Business Activities (關於停辦外匯調劑業務的通知), pursuant to which and with effect from December 1, 1998, all foreign exchange swapping business in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign-invested enterprises shall come under the banking system for the settlement and sale of foreign exchange.

On July 21, 2005, PBOC announced that the PRC would implement the managed floating exchange rate regime with effect from the same day, and exchange rates are determined based on market supply and demand with reference to a basket of currencies. The exchange rate of Renminbi is no longer pegged to the US dollar. The PBOC will announce the closing prices of foreign currencies (such as the US dollar) to Renminbi in the interbank foreign exchange markets after the closing of the markets on each working day, so as to determine the central parity for Renminbi trading on the next working day.

Since January 4, 2006, PBOC improved the method of generating the middle price for quoting the Renminbi exchange rate by introducing an enquiry system while keeping the match-making system in the inter-bank spot foreign exchange market. In addition, PBOC provided liquidity in the foreign exchange market by introducing the market-making system in the inter-bank foreign exchange market. After the introduction of the enquiry system, the generation of the middle price for quoting the Renminbi exchange rate was transformed to a mechanism under which PBOC authorized the China Foreign Exchange Trading System to determine and announce the middle price for quoting the Renminbi against the U.S. dollar, based on the enquiry system, at 9:15 am on each business day.

On August 5, 2008, the State Council promulgated the Amended Regulations on Foreign Exchange which made significant changes on the supervisory system for foreign exchange in the PRC. Firstly, the Amended Regulations on Foreign Exchange adopted balanced treatment on the inflow and outflow of foreign capital. Income in foreign currencies overseas can be remitted to the PRC or remained overseas, and foreign currencies of capital account items and funds for settlement in foreign currencies can only be used according to the purposes approved by relevant competent authorities and foreign exchange administration. Secondly, the Amended Regulations on Foreign Exchange improved the Renminbi exchange mechanism based on market supply and demand. Thirdly, the Amended Regulations on Foreign Exchange enhanced the monitoring of cross-border capital flow in foreign currencies, whereby the state could implement necessary protection or controlling measures when material imbalance of income and expenses related to cross-border trading arise or might arise, or serious crises in the domestic economy occur or might occur. Fourthly, the Amended Regulations on Foreign Exchange enhanced the regulation and administration on foreign currency trading, and granted extensive authorization to SAFE to enhance its supervisory and administrative capacity. Foreign exchange revenue in respect of current account items may be retained or sold to financial institutions operating a foreign exchange sale or settlement business.

Before retaining foreign exchange revenue under the capital account or selling it to any financial institution operating a foreign exchange sale or settlement business, the approval of the competent foreign exchange administrative authorities shall be obtained, unless otherwise provided by the State.

Enterprises that require foreign exchange for recurring activities such as trading and payment of staff remuneration may purchase foreign exchange from designated banks, subject to the production of relevant supporting documents.

In addition, where an enterprise requires foreign exchange for the payment of dividends, such as the distribution of profits by a foreign-invested enterprise to its foreign investor, then, subject to the due payment of taxes on such dividends, the amount required for the payment of dividends may be withdrawn from funds in foreign exchange accounts maintained with designated banks and, where the amount of the funds in foreign exchange is insufficient, the enterprise may purchase additional foreign exchange from designated banks.

Convertibility of foreign exchange in respect of capital account items, including direct investments and capital contributions, is still subject to restrictions, and prior approval from SAFE must be obtained.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (中華人民共和國憲法) and is made up of written laws, administrative regulations, local regulations, autonomy regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments and international treaties of which the PRC government is a signatory. Decided court cases do not constitute binding precedents, although they may be used for the purposes of judicial reference and guidance.

The National Peoples' Congress of the PRC ("NPC") and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing State organs, civil and criminal matters and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided such supplements and amendments are not in conflict with the basic principles of such laws. The Standing Committee of the NPC is empowered to interpret, enact and amend other laws not required to be enacted by the NPC.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, subject to the constitution, laws and administrative regulations. The people's congresses of larger cities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of such cities and take the same effect after submitting to the standing committee of the people's congresses of provinces or autonomous regions for approval. The standing committee of the people's congresses of provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the constitution, laws, administrative regulations and local regulations of the province or autonomous region concerned. Where conflicts with the rules and regulations of the People's Government of the province or autonomous region concerned are identified in the examination of local regulations of larger cities by the standing committee of the people's congresses of provinces or autonomous regions, a decision should be made to deal with the matter. "Larger cities" refer to cities where the people's governments of provinces or autonomous regions are located, cities where special economic zones are located and larger cities as approved by the State Council.

People's congresses of national autonomous areas have the power to enact autonomy regulations and separate regulations in the light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned. The autonomy regulations and separate regulations of autonomous regions shall be submitted to the Standing Committee of the NPC for approval before taking effect. The autonomous regulations and

separate regulations of the autonomous prefectures or counties shall be submitted to the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities. Based on the characteristics of the local nationality (nationalities), adaptations to the provisions of laws and administrative regulations may be introduced to the autonomy regulations and separate regulations so long as they do not contravene the basic principles of the laws or administrative regulations, provided that no adaptations shall be made to specific provisions on national autonomous areas contained in the constitution, autonomy law of national areas and other relevant laws and administrative regulations.

The ministries, commissions, PBOC, National Audit Office of the State Council and institutions with administrative functions directly under the State Council may formulate department rules within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council. Matters governed by the departmental rules and regulations should be those for the enforcement of the laws and administrative regulations, decisions and rulings of the State Council. The people's governments of provinces, autonomous regions, municipalities and larger cities may formulate rules based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

According to the PRC Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws passed on June 10, 1981, the Supreme People's Court has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

THE PRC JUDICIAL SYSTEM

Under the PRC Constitution and the Law of Organization of the People's Courts of the PRC (中華人民共和國法院組織法), the PRC judicial system is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts. The local people's courts are divided into three levels, namely, the primary people's courts, the intermediate people's courts and the high people's courts. The primary people's courts may set up civil, criminal, economic and administrative divisions. The intermediate people's courts have divisions similar to those of the primary people's courts and other special divisions (such as the intellectual property division). These two levels of people's courts are subject to supervision of the high people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest trial organ of the PRC. It supervises the administration of justice by the people's courts at all levels.

The people's court shall apply the system whereby the second instance is final, i.e., the judgment or ruling of the second instance at a people's court is final. A party to the case concerned may appeal to the people's court at the next higher level against the judgment or ruling of the first instance. The people's procuratorate may appeal to the people's court at the next higher level in accordance with procedures stipulated by the laws. In the absence of any appeal by any parties to the case and any appeal by the people's procuratorate within the stipulated period, the judgment or ruling of the people's court shall be the final judgment or rulings. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court are final. Judgments or rulings of the first instance of the Supreme People's Court are also final. If, however, the Supreme People's Court or a people's court at a higher level finds an error in a final and binding judgment which has taken effect in any people's court at a lower level, or the president of a people's court finds an error in a final and binding judgment which has taken effect in the court over which he presides, a retrial of the case may be conducted according to the adjudication supervision procedures.

The Civil Procedure Law of the PRC (the "**Civil Procedure Law**") adopted on April 9, 1991 and amended on October 28, 2007 prescribes the provisions for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. A civil case is generally heard by a court located in the defendant's place of domicile. The competent court may also be selected by express agreement amongst the parties to a contract provided that the court selected is located at the plaintiff's or the defendant's place of domicile, the place of performing the contract or the place of executing the contract or the object of the action, provided that the provisions of the Civil Procedure Law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or foreign enterprise is generally given the same litigation rights and obligations as a citizen or legal person of the PRC. Should a juridical system of a foreign country limit the litigation rights of PRC citizens and enterprises, subject to the principle of reciprocity, the PRC courts may apply the same limitations to the citizens and enterprises (in China) of that foreign country. If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same within a stipulated period. Should anyone be unable to execute the judgment of the people's court within a stipulated period, as a result of any party's application, the people's court shall enforce such a judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgment or ruling. Similarly, if the PRC has entered into a treaty relating to judicial enforcement with the relevant foreign country or a relevant international treaty, a foreign judgment or ruling may also be recognized and enforced according to PRC enforcement procedures by a PRC court based on the equity principle unless the people's court considers that the recognition or enforcement of a judgment or ruling will violate the basic legal principles of the PRC or its sovereignty or national security, or social and public interest.

THE PRC COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

The PRC Company Law was adopted by the Standing Committee of the Eighth NPC at its Fifth Meeting on December 29, 1993 and came into effect on July 1, 1994. It was amended thrice on December 25, 1999 and on August 28, 2004 and revised on October 27, 2005. The latest revised PRC Company Law came into effect on January 1, 2006.

The Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (the “**Special Regulations**”) were passed at the 22nd Standing Committee Meeting of the State Council on July 4, 1994 and promulgated and implemented on August 4, 1994. The Special Regulations are formulated in respect of the overseas share subscription and listing of joint stock limited companies. The Mandatory Provisions of the Companies Seeking Overseas Listing (the “**Mandatory Provisions**”) promulgated by Securities Commission and the State Restructuring Commission on August 27, 1994 prescribe provisions which must be incorporated in the articles of association of joint stock limited companies to be listed on overseas stock exchanges. Accordingly, the Mandatory Provisions have been incorporated in the Articles of Association.

Set out below is a summary of the major provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions.

General

A “company” is a corporate legal person incorporated within the PRC under the PRC Company Law with independent legal person properties and entitlements to such legal person properties. The liability of the company is limited to the full amount of its assets and the liability of its shareholders is limited to the extent of the capital contributions subscribed or the shares subscribed respectively by them. Companies can be divided into two different categories: limited liability companies and joint stock limited liability companies.

Incorporation

A joint stock limited liability company may be incorporated by promotion or subscription. A joint stock limited liability company may be incorporated by a minimum of two but not more than two hundred promoters. At least half of the promoters must have residence within the PRC.

Joint stock limited liability companies incorporated by promotion are companies the entire registered capital of which is subscribed for by the promoters. The initial capital contribution by all promoters of the joint stock limited liability company shall not be less than 20% of the registered capital. The remainder shall be paid up within two years from the date of incorporation of the joint stock limited liability company by the promoters. For investment in joint stock limited liability companies, the remainder may be paid up within five years. Shares in the company shall not be offered to other persons unless the registered capital has

been paid up. For joint stock limited liability companies incorporated by public subscription, the registered capital is the amount of its total paid up capital as registered with the registration authorities. The minimum registered capital of a joint stock limited liability company is RMB5 million or as required by the laws or administrative regulations, whichever is higher.

For joint stock limited liability companies incorporated by way of promotion, the promoters shall subscribe in full in writing for shares required to be subscribed by them by the articles of association. The full amount of capital contribution shall be paid up if payments are made in one lump sum and the first installment shall be paid forthwith if payments are made in installments. Procedures relating to the transfer of title for non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provision shall be liable for breach of contract in accordance with the covenants laid down in the promoters' agreement. After the promoters have completed the initial capital contribution, a board of directors and a supervisory committee shall be elected and the board of directors shall apply for registration of incorporation by filing the articles of association with the company registration authorities, together with a capital verification certificate issued by a capital verification institution established by law and other documents required by the law or administrative regulations.

Where joint stock limited liability companies are incorporated by subscription, not less than 35% of their total shares must be subscribed for by the promoters and the remainder can be subscribed for by the public or particular persons, unless otherwise provided for by the law or administrative regulations. A promoter who offers shares to the public must publish a prospectus and draft a share subscription form to be signed and sealed by subscribers, specifying the number and amount of shares to be subscribed for and their addresses. The subscribers shall pay up the amounts for the number of shares they have subscribed for. Where a promoter is offering shares to the public, such offer shall be underwritten by securities firms established by law, in relation to which underwriting agreements shall be signed. A promoter offering shares to the public shall also sign an agreement with a bank in relation to the receipt of subscription amounts. The receiving bank shall receive and keep in custody the subscription amounts, issue receipts to subscribers who have paid the subscription amounts and furnish evidence of receipt of subscription amounts to the relevant authorities. After the subscription amounts for the share issuance have been paid in full, a capital verification institution established by law must be engaged to conduct capital verification and furnish a report thereon. The promoters shall convene an inauguration meeting within thirty days and notify each subscriber of or publicly announce the date of the inaugural meeting no less than fifteen days in advance of the meeting. The inauguration meeting shall be held only if the promoters and subscribers representing more than half of the total shares issued are present. Where shares issued remain undersubscribed by the cut-off date stipulated in the share offering prospectus, or where the promoter fails to convene an inauguration meeting within thirty days after subscription amounts for the shares issued have been fully paid up, the subscribers may demand the promoter return the subscription amounts so paid up together with interest at bank rates payable for a deposit of an equivalent amount for the same term. Within thirty days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the establishment of the company.

A joint stock limited liability company is formally established and has the status of a legal person after the approval of registration has been given by the relevant administration bureau for industry and commerce and a business license has been issued.

A joint stock limited liability company's promoter shall bear the following liabilities:

- (i) Where the company cannot be incorporated, they shall bear the joint and several liability for all the debts and expenses incurred in the act of incorporation;
- (ii) Where the company cannot be incorporated, they shall bear the joint and several liability for refunding the subscription monies paid by the subscribers, plus their bank deposit interest calculated for the same period of time; and
- (iii) Where the interests of the company are impaired due to the fault committed by the promoters in the process of the incorporation of the company, they shall bear the liability to pay compensation to the company.

Share capital

The promoter of a joint stock limited liability company may make capital contribution in currencies, or in kind or by way of injection of assets, intellectual property rights or land use rights based on their appraised value, and may also convert lawfully transferred non-monetary assets into capital contribution with a monetary value, save for assets prohibited to be contributed as capital by the law or administrative regulations. If a capital contribution is made other than in cash, a valuation and verification of the asset contributed must be carried out without any overvaluation or under-valuation, subject to any provisions of the law or administrative regulations on valuation. The amount of monetary contribution by all shareholders shall not be less than 30% of the registered capital of the company.

A joint stock limited liability company may issue registered or bearer share certificates. The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas be issued in registered form and shall be denominated in Renminbi and subscribed for in foreign currency. Shares issued to foreign investors from Hong Kong, Macau and Taiwan and listed in Hong Kong are classified as H Shares, and those shares issued to investors within the PRC other than the territories specified above are known as domestic shares. Under the Special Regulations, upon approval of the CSRC, a company may agree, in the underwriting agreement in respect of an issue of H Shares, to retain not more than 15% of the aggregate number of H Shares proposed to be issued besides the amount of underwritten shares. The share offering price may be equal to or greater than the par value, but may not be less than the par value.

Increase in share capital

According to the PRC Company Law, the issuance of shares shall be conducted in a fair and equitable manner. Shares in the same class shall rank *pari passu* with one another. Shares of the same class in the same offer shall be issued on the same conditions and at the same price. The same price per share shall be paid by any units or individuals subscribing for shares.

When a joint stock limited liability company is issuing new shares, resolutions shall be passed by a shareholders' general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issue and the class and amount of new shares to be issued to existing shareholders. When a joint stock limited company launches a public issue of new shares with the approval of the securities regulatory authorities under the State Council, a new share offering prospectus and financial accounting report must be published and a subscription form must be prepared. After the new share issuance of the company has been paid up, the change must be registered with the company registration authorities and an announcement must be made. Where a joint stock limited liability company is issuing new shares to increase its registered capital, the subscription of new shares by shareholders shall be conducted in accordance with provisions on the payment of subscription amounts in relation to the incorporation of the company.

Besides the PRC Company Law's provision that the issue of new shares shall be approved by a shareholders' general meeting, the Securities Law also stipulates that any company that makes an initial public offer (IPO) of its stock shall: (i) have a sound organizational structure and be well-operated; (ii) have a profitable outlook and be of sound financial status; (iii) have no record of having filed any false financial statement in the previous three years or any other major legal irregularity; and (iv) meet any other State Council-approved requirement prescribed by the securities regulatory authority under the State Council.

Reduction of share capital

Subject to the minimum registered capital requirements, a joint stock limited liability company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law: (i) the joint stock limited liability company shall prepare a balance sheet and a property list; (ii) the reduction of registered capital must be approved by shareholders in a shareholders' general meeting; (iii) the joint stock limited liability company shall inform its creditors of the reduction in capital within ten days and publish an announcement of the reduction in the newspaper within thirty days after the resolution approving the reduction has been passed; (iv) the creditors of the company may within the statutory prescribed time limit require the company to pay its debts or provide guarantees covering the debts; and (v) the company must apply to the relevant administration bureau for industry and commence the registration of the reduction in registered capital.

Repurchase of shares

A company may not purchase its own shares other than for one of the following purposes:

(i) to reduce its registered share capital; (ii) to merge with another company that holds its shares; (iii) to grant shares to its employees as incentives; (iv) to purchase its own shares from its shareholders who are against the resolution regarding the merger or demerger with other company in a shareholders' general meeting; and (v) such other purposes permitted by law and administrative regulations. The company's acquisition of its own shares on the grounds set out in (i) to (iii) above shall require approval by way of a resolution passed in a shareholders' general meeting. Following the company's acquisition of its shares in accordance with the foregoing, such shares shall be canceled within ten days from the date of acquisition in the case of (i) and transferred or canceled within six months in the case of (ii) or (iv).

Shares acquired by the company in accordance with (iii) under paragraph one of this section shall not exceed 5% of the total number of issued shares of the company. Such acquisition shall be financed by funds appropriated from the company's profit after taxation, and the shares so acquired shall be transferred to the employees of the company within one year.

Transfer of shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. A shareholder may only effect a transfer of its shares on a stock exchange established in accordance with law or by other ways as required by the State Council. Registered shares may be transferred after the shareholders endorse their signatures on the back of the share certificates or in any other manner specified by the law or administrative regulations. Following the transfer, the company shall enter the name of the transferee and its address into the share register. The transfer of bearer's share certificate shall become effective upon the delivery of such share certificate to the transferee by the shareholder. Subject to the PRC Company Law, no changes of registration in the share register provided in the foregoing shall be effected during a period of twenty days prior to the convening of the shareholders' general meeting or five days prior to the record day for the purpose of determining entitlements to dividend distributions, subject to any legal provisions on the registration of changes in the share register of listed companies. Subject to the Mandatory Provisions, the shareholders' register may not be modified within the thirty days preceding the shareholder's general meeting or within the five days preceding any ex-dividend date fixed by the company.

Shares held by a promoter may not be transferred within one year after the company's establishment. Shares of the company issued prior to the public issue of shares shall not be transferred within one year from the date of the company's listing on a stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in the company and any changes in such shareholdings. During their term of office, they shall transfer no more than 25% of the shares they hold in the company. They shall not transfer the shares they hold within one year from the date of the company's listing on a stock exchange, nor within six months after they have resigned from their positions with the company. The articles of association may lay down other restrictive provisions in respect of the transfer of shares in the company held by the directors, supervisors and the senior management of the company.

Shareholders

A shareholder's rights and duties are all stipulated in the company's articles of association, which is binding on all shareholders.

Under the PRC Company Law and the Mandatory Provisions, the rights of a shareholder include:

- (i) to attend shareholders' general meetings and exercise the voting rights on the basis of the number of the shares held by such shareholder personally or appoint an agent to attend such meetings and exercise the rights referred to hereinabove;

- (ii) to transfer the shares held by such shareholder subject to the applicable laws, regulations and the company's articles of association;
- (iii) to bring an action in the people's court to rescind the resolution when any law or administrative regulation or any legal right or interest of any shareholder is violated by a resolution passed by the shareholders' general meeting or the board of directors;
- (iv) to inspect the articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, board resolutions, resolutions of the supervisory committee and financial and accounting reports and to make proposals or enquiries in respect of the company's operations;
- (v) to receive dividends in respect of the number of shares held;
- (vi) to receive residual properties of the company in proportion to their shareholdings upon the liquidation of the company; and
- (vii) any other shareholders' rights provided for in the articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by him and any other shareholders' obligation specified in the company's articles of association.

Shareholders' general meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law.

The shareholders' general meeting exercises the following principal powers:

- (i) to decide on the company's operational policies and investment plans;
- (ii) to elect or remove the directors and supervisors (that are not staff representatives) and to decide on matters relating to the remuneration of directors and supervisors;
- (iii) to examine and approve reports of the board of directors;
- (iv) to examine and approve reports of the supervisory committee or supervisor;
- (v) to examine and approve the company's proposed annual financial budget and final accounts;
- (vi) to examine and approve the company's proposals for profit distribution plans and recovery of losses;

- (vii) to decide on any increase or reduction of the company's registered capital;
- (viii) to decide on the issue of bonds by the company;
- (ix) to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;
- (x) to amend the company's articles of association; and
- (xi) other powers as provided for in the articles of association.

Shareholders' general meetings are required to be held once every year. An extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following:

- (i) the number of directors is less than the number stipulated by the law or less than two-thirds of the number specified in the articles of association;
- (ii) the aggregate losses of the company which are not recovered reach one third of the company's total paid-in share capital;
- (iii) when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;
- (iv) whenever the board of directors deems necessary;
- (v) when the supervisory committee so requests; or
- (vi) other circumstances as provided for in the articles of association.

Shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting. Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the supervisory committee shall convene and preside over such meeting in a timely manner. In case the supervisory committee fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for ninety days consecutively may unilaterally convene and preside over such meeting.

Subject to the PRC Company Law, notice of the shareholders' general meeting stating the time and venue of and matters to be considered at the meeting shall be given to all shareholders twenty days before the meeting. Notice of extraordinary general meetings shall be given to all shareholders fifteen days prior to the meeting. Notice of the issuance of bearer's share shall be

announced thirty days before the meeting. Subject to the Special Regulations and the Mandatory Provisions, such notice shall be delivered to all the shareholders forty five days in advance, and the matters to be considered at the meeting shall be specified. Subject to the Special Regulations and the Mandatory Provisions, the confirmation letter of the shareholders planning to attend the meeting shall be delivered to the company twenty days in advance of the meeting. Moreover, subject to the Special Regulations, shareholders holding more than 5% of the company's shares may put forward a new proposal in writing for discussion at the shareholder's annual meeting, and if the proposal falls within the purview of the meeting, it shall be placed on the agenda of that meeting. Shareholders present at a shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights. Resolutions of the shareholders' general meeting must be adopted by more than half of the voting rights held by shareholders present at the meeting, with the exception of matters relating to merger, division, dissolution of a company or amendments to the articles of association, which must be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting. Where the PRC Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by a company must be approved by way of resolution of the shareholders' general meeting, the directors shall convene a shareholders' general meeting promptly to vote on the above matters. The accumulative voting system may be adopted pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting for the election of directors and supervisors at the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to votes equivalent to the number of directors or supervisors to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

Minutes shall be prepared in respect of matters considered at the shareholders' general meeting and the president of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

According to the Mandatory Provisions, the increase or reduction of share capital, the issue of shares of any class, warrants or other similar securities, and bonds or debentures, the liquidation of the company and any other matters in respect of which the shareholders by ordinary resolution so decide, must be approved through special resolutions by more than two-thirds of the voting rights held by shareholders present at the meeting.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting, although the Special Regulations and the Mandatory Provisions provide that a company's annual general meeting may be convened when replies to the notice of that meeting from shareholders holding shares representing 50% of the voting rights in the company have been received twenty days before the proposed date, or if that 50% level is not achieved, the company shall within five days of the last day for receipt of the replies notify shareholders again by public announcement of the matters to be considered at the meeting and the date and place of the meeting and the annual general meeting may be held thereafter. The Mandatory Provisions require class meetings to be held in the event of a variation or derogation of the class rights of a class.

Directors

A company shall have a board of directors, which shall consist of five to 19 members. Members of the board of directors may include staff representatives of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors exercises the following powers:

- (i) to convene the shareholders' general meetings and report on its work to the shareholders' general meetings;
- (ii) to implement the resolutions passed in general meetings;
- (iii) to decide on the company's business plans and investment proposals;
- (iv) to formulate the company's proposed annual financial budget and final accounts;
- (v) to formulate the company's profit distribution proposals and for recovery of losses;
- (vi) to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- (vii) to prepare plans for the merger, division or dissolution of the company;
- (viii) to decide on the company's internal management structure;
- (ix) to appoint or dismiss the company's general manager and based on the general manager's recommendation, to appoint or dismiss the deputy general managers and financial officers of the company and to decide on their remuneration;
- (x) to formulate the company's basic management system; and
- (xi) to exercise any other power under the articles of association.

Meetings of the board of directors shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors ten days before the meeting. Interim board meetings may be convened by shareholders representing more than 10% of voting rights, more than one third of the directors or the supervisory committee. The chairman shall convene

and preside over such meeting within ten days after receiving such proposal. The board of directors may provide for a different method of giving notice and notice period for convening an extraordinary meeting of the board of directors. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the law, administrative regulations or the company's articles of association, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved from that liability.

Under the PRC Company Law, the following persons may not serve as a director of a company:

- (i) persons without civil capacity or with restricted civil capacity;
- (ii) persons who have committed the offence of corruption, bribery, taking of property, misappropriation of property or destruction of the social economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offence, where less than five years have elapsed since the date of the completion of implementation of this deprivation;
- (iii) persons who are former directors, factory managers or managers of a company or enterprise which has become bankrupt and has been liquidated and who are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- (iv) persons who were legal representatives of a company or enterprise which had its business license revoked due to violation of the law and who are personally liable, where less than three years have elapsed since the date of the revocation of the business license; and
- (v) persons who have a relatively large amount of debts due and outstanding.

The election, appointment or engagement of directors elected or appointed by the company in violation of the aforesaid provisions shall be null and void. If one of these restrictions becomes applicable to a director during his term of office, such director shall be released of his duties by the company.

Other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions.

The board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist in the work of the chairman. In the event that the chairman is not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall perform his duties.

Supervisors

A company shall have a supervisory committee composed of not less than three members. The supervisory committee is made up of representatives of the shareholders and an appropriate proportion of representatives of the company's staff. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the company's staff shall not be less than one-third of the directors and officers may not act concurrently as supervisors. Representatives of the company's staff and workers at the supervisory committee shall be democratically elected at the staff representative assembly, general staff meeting or otherwise. The supervisory committee shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory committee are elected with approval of more than half of all the supervisors. The chairman of the supervisory committee shall convene and preside over supervisory committee meetings. In the event that the chairman of the supervisory committee is incapable of performing or not performing his duties, the vice chairman of the supervisory committee shall convene and preside over supervisory committee meetings. In the event that the vice chairman of the supervisory committee is incapable of performing or not performing his duties, a supervisor nominated by more than half of supervisors shall convene and preside over supervisory committee meetings.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if reelected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of supervisors results in the number of supervisor being less than the quorum.

The supervisory committee exercises the following powers:

- (i) to review the company's financial position;
- (ii) to supervise the directors and officers in their performance of their duties and to propose the removal of directors and officers who have violated laws, regulations, the articles of association or shareholders' resolution;

- (iii) when the acts of directors and officers are harmful to the company's interests, to require correction of these acts;
- (iv) to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' meeting under this law;
- (v) make proposals for resolutions to shareholders' general meeting;
- (vi) to initiate proceedings against directors and officers; and
- (vii) other powers specified in the articles of association.

Supervisors may be in attendance at board meetings and make enquiries or proposals in respect of board resolutions. The supervisory committee or (where there is no supervisory committee) the supervisors of a company may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accountant to assist in their work at the company's expense.

Managers and officers

A company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and may exercise the following powers:

- (i) supervise the production, business and administration of the company and arrange for the implementation of resolutions of the board of directors;
- (ii) arrange for the implementation of the company's annual business and investment plans;
- (iii) formulate plans for the establishment of the company's internal management structure;
- (iv) formulate the basic administration system of the company;
- (v) formulate the company's internal rules;
- (vi) recommend the appointment and dismissal of deputy managers and any financial controller;
- (vii) appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors); and
- (viii) other powers conferred by the board of directors or the articles of association.

Other provisions of the articles of association concerning the general manager's powers shall also be complied with. The general manager shall be in attendance at board meetings.

According to the PRC Company Law, officers shall mean the general manager, deputy general manager(s), financial controller, board secretaries (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

Duties of the directors, supervisors, general managers and other officers

Directors, supervisors, managers and officers of a company are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and carry out their duties honestly and diligently. Directors, supervisors, managers and officers are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties. Directors and officers are prohibited from:

- (i) misappropriation of company funds;
- (ii) deposit of company funds into accounts under his own name or the name of other individuals;
- (iii) loaning company funds to others or providing guarantees in favor of others supported by the company properties in violation of the articles of association or without prior approval of the shareholders' meeting, shareholders' general meeting or board of directors;
- (iv) entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' meeting, shareholders' general meeting or board of directors;
- (v) using their position and powers to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefit or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' meeting or the shareholders' general meeting;
- (vi) accepting for their own benefit commissions from a third party dealing with the company;
- (vii) unauthorized divulgence of confidential business information of the company; or
- (viii) other acts in violation of their duty of loyalty to the company.

Income generated by directors or officers in violation of the foregoing provisions shall be reverted to the company.

A director, supervisor or officer who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable to the company.

Where the attendance of a director, supervisor or officer is requested by the shareholders' general meeting, such director, supervisor or officer shall attend the meeting as requested and answer enquiries of shareholders.

Directors and officers should furnish with all truthful facts and information to the supervisory committee or the supervisor (for companies with limited liability that do not have supervisory committees) without obstructing the discharge of duties by the supervisory committee or the supervisors.

The Special Regulations and the Mandatory Provisions provide that a company's directors, supervisors, general managers and other officers shall have duty of loyalty towards the company. They are required to faithfully perform their duties, protect the interests of the company and not use their positions for their own benefit. The Mandatory Provisions contain detailed stipulations on these duties.

Finance and accounting

A company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations of the responsible financial department of the State Council and at the end of each financial year prepare a financial report which shall be audited by an accountant as provided by law. The financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

The financial report of a liability limited company shall be delivered to all the shareholders within the time limit stipulated in the company's articles. A joint stock limited liability company shall deposit its financial statements at the company for inspection by the shareholders at least twenty days before the convening of an annual general meeting of shareholders. A joint stock limited liability company issuing its shares in public must publish its financial statements.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits for the company's statutory surplus common reserve fund (except where the fund has reached 50% of the company's registered capital). When the company's statutory common reserve fund is not sufficient to make up for the company's losses of the previous year, current year profits shall be used to make good the losses before allocating such profits. After the company has made appropriations to the statutory common reserve fund from its after-tax profit, it may, with the approval of the shareholders' meeting or the shareholders' general meeting by way of resolution, make further appropriations from its after-tax profit to the discretionary common reserve fund. After the company has made good its losses and made allocations to its common reserve fund, the remaining profits are distributed in proportion to the number of shares held by the shareholders, or in other manner. Profit distributed to shareholders by the shareholders' meeting or shareholders' general meeting or the board of directors before losses have been made good and appropriations have been made to the statutory commons reserve fund in violation of the foregoing provisions must be returned to the company. Company shares held by the company shall not be entitled to any distribution of profit.

The premium over the nominal value of the shares of the company in issue and other amounts required by the relevant governmental authority to be treated as the capital common reserve shall be accounted for as capital common reserve. The capital common reserve of a company shall be applied to make up the company's losses, expand the business operations of the company or increase the company's capital. The capital common reserve shall not be used to make good the company's losses. Upon the conversion of statutory common reserve into capital, the balance of the statutory common reserve shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. The company's assets shall not be deposited in any accounts opened in the name of an individual.

Appointment and retirement of auditors

Pursuant to the PRC Company Law, the appointment or dismissal of accountants responsible for the company's auditing shall be determined in a shareholders' meeting, shareholders' general meeting or the board of directors in accordance with the articles of association. The accountant should be allowed to make representations when the shareholders' meeting, the shareholders' general meeting or board of directors is going to conduct a vote on the dismissal of the accountant. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accountant it hires without any refusal, withholding and false information.

The Special Regulations require a company to employ an independent qualified firm of accountants to audit the company's annual report and review and check other financial reports. The accountant's term of office shall commence at the end of the annual general meeting of the company's shareholders and it shall expire at the end of the next annual general meeting of the company's shareholders.

Distribution of profits

According to the PRC Company Law, the company shall not distribute profits before losses are covered and the statutory common reserve is drawn. Under the Mandatory Provisions, the payment of foreign currency to shareholders shall be made through a receiving agent.

Amendment of articles of association

Any amendments to the articles of association must be made in accordance with the procedures set forth in applicable laws, regulations and the articles of association. Any amendment of provisions incorporated in the articles of association in accordance with the Mandatory Provisions will only be effective after approved by the company's approval department authorized by the CSRC and the State Council and filed with the State Administration of Industry and Commerce or any of its local bureaus for registration. If the amendment to the articles of association needs to be registered and filed and has been adopted, the company must process registration of changes in accordance with applicable laws and regulations.

Dissolution and liquidation

According to the PRC Company Law, a company shall be dissolved by reason of the following:

- (i) the term of its operations set down in the company's articles of association has expired or other events of dissolution specified in the company's articles of association have occurred;
- (ii) the shareholders in general meeting have resolved to dissolve the company;
- (iii) the company is dissolved by reason of its merger or demerger;
- (iv) the business license is invalidated; the operation is suspended, or the company is dissolved as ordered; or
- (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders of the company, on the grounds that the operation of the company experiences serious difficulties that cannot be resolved through other means, rendering ongoing existence of the company a source of significant losses for shareholders.

In the event of (i) above, the company may carry on its existence by amending its articles of association. The amendment of the articles of association in accordance with provisions set out in the previous paragraph shall require approval of shareholders holding more than two-thirds of voting rights in the case of companies with limited liability and more than two-thirds of voting rights of shareholders attending a shareholders' general meeting in the case of a joint stock limited liability company.

Where the company is dissolved in the circumstances described in (i), (ii), (iv) or (v) above, a liquidation committee shall be established and liquidation within fifteen days after the occurrence of an event of dissolution.

Members of the liquidation committee of a joint stock limited liability company shall be composed of its directors or the person appointed by the shareholders' general meeting. If a liquidation committee is not established within the stipulated period, the company's creditors can apply to the people's court, requesting the court to appoint relevant personnel to form the liquidation committee. The people's court should accept such application and form a liquidation committee to conduct a liquidation in a timely manner.

The liquidation committee shall exercise the following powers during the liquidation period:

- (i) to handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- (ii) to notify creditors or issue public notices;
- (iii) to deal with the company's outstanding businesses related to liquidation;
- (iv) to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- (v) claiming credits and paying off debts;
- (vi) to handle the surplus assets of the company after its debts have been paid off; and
- (vii) to represent the company in civil lawsuits.

The liquidation committee shall notify the company's creditors within ten days after its establishment, and issue public notices in the newspapers within sixteen days. A creditor shall lodge his claim with the liquidation committee within thirty days after receiving notification, or within forty five days of the public notice if he does not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation committee shall register such creditor rights. The liquidation committee shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan to be submitted to the shareholders' meeting, shareholders' general meeting or people's court for endorsement.

The remaining assets of the company after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debt shall be distributed to shareholders according to their proportion of capital contribution in the case of companies with limited liability and according to shareholding proportion in the case of joint stock limited liability companies. The company shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayment are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must immediately apply to the people's court for a declaration for bankruptcy.

Following such declaration, the liquidation committee shall hand over all affairs of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' meeting, shareholders' general meeting or the court for verification. Thereafter, the report shall be submitted to the company's registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation committee are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation committee shall be prohibited from making of their powers to accept bribes or other unlawful income and from appropriating the company's properties.

A member of the liquidation committee is liable to indemnify the company and its creditors in respect of any loss arising from his willful or material default.

Securities Law and Regulations and Regulatory Regimes

Since 1992, the PRC has promulgated a number of regulations in relation to the issue and trading of shares and disclosure of information. In October 1992, the Securities Commission and the CSRC were established under the State Council. The Securities Commission is responsible for coordinating the drafting of relevant laws and regulations on securities, formulating policies on securities affairs, planning the development of securities markets and guiding, coordinating and regulating all PRC institutions involved in securities affairs and supervising the CSRC. The CSRC is the regulatory and execution arm of the Securities Commission and is responsible for drafting regulations governing the securities market, supervising securities companies, regulating the domestic and overseas public issue of securities by PRC companies, supervising securities trading, compiling securities related statistics and conducted research and analysis. In 1998, the State Council decided to cancel the Securities Commission of the State Council and the functions of the Securities Commission was assumed by the CSRC.

On December 25, 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Liability Companies. These regulations deal mainly with the issue, subscription, trading, declaration of dividends and other distributions of domestic listed foreign shares and the disclosure of information of joint stock limited liability companies having domestic listed foreign shares.

On December 29, 1998, the Standing Committee of the NPC promulgated the Securities Law which came into effect on July 1, 1999. This is the first national securities law in the PRC and is the fundamental law comprehensively regulating activities in the PRC securities market. On August 28, 2004 and October 27, 2005, the Securities Law was respectively revised twice. The Securities Law is applicable to the issuance and trading of shares in the PRC, company bonds and other securities designated by the State Council according to law, and provisions of the issuance and transaction of securities, acquisitions of listed companies, stock exchanges, security companies and the duties and responsibilities of securities regulatory authority under the State Council, etc.

Where the Securities Law does not apply, the provisions of the PRC Company Law and other applicable laws and administrative regulations will apply.

FOREIGN EXCHANGE CONTROL

The SAFE promulgated the “Notice of SAFE on the Relevant Issues concerning Foreign Exchange Administration of Foreign Investment by Funds Management Companies and Securities Companies” (國家外匯管理局關於基金管理公司和證券公司境外證券投資外匯管理有關問題的通知) on September 29, 2009, which regulates the exchange control for investments in overseas securities by domestic fund management companies and securities companies. For securities operating institutions which possess the qualification to engage in foreign exchange business to conduct investments in overseas securities, they shall apply to SAFE for investment quotas; SAFE adopts the method of quota balance in managing the investment quotas, the net amount remitted by a securities operating institution shall not exceed the approved investment quota, a securities institution is not allowed to transfer or sell its investment quota to other institutions in any form; a securities operating institution may raise foreign exchange funds from the domestic investors, or it may raise capital in RMB from the domestic investors to purchase foreign currency for investments in overseas securities, domestic investors are not allowed to purchase the relevant products issued by securities operating institutions with foreign currencies; a securities company shall, within seven working days after establishment of each product, report to SAFE the situations such as the actual size and source of funds of the product, a securities operating institution shall, within seven working days after the end of each month, report to SAFE the aggregate data on overseas securities investments by that institution, a domestic custodian shall, within seven working days after the end of each month, report to SAFE the relevant data for investments in overseas securities by the securities operating institutions under the custody. Securities operating institutions and domestic custodians shall discharge their declaration responsibilities in accordance with the relevant provisions of the declaration of international balance of payment statistics.

In accordance with the “Provisions on the Foreign Exchange Administration of Domestic Securities Investments by Qualified Foreign Institutional Investors” (合格境外機構投資者境內證券投資外匯管理規定) which came into force on September 29, 2009, the administration of quota on domestic securities investments by qualified foreign institutional investors (“QFII”) has been implemented. The investment quota applied for by a QFII shall be worth no less than USD50 million each time, with the accumulative investment quota not exceeding USD1 billion and the aforesaid quota may be subject to adjustment. A QFII shall not file another application for increase of investment quota within one year after the approval of the previous investment quota. The lock-in period for deposit for the QFIIs of pension fund, insurance fund, publicly-raised fund, charity fund, donation fund and government and currency administration and the open-ended Chinese fund established by QFIIs shall be three months; and that of deposit for other QFIIs shall be one year. A custodian should go through a filing in the foreign exchange bureau where the custodian is domiciled within five working days upon the opening of the QFII foreign exchange account and the special RMB account, submit the official custody agreement to SAFE and receive the “Foreign Exchange Registration Certificate” (外匯登記證) for the QFII. The “Provisions on the Foreign Exchange Administration of Domestic Securities Investments by Qualified Foreign Institutional Investors” has also listed out details regarding QFII account management, currency exchange management as well as statistics and supervision issues.

This Appendix sets out the main clauses of our Articles of Association adopted by our Company on September 3, 2013.

DIRECTORS AND BOARD OF DIRECTORS

(1) Power to allocate and issue shares

The Articles of Association does not contain clauses that authorize the Board of Directors to allocate or issue shares. The Board of Directors shall prepare proposals for share allotment or issue, which are subject to approval by the Shareholders at the Shareholders' general meetings in the form of a special resolution. Any such allotment or issue shall be in accordance with the procedures stipulated in appropriate laws and administrative regulations.

(2) Power to dispose assets of our Company or our subsidiaries

If the sum of the expected value of the fixed assets to be disposed of, and the amount or value of the cost received from the fixed assets of our Company disposed of within the four months immediately preceding this proposal for disposal exceeds 33% of the value of fixed assets of our Company indicated on the latest audited balance sheet submitted to the Shareholders at the Shareholders' meeting, the Board of Directors shall not dispose of or agree to dispose of such fixed assets without the prior approval of Shareholders at the Shareholders' general meeting. The above disposal refers to the transfer of rights and interests in certain assets, but does not include the provision of guarantees with fixed assets. The validity of the transactions with respect to the disposal of fixed assets of our Company shall not be affected by the violation of the above restrictions contained in the Articles of Associations.

(3) Indemnification or compensation for loss of office

As provided in the contracts entered into between our Company and the Directors or Supervisors in connection with their emoluments, they are entitled to compensation or other payments for loss of office or retirement as a result of the acquisition of our Company, subject to the approval of the Shareholders at the Shareholders' general meeting in advance. Acquisition of our Company refers to any of the following circumstances:

- 1) An offer is made by any person to all the Shareholders;
- 2) An offer is made by any person such that the offeror will become the Controlling Shareholder of our Company (as defined in Article 50 of our Articles of Association).

If the relevant Director or Supervisor fails to comply with the above requirements, any payment received shall belong to the person who sells the Shares for acceptance of the aforesaid offer. The Director or Supervisor shall bear all expenses arising from the distribution of such payments to the person on pro rata basis, and all related expenses shall not be deducted from the payments distributed.

(4) Loans to Directors, Supervisors or other management personnel

Our Company shall neither provide the Directors, Supervisors, general manager and other senior management of our Company or our parent company with loans or loan guarantees either directly or indirectly nor provide persons related to the above personnel with loans or loan guarantees.

The provision above is not applicable to the following transactions:

- 1) Our Company provides our subsidiaries with loans or loan guarantees.
- 2) Our Company provides the Directors, Supervisors, general manager and other senior management with loans, loan guarantees or other fund pursuant to the employment contracts approved at the Shareholders' meeting to pay all expenses incurred for the purpose of our Company or performing our duties.
- 3) In case that the normal scope of business of our Company covers the provision of loans or loan guarantees, our Company may provide any of the Directors, Supervisors, general manager, other senior management or their related personnel with loans or loan guarantees, provided that the terms governing the above loans or loan guarantees shall be normal commercial terms.

In the event that our Company provides loans in violation of the above restriction, the person who receives the loan(s) must payoff the loan(s) immediately, regardless of the terms of the loans.

Any loan guarantee provided by our Company in violation of the above restriction shall not be mandatorily enforced against us, unless under the following circumstances:

- 1) The loan provider unknowingly provides loans to personnel related to the Directors, Supervisors, general manager and other senior management of our Company or our parent company;
- 2) The collateral provided by our Company is sold lawfully by the lender to the buyer in good faith.

For the purpose of the above provisions, a guarantee includes acts of a guarantor bearing the liabilities or providing properties to ensure that the obligor performs the obligations.

(5) Financial Assistance Provided for Acquisition of the Shares or Shares of Any Subsidiary of our Company

Pursuant to the Articles of Association:

- 1) Our Company or our subsidiaries shall not, by any means at any time, provide any financial assistance to personnel who acquires or plans to acquire our Shares. Such personnel includes any who directly or indirectly undertakes obligations from acquiring the Shares.

- 2) Our Company or our subsidiaries shall not, by any means at any time, provide financial assistance to personnel mentioned in the preceding paragraph for the purpose of mitigating or exempting the obligations of the above personnel.

The following transactions are not prohibited:

- 1) Related financial assistance provided by our Company which is in good faith in our interest and the main purpose of the financial assistance is not to acquire our Shares or is an incidental part of a master plan of our Company;
- 2) The lawful distribution of our properties by way of dividend;
- 3) Distribution of dividends in the form of shares;
- 4) Reduction of registered capital, repurchase of Shares or adjustments of our shareholding structure pursuant to the Articles of Association;
- 5) Our Company grants loans within our scope of business and in the ordinary course of our business, provided that such loans shall not result in reduction in the net assets of our Company or even if the net assets are reduced, this financial assistance is paid from the profit available for distribution;
- 6) Our Company provides the employee stock ownership plan with fund, provided that such loans shall not result in reduction in the net assets of our Company or even if the net assets are reduced, this financial assistance is paid from the profit available for distribution.

(6) For the purpose of the above provisions:

Financial assistance includes, but is not limited to:

- 1) Gift;
- 2) Guarantee (including the assumption of liabilities and provision of properties by a guarantor to secure the performance of obligations by the obligor), compensation (excluding compensation arising from mistakes of our Company) or release or waiver of any rights;
- 3) Provision of loans or signing of contracts whereby our Company performs some obligations before others, change of parties to the loans/contracts as well as the assignment of the rights in the loans/contracts;
- 4) Any other form of financial assistance given by our Company when it is insolvent or has no net assets or will suffer significant decrease in net assets.

“Assuming obligations” includes obligator undertaking obligations by signing agreements or making arrangements (no matter whether the agreements or arrangements are enforceable on demand or bearing the obligations by itself or jointly with any other person) or changing its financial status in any other manner.

(7) Borrowing powers

Subject to compliance with the laws and administrative regulations of the State, our Company is entitled to raise capital and borrow money, including (without limitation) the issue of bonds, the mortgaging or pledging of part or whole of our Company's properties and other rights permitted by the laws and administrative regulations of the State provided that such action does not damage or abrogate rights of any Shareholder. The Articles of Association do not contain any special provision in respect of the manner in which borrowing powers may be exercised by our Directors nor do they contain any special provision in respect of the manner in which such power may be raised, other than; (a) provisions which give our Directors the power to formulate proposals for the issuance of debentures by our Company; and (b) provisions which provide that the issuance of debentures must be approved by the Shareholders of our Company in a general meeting by way of a special resolution.

(8) Disclose matters relating to the contract rights of our Company and voting on contract(s)

When any of the Directors, Supervisors and other senior management has material interests in the contracts, transactions or arrangements that our Company has entered into or plans to enter into in any manner directly or indirectly (except for employment contracts that our Company has entered into with the Directors, Supervisors, general manager and other senior management), the above personnel shall disclose the nature and degree of their interests to the Board of Directors as soon as possible no matter whether the above contracts, transactions or arrangements are subject to the approval of the Board of Directors in normal circumstances.

A Director shall not vote on any board resolution approving the contract, transaction or arrangement or any other related proposal in which he/she or any of his/her associate (as defined in the Listing Rules) is materially interested. The relevant Director shall not be counted for the purpose of determining whether a quorum is reached for the meeting.

Unless the interested Director, Supervisor, general manager and other senior management of our Company discloses his/her interests to the Board in accordance with the aforesaid provisions and the contract, transaction or arrangement is approved by our Board at a meeting in which the interested Director, Supervisor, general manager and other senior management is not counted in the quorum and refrains from voting, our Company shall have the right to cancel the contracts, transactions or arrangements, except where the opposite party is a party in good faith without knowledge of the acts or related Directors, Supervisors, general manager and senior management violating their obligations.

A Director, Supervisor, general manager or other senior management of our Company is deemed to be interested in such contract, transaction or arrangement in which his/her related person is interested.

(9) Remuneration

Our Company shall enter into written agreements with its Directors and Supervisors regarding remuneration, which shall be subject to prior approval of the general Shareholder's meeting, including:

- 1) Remuneration as the Directors, Supervisors or senior management of our Company;
- 2) Remuneration as the directors, supervisors or senior management of the subsidiaries of our Company;
- 3) Remuneration for providing other services for management of our Company and our subsidiaries;
- 4) Compensation received by the Directors or Supervisors as a result of loss of office or retirement.

No Director or Supervisor shall institute any litigation against our Company over any interests payable relative to the above unless provided for the above contracts.

(10) Resignation, Appointment and Dismissal

None of the following persons shall serve as a Director, Supervisor, general manager or other senior management of our Company:

- 1) Anyone who has no civil capacity or has limited civil capacity;
- 2) Anyone who has been convicted of the offense of corruption, bribery, embezzlement, larceny, or disrupting the social economic order and is within five years of the expiry date of punishment or has been deprived of political rights because of this conviction and is within five years of the expiry date of the sentence;
- 3) Anyone who has served as director, factory manager or manager of a company or enterprise that is bankrupt and liquidated as a result of improper management, was personally liable for the bankruptcy of the company or enterprise, and is within three years of the date of completion of bankruptcy and liquidation of the company or enterprise;
- 4) Anyone who has served as the legal representative of a company or enterprise whose business license was revoked due to violation of the law, was personally liable, and is within three years of the date on which the business license of our Company or enterprise was revoked;
- 5) Anyone who has a large amount of debt, which was not paid at maturity;
- 6) Anyone who is under criminal investigation or prosecution by a judicial organization for violating the criminal law, and whose case is pending;

- 7) Anyone who is not a natural person;
- 8) Anyone judged by the competent agencies to have violated the provisions of relevant securities laws, has been involved in deceptive or dishonest acts and is within five years of the date on which the judgment was made;
- 9) Other circumstances as provided by laws and administrative regulations, or regulations of the competent authorities.

The validity of an act of the Directors, Supervisors, general manager and other senior management on behalf of our Company to bona fide third parties shall not be affected by any irregularities in their office, election or qualifications.

Our Company establishes the Board of Directors which consists of eight directors, among which, three are independent directors and one is the chairman of the Board.

Directors shall be elected by Shareholders at the general Shareholders' meeting and their terms of office shall be three years. Directors are eligible for re-election upon expiry of their terms of office, while the successive terms of office of independent directors shall not exceed six years. Independent directors shall be elected, by Shareholders at the general Shareholders' meetings, from members of the Board of Directors and the Board of Supervisors or candidates nominated by the Shareholder(s) holding more than 1% (1% included) of the issued Shares of our Company; and other Directors shall be elected, by Shareholders at the general Shareholders' meetings, from members of the Board of Directors or candidates nominated by the Shareholder(s) holding more than 5% (5% included) of the issued Shares of our Company.

Written notices concerning proposed nomination of director candidate and indication of the candidate's intention to accept the nomination shall be sent to our Company no later than seven days prior to the date of the general meeting. The seven-day notice period shall commence no earlier than the day immediately following the date of dispatch of the notice of general meeting concerning the election of Directors and shall end no later than the day falling seven days prior to the date of the general meeting.

(11) Duties

Each of our Directors, Supervisors, general manager and other senior management shall carry out his/her duties with the principle of good faith and shall not put himself/herself in a position where his/her own benefits may conflict with his/her obligations to our Company. This principle includes (but is not limited to) performing the following obligations:

- 1) To act honestly in the best interests of our Company;
- 2) To exercise one's rights within but not exceeding the scope of authority;
- 3) To exercise the discretion vested in him personally without being manipulated by others and not transferring discretionary powers to other persons, unless and to the extent permitted by laws or administrative regulations or with the informed consent of Shareholders given in a general Shareholders' meeting;

- 4) To treat Shareholders of the same class equally and to treat Shareholders of different classes fairly;
- 5) Not to enter into any contract, transaction or arrangement with our Company unless in line with the Articles of Association or otherwise approved by Shareholders at the general Shareholders' meeting on an informed basis;
- 6) Not to use properties of our Company in any manner for his/her own benefit without consent of general meeting on an informed basis;
- 7) Not to exploit his/her position to accept bribes or other illegal income or expropriate properties of our Company by any means, including (but not limited to) opportunities beneficial to our Company;
- 8) Not to accept commissions in connection with transactions of our Company unless agreed by the general Shareholders' meeting on an informed basis;
- 9) To abide by the Articles of Association, faithfully execute official duties and protect interests of our Company, and not to exploit his/her position and authority in our Company for his/her own benefits;
- 10) Not to compete with our Company in any manner unless agreed by the general Shareholders' meeting on an informed basis;
- 11) Not to misappropriate funds of our Company or lend such funds to others, not to open accounts in his/her own name or other names for deposit of the assets of our Company, and not to provide guarantee for debts of the Shareholders of our Company or other individual(s) with the assets of our Company;
- 12) To keep such confidential information acquired by him/her during his/her tenure in respect of our Company, unless otherwise permitted by the Shareholders at the general Shareholders' meeting on an informed basis; not to use such information unless in the interests of our Company; however, disclosure of such information to courts or other governmental authorities is permitted:
 - a) Disclosure is required by laws;
 - b) Disclosure is required by public interests;
 - c) Disclosure is required by the interests of the relevant Director, Supervisor, general manager or other senior management.

Each of the Directors, Supervisors, general manager and other senior management of our Company may not direct the following personnel or institutions (“related person”) to do acts that the Directors, Supervisors and senior management are prohibited from doing:

- 1) Spouses or minor children of the Directors, Supervisors, general manager and other senior management of our Company;
- 2) Trustees of the Directors, Supervisors, general manager and other senior management of our Company or the persons referred to in item 1) above;
- 3) Partners of the Directors, Supervisors, general manager and other senior management of our Company or persons referred to in items 1) and 2) above;
- 4) The company under de facto control by the Directors, Supervisors, general manager and other senior management individually or jointly with the persons or other Directors, Supervisors and senior management referred to in items 1), 2) or 3) above;
- 5) The directors, supervisors, general manager and other senior management of the controlled company referred to in item 4) above.

The good faith obligation owed by the Directors, Supervisors, general manager and other senior management of our Company may not necessarily terminate upon the expiration of their terms of office; their obligations to keep the trade secrets of our Company in confidence shall survive upon the expiration of their terms of office. The duration of other obligations shall be determined in accordance with the principle of fairness, depending on the length of time from the occurrence of the events to the time of resignation, as well as the circumstances and conditions under which the relationship with our Company is terminated.

Liabilities of Directors, Supervisors, general manager and other senior management of our Company arising from violation of specific duties may be released by the Shareholders at the general Shareholders’ meeting on an informed basis.

Apart from the obligations as required by the related laws, administrative regulations or the listing rules of the stock exchange where the Shares of our Company are listed, the Directors, Supervisors, general manager and other senior management of our Company shall assume the following obligations to each of the Shareholders when exercising their authorities endowed by our Company:

- (1) They may not cause our Company to operate beyond the scope of business indicated on our business license;
- (2) They shall act honestly in the best interests of our Company;
- (3) They may not deprive our Company of our properties in any manner, including, but not limited to, opportunities beneficial to our Company;

- (4) They may not deprive the Shareholders of personal rights and interests, including, but not limited to, the distribution right and voting right, except for restructuring of our Company submitted to the general Shareholders' meeting for approval pursuant to the provisions of the Articles of Association.

MODIFICATION OF THE ARTICLES OF ASSOCIATION

We may amend the Articles of Association based on the provisions of the relevant laws, administrative regulations and the Articles of Association.

Any amendment to the Articles of Association that involves Mandatory Provisions shall be approved by company approval authorities authorized by the State Council before taking into effect. Where the amendment involves our registration, the lawfully prescribed procedures for registration change shall be carried out.

SPECIAL VOTING PROCEDURES OF CLASSIFIED SHAREHOLDERS

Any Shareholder who holds different classes of Shares is a classified Shareholder. Any plan of our Company to change or abolish the rights of a classified Shareholder is subject to the approval of the general Shareholders' meeting by a special resolution and the approval of a separate general meeting as convened by the affected classified Shareholder in accordance with the Articles of Association.

The rights of a classified Shareholder shall be viewed as changed or abolished under any of the following circumstances:

- (1) Increase or decrease the classified Shares, or increase or decrease the number of classified Shares with equal or more voting or distribution rights and other privileges than this type of classified Shares;
- (2) Convert all or part of the classified Shares into other types or convert all or part of another type of Shares into this type of classified Shares or grant such conversion right;
- (3) Remove or reduce rights to dividends generated or rights to cumulative dividends attached to classified Shares;
- (4) Reduce or remove the right attached to classified Shares to receive dividends on a priority basis or the priority right to receive property distribution in the liquidation of our Company;
- (5) Increase, cancel or reduce share conversion rights, options, voting rights, transfer or pre-emptive rights, or rights to acquire securities of our Company attached to classified Shares;
- (6) Remove or reduce rights to receive payment by our Company in specified currencies attached to classified Shares;

- (7) Create new class of Shares having voting or distribution rights, or other privileges equal or superior to those of the classified Shares;
- (8) Impose restrictions on the transfer or ownership of the classified Shares or increase such restrictions;
- (9) Issue subscription or conversion rights for this or other classified Shares;
- (10) Increase the rights and privileges of other types of Shares;
- (11) The reorganization plan of our Company may constitute assumption of responsibilities by different classes of Shareholders disproportionately;
- (12) Amend or abolish clauses stipulated in this Articles of Association.

Shareholders of the affected class, whether or not otherwise having the right to vote at general meeting originally, shall nevertheless have the right to vote at class meetings in respect of matters concerning items (2) to (8), (11) to (12) above, but interested Shareholders shall not be entitled to vote at class meetings.

Resolution of a class meeting shall be passed by votes of more than two thirds of Shareholders attending the relevant meeting with voting rights at such meeting.

Written notice of a class meeting shall be given 45 days before the date of the class meeting to notify all of the classified Shareholders in the share register of the matters to be considered at the meeting and the date and place of the class meeting. A Shareholder who intends to attend the class meeting shall deliver his/her written reply concerning attendance at the class meeting to our Company 20 days before the date of the class meeting.

If the number of Shares carrying voting rights at the class meeting represented by the Shareholders who intend to attend the class meeting reaches more than half of the aggregate Shares of such class carrying voting rights at the meeting, our Company may hold the class meeting; if not, our Company shall within five days notify the Shareholders of such class again by public notice, of the matters to be considered at the meeting and the date and place for the class meeting. Our Company may then convene the class meeting after publication of such notice.

Notice of class meetings needs only to be served on Shareholders who are entitled to vote at the meetings.

Class meetings shall be conducted in procedures as similar as possible to those of general Shareholders' meetings. The provisions of our Articles of Association relating to the procedure for conducting general Shareholders' meeting shall apply to any class meeting.

Except for holders of other classes of Shares, holders of domestic Shares and overseas listed foreign Shares are deemed to be Shareholders of different classes.

The special procedures for voting by classified Shareholders shall not apply under the following circumstances:

- (1) Upon the approval by a special resolution at the general Shareholders' meeting, our Company either separately or concurrently issues Domestic Shares and overseas-listed foreign Shares every 12 months, and the number of Shares of each class to be issued shall not account for more than 20% of the outstanding Shares of such class;
- (2) The plan to issue Domestic Shares and overseas-listed foreign Shares upon the establishment of our Company is completed within 15 months of the date of approval by the securities regulatory authorities of the State Council;
- (3) Upon the approval by the securities regulatory authorities of the State Council, the unlisted Shares held by our Shareholders become listed for trading on an overseas stock exchange.

ADOPTION OF SPECIAL RESOLUTIONS REQUIRES MAJORITY VOTE

Resolutions of the general Shareholders' meetings shall be divided into ordinary resolutions and special resolutions.

Adoption of an ordinary resolution at general meeting shall be subject to approval by a simple majority of votes represented by the Shareholders (including their proxies) attending the meeting.

Adoption of a special resolution at general meeting shall be subject to approval by more than two thirds of votes represented by the Shareholders (including their proxies) attending the meeting.

VOTING RIGHTS

A Shareholder (including a proxy) when voting at a general meeting may exercise voting rights in accordance with the number of Shares with voting power held with each share representing one vote.

On a poll taken at a meeting, a Shareholder (including a proxy) entitled to two or more votes needs not cast all his/her votes in the same way.

In the event when the number of dissenting votes equals the number of supporting votes, whether on a show of hands or on a poll, the chairman of the meeting shall have a casting vote.

GENERAL MEETINGS

General meetings are divided into annual general Shareholders' meetings and extraordinary general meetings. General meetings are called by the Board. The annual general meeting shall be convened once a year and be held within six months of the end of the previous fiscal year.

ACCOUNTING AND AUDITS**(1) Financial and accounting policies**

Our Company shall develop its financial accounting policies pursuant to PRC laws, administrative regulations, as well as the PRC accounting standards developed by the competent department in charge of finance under the State Council.

The Board of our Company shall submit the financial reports of our Company, as required by the applicable laws, administrative regulations or directives promulgated by local governments and competent authorities to be prepared by our Company, at every annual general Shareholders' meeting.

Our Company shall make its financial reports available for inspection by the Shareholders 20 days before the annual general meeting is convened. Each Shareholder is entitled to obtain one copy of the financial report referred to in this chapter.

Our Company shall send the aforesaid reports to each of the holders of overseas listed foreign shares by postage-prepaid mail at least 21 days before the annual general meeting is convened and the recipient's address shall be the address as shown in the share register.

The financial statements of our Company shall, in addition to complying with PRC accounting standards, rules and regulations, be prepared in accordance with either international accounting standards or that of the overseas area in which our Company's Shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the two accounting standards, such difference shall be stated in the notes to the financial statements. When our Company is to distribute its after-tax profits of the relevant financial year, the lower of the after-tax profits as shown in the two financial statements shall be adopted.

Any interim results or financial information published or disclosed by our Company shall be prepared in accordance with PRC accounting standards and regulations, and also in accordance with either international accounting standards or that of the overseas area in which our Company's Shares are listed.

Our Company shall publish its financial reports twice every fiscal year, that is, the interim financial report shall be published within 60 days after the expiration of the first six months of each fiscal year and the annual financial report shall be published within 120 days after the expiration of each fiscal year.

Our Company shall not keep any accounting books other than those specified by law.

(2) Appointment and Dismissal of Accountants

Our Company shall appoint an accounting firm with independent qualifications that meets appropriate requirements of the state to be responsible for auditing its annual report and reviewing its other financial reports.

The first accounting firm of our Company may be appointed by the inaugural meeting of our Company before the first annual general Shareholders' meeting and the accounting firm so appointed shall hold office until the conclusion of the first annual general meeting.

The Shareholders in general meeting may, by ordinary resolution, remove an accounting firm before the expiration of its office, notwithstanding the stipulations in the contract between the firm and our Company, but without prejudice to the firm's right to claim, if any, for damages in respect of such removal.

The remuneration of an accounting firm or the manner in which such firm is to be remunerated shall be determined by general meeting. The remuneration of an accounting firm appointed by the Board shall be determined by the Board.

Our Company's appointment of, removal of and non-reappointment of an accounting firm shall be resolved by the general Shareholders' meeting, the resolution of which shall be filed with the securities regulatory agency of the State Council.

If our Company intends to remove or not to re-appoint an accounting firm, it shall notify the accounting firm in advance of 15 days and the accounting firm shall have the right to make a statement at the general Shareholders' meeting. An accounting firm resigning on its own initiative shall make a declaration at the general meeting as to whether our Company is affected by any improprieties.

The accounting firm shall resign by sending a written resignation notice to our Company's legal address. The notice shall take effect on the date of delivery to that address or any such later date as may be specified in the notice. Such notice shall contain the following statements:

- 1) A statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of Shareholders or creditors of our Company; or
- 2) A statement of any circumstances that should be disclosed.

Our Company shall, within 14 days after its receipt of the written notice referred to in the preceding paragraph, send a copy of the notice to the relevant competent authorities. If the notice contains a statement referred to in the two items of the preceding paragraph, a copy thereof shall be deposited at our Company for inspection by Shareholders, and such copy shall also be delivered to holders of overseas listed foreign shares by the manner as stipulated in the Articles of Association or by postage-prepaid mail with recipients' addresses as shown in the share register.

Where the notice of resignation of the accounting firm contains a statement referring to or stating any circumstances which it should account for, it may request the Board to convene an extraordinary general meeting for the purpose of giving an explanation of the circumstances referred to in the said notice.

NOTIFICATION AND AGENDA OF GENERAL MEETINGS

The general meeting is the organ of power in our Company and its functions and powers shall be exercised in accordance with the law.

Our Company shall not, without the prior approval of the general meeting, enter into any contract with any person, who is not a Director, Supervisor, manager or other senior management officer of our Company, to give to such a person the responsibility for the management of the whole or a substantial part of the business of our Company.

The Board shall convene an extraordinary general meeting within two months of the occurrence of any one of the following events:

- (1) when the number of directors is less than that prescribed by the PRC Company Law or less than two-thirds of the number prescribed in the Articles of Association;
- (2) when the losses of our Company amount to one-third of its share capital;
- (3) when Shareholder(s) individually or collectively holding 10% or more of the outstanding Shares of our Company carrying voting rights request so in writing;
- (4) when deemed necessary by the Board or when requested by the Supervisory Board;
- (5) when proposed by more than two independent Directors;
- (6) any other circumstances stipulated in the laws, administrative regulations, regulations of the competent authorities, the Listing Rules or the Articles of Association.

When our Company convenes a general Shareholders' meeting, it shall give written notice, at least 45 days prior to the date of the meeting, to all Shareholders registered in its share register. Such notice shall contain details of the matters proposed to be considered at the meeting and the date and venue of the meeting. Shareholders who intend to attend the meeting shall deposit at our Company written replies confirming their intention to attend at least 20 days prior to the date of the said meeting.

When our Company convenes an annual general Shareholders' meeting, Shareholder(s) holding 3% or more of the total number of the Shares of our Company carrying voting rights shall have the right to propose a new motion to our Company and propose the same to the convener in writing. The convener shall, within two days after receiving the proposed motion, issue a supplemental notice of general meeting to notify other Shareholders and include those matters which are within the scope of duties of the general Shareholders' meeting into the agenda to be considered thereat.

Our Company shall, based on the written replies received 20 days before the date of the general meeting, calculate the number of Shares carrying rights to vote represented by Shareholders who intend to attend the meeting. If the number of Shares carrying rights to vote represented by Shareholders who intend to attend the meeting reaches more than one half of the total number of Shares in our Company which carry rights to vote, our Company may proceed to convene the general meeting; otherwise, our Company shall within five days notify the Shareholders again of the matters to be considered at, and the date and venue of the meeting by way of an announcement. Our Company may then proceed to convene the general meeting.

Notice of a general meeting shall:

- (1) be given in writing;
- (2) specify the venue, date and time of the meeting;
- (3) state the matters to be considered at the meeting;
- (4) provide such information and explanation as necessary for the Shareholders to make an informed decision on the matters to be considered. This principle includes but not limited to that, in case of proposals made to amalgamate our Company with another, to repurchase Shares of our Company, to restructure its share capital, or otherwise, the details of the agreed terms of, and the contract (if any) for the proposed transaction must be provided, and the reason for and the consequences thereof must be properly explained;
- (5) contain a disclosure of the nature and extent, if any, of material interests of any Director, Supervisor, manager or other senior management officer in the proposed transaction and the effect of the proposed transaction on them in their capacity as Shareholders in so far as it is different from the effect on the interests of other Shareholders of the same class;
- (6) contain the full text of any special resolution proposed to be proposed for adoption at the meeting;
- (7) contain a clear statement that a Shareholder entitled to attend and vote at the meeting shall be entitled to appoint one or more proxies to attend such meeting and to vote on his or her behalf and that such proxy may not necessarily be a Shareholder;
- (8) specify the time and place for lodging proxy form(s) for the relevant meeting.

Notices of general meetings shall be delivered by any methods as permitted by the stock exchange of the place where our Company's shares are listed (including but not limited to post, email, fax, announcement, release on the websites of our Company or the stock exchange of the locality where our Company's shares are listed) to Shareholders (whether or not such Shareholders have a voting right at the general Shareholders' meeting). In case of delivery by post, the addresses of the recipients shall be those registered in the share register. In respect of holders of Domestic Shares, notices of the general Shareholders' meetings may also be given by way of an announcement.

The announcement referred to in the preceding paragraph shall be published in one or more newspapers designated by the securities regulatory agency of the State Council 45 to 50 days prior to the meeting. All holders of domestic shares shall be deemed to have received the notice of general meeting upon the publication of the announcement.

An accidental omission to give notice of a general meeting to any person entitled to receive notice or a failure by such person(s) to receive such notice shall not invalidate that general meeting and any resolution passed at that meeting.

Shareholders who request an extraordinary general meeting or a general meeting of a class of Shareholders shall comply with the following procedures:

- (1) Shareholders who individually or collectively hold 10% or more of the Shares of our Company carrying voting rights can request the Board to convene an extraordinary general meeting or a class meeting by signing one or several copies of written request(s) in the same form and content, and stating the motions and resolutions proposed. The Board shall convene the extraordinary general meeting or the class meeting as soon as practicably upon receipt of the foresaid written requirement. The number of shareholdings referred to above shall be calculated as at the date of request made.
- (2) In the event that the Board cannot or fails to perform its duty to convene a meeting, the Supervisory Board shall convene and chair the meeting in time. If the Supervisory Board fails to do so, the Shareholders who individually or collectively hold more than 10% of the Shares of our Company within more than 90 consecutive days may convene and chair the meeting by themselves.

If the Shareholders call and convene a meeting by themselves since the Board cannot convene a meeting in accordance with the foresaid requirement, the expenses reasonably resulted therefrom shall be borne by our Company and be deducted from the amounts due to the Directors as a result of loss of office.

Shareholders who individually or collectively hold more than 3% of the Shares of our Company may submit a temporary proposal to the Board in writing prior to ten days since the convening of the general Shareholders' meeting; the Board shall notify other Shareholders within two days upon receiving the proposal and submit this temporary proposal to the general Shareholders' meeting for consideration. The contents of the temporary proposal shall fall into the category of the terms of reference of the general Shareholders' meeting and it shall have the explicit subject and specific resolutions.

Apart from aforesaid matters, the convener shall not amend the proposals stated in the notice of the general Shareholders' meeting or add new proposals upon issuance of the announcement on the notice of the general Shareholders' meeting.

The general Shareholders' meeting shall be convened by the Board and chaired by the chairman; if the chairman cannot or fails to perform his/her duties, the general Shareholders' meeting shall be chaired by a Director co-elected by more than half of the Directors. If the Board cannot or fails to perform its duty to convene the general Shareholders' meeting, the Supervisory Board shall convene and chair the meeting in time; if the Supervisory Board cannot or fails to perform its duty to convene the general Shareholders' meeting, the Shareholders who individually or collectively hold more than 10% of our Company's Shares within more than 90 consecutive days may convene and chair the meeting by themselves. If the Shareholders cannot elect the chairman due to any reason, the Shareholder (including his/her proxy) presented at the meeting who holds the Shares carrying the maximum voting rights shall act as the chairman of the meeting.

The following matters shall be adopted by the general Shareholders' meeting through ordinary resolutions:

- (1) Work reports of the Board and the Supervisory Board;
- (2) Plans formulated by the Board for the distribution of profits and for making up losses;
- (3) Appointment or removal of members of the Board and members of Supervisory Board (except for the employee representative Supervisor), and their remuneration and manner of payment thereof;
- (4) Annual preliminary and final budgets, balance sheets, income and other financial statements of our Company;
- (5) Matters other than those required by the laws, administrative regulations or the Articles of Association to be approved by special resolutions.

The following matters shall be resolved by a special resolution at the general Shareholders' meeting:

- (1) The increase or decrease in our Company's share capital, and issue of shares of any class, warrants and other similar securities;
- (2) The issue of debentures of our Company;
- (3) Division, merger, dissolution and liquidation of our Company and any change in the form of our Company;
- (4) Amendments to the Articles of Association;
- (5) Share incentive plans to be considered and implemented;
- (6) Any other matters decided by the general Shareholders' meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on our Company and should be adopted by a special resolution.

TRANSFER OF SHARES

Unless otherwise provided by laws and administrative regulations, the Shares of our Company shall be freely transferable and free from any lien.

The alteration to, or rectification of, any part of the share register shall be carried out in accordance with the laws of the place where the share register is maintained.

RIGHTS OF OUR COMPANY TO BUY BACK ITS OUTSTANDING SHARES

Under any of the following circumstances, our Company may buy back our outstanding Shares pursuant to the requirements of the laws, administrative rules, the Listing Rules, regulations and the Articles of Association and subject to approvals of the relevant government authority:

- (1) Cancellation of Shares to reduce our Company's share capital;
- (2) Merger with other companies which hold the Shares;
- (3) Paying Shares to the employees of our Company as bonus;
- (4) Buying back the Shares from Shareholders who vote against any resolutions adopted at the general meeting concerning the merger and division of our Company;
- (5) Other circumstances as permitted by the laws and administrative regulations.

In the event our Company buys back its Shares for reasons stated in (1) through (3) of the preceding paragraph, related resolutions must be adopted at the general Shareholders' meeting. If our Company buys back the Shares according to the provisions of the preceding paragraph under the circumstances set forth in (1), the Shares bought back must be cancelled within ten days of the date on which they are bought back. In the event of the circumstances set forth in (2) and (4), the Shares bought back must be transferred or cancelled within six months.

In the event that our Company buys back the Shares pursuant to the provisions of (3) in the preceding paragraph, the Shares bought back may not exceed 5% of the total issued Shares of our Company. The fund used for such buyback must be allocated from the after-tax profit of our Company and the Shares bought back must be transferred to the employees within one year.

Our Company may, subject to the approval of the competent authorities of the PRC buy back Shares in any of the following ways:

- (1) Making a pro-rata offer of repurchase to all its shareholders;
- (2) Repurchasing Shares through public trading on a stock exchange;

- (3) Repurchasing Shares by an agreement outside a stock exchange;
- (4) Other ways approved by the relevant competent authorities of the PRC.

Where our Company repurchases its Shares by an agreement outside a stock exchange the prior approval of the general meeting shall be obtained in accordance with the Articles of Association. Our Company may rescind, vary the contract or waive its rights under a contract so entered into by our Company with the prior approval at the general meeting in the same manner. The contract to repurchase Shares includes, but is not limited to, an agreement that consents to undertake the obligation to buy back the Shares and obtain rights to buy them back.

Our Company may not assign any contract for the repurchase of its Shares or any rights conferred under such contract.

Unless our Company is in the course of liquidation, it must comply with the following provisions in relation to repurchase of its issued Shares:

- (1) Where our Company repurchases its Shares at par value, payment shall be made out of book surplus distributable profits of our Company, or out of proceeds of a new issue of Shares made for that purpose;
- (2) Where our Company repurchases its Shares at a premium to its par value, payment up to the par value shall be made out of the book surplus distributable profits of our Company, or out of the proceeds of a new issue of Shares made for that purpose. Payment of the portion in excess of the par value shall be effected as follows:
 - 1) Where the Shares being repurchased were issued at par value, payment shall be made out of the book surplus distributable profits of our Company;
 - 2) Where the Shares being repurchased were issued at a premium to its par value, payment shall be made out of the book surplus distributable profits of our Company, and out of the proceeds of a new issue of Shares made for that purpose, provided that the amount paid out of proceeds of the new issue shall neither exceed the aggregate premiums received by our Company on the issue of the Shares being repurchased nor the amount in the premium account (or capital reserve account) when the repurchase take place (including the premiums on the new issue);
- (3) Payment by our Company for the following purposes shall be made out of our Company's distributable profits:
 - 1) Acquisition of rights to repurchase its Shares;
 - 2) Variation of contract to repurchase its Shares;
 - 3) Release of its obligation under any contract to repurchase Shares;

- (4) After the total par value of the cancelled Shares is deduced from our registered capital pursuant to the relevant provisions, the amount deducted from the distributable profits for payment of the par value portion of the Shares repurchased shall be credited to our Company's premium account (or capital reserve account).

DIVIDENDS AND DISTRIBUTION METHODS

Our Company may distribute dividends by the following ways:

- (1) Cash;
- (2) Shares;
- (3) Other ways as permitted by laws, administrative regulations, departmental rules or the Listing Rules.

Cash dividends and other monies paid by our Company to holders of domestic Shares shall be paid in RMB. Cash dividends and other monies paid by our Company to holders of overseas-listed foreign Shares shall be calculated and announced in RMB and paid in a foreign currency. The foreign currency required by our Company to pay cash dividends and other monies to holders of overseas listed foreign Shares shall be obtained pursuant to state regulations on foreign exchange.

Our Company shall appoint receiving agents for holders of overseas-listed foreign Shares. The receiving agents appointed by our Company shall comply with the requirements of the laws in the jurisdiction where our Shares are listed or the requirements of the stock exchanges on which our Shares are listed. The receiving agents appointed on behalf of holders of overseas listed foreign Shares traded on the Hong Kong Stock Exchange shall be companies registered as a trust company under the Trustee Ordinance of Hong Kong.

PROXIES

Any Shareholder entitled to attend and vote at a general meeting shall be entitled to appoint one or more persons (who may not necessarily be Shareholders) as his/her proxy to attend and vote on his/her behalf, and a proxy so appointed shall:

- (1) Have the same right as the Shareholder to speak at the meeting;
- (2) Have authority to demand or join in demanding a poll;
- (3) Have the right to vote by hand or on a poll, but when there are more than one proxy, that proxy may only vote on a poll.

The instrument appointing a proxy shall be in writing and shall be signed by the appointer or a person duly authorised in writing. Where the appointor is a legal person, the stamp of the legal person shall be affixed, or signed by the director or a duly authorized agent.

The power of attorney must be kept at the residential address or other location designated in the notice convening the meeting no later than 24 hours before the meeting at which the power of attorney is put to vote is convened or 24 hours before the designated time at which the resolution is adopted. If the power of attorney is signed by another person authorized by the appointer by means of power of attorney or other instrument of authorization, the power of attorney or other instrument must be verified by a notary. The power of attorney or other instrument verified by the notary must be kept together with the power of attorney appointing the entrusted representative at our residential address or other location designated at the notice convening the meeting.

If the appointer is a legal person, its legal representative or such person as authorized by resolution of its Board of Directors or other governing bodies to act as its representative may attend at any general meetings of our Company.

Any form sent by the Directors to the Shareholder for appointing a shareholder proxy shall allow the Shareholder, according to his or her free will, to instruct the proxy to vote and provide instructions separately for matters to be put to vote on each item on the meeting agenda. The power of attorney shall specify that the shareholder proxy may vote at his or her own discretion if the Shareholder does not provide instructions.

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the appointor or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Shares in respect of which the proxy is given, provided that no notice in writing of such matters as aforesaid shall have been received by our Company at its residence before the relevant meeting is convened.

REGISTER OF MEMBERS AND OTHER RIGHTS OF SHAREHOLDERS

Pursuant to the understanding reached and agreement entered into between the securities regulator under the State Council and the overseas securities regulatory agency, our Company may keep overseas a register of members of the overseas-listed foreign Shares and entrust an overseas agency to manage it. The original register of members of the overseas listed foreign Shares listed in Hong Kong shall be kept in Hong Kong.

Our Company shall keep a copy of the register of members of the overseas-listed foreign Shares at our residential address. The overseas entrusted agency shall at all times guarantee consistency between the original and copy of the register of members of the overseas-listed foreign Shares.

In case of inconsistency between the original and copy of the register of members of the overseas-listed foreign Shares, the original shall prevail.

Our Company shall keep a complete register of members.

The register of members shall include the following:

- (1) Register of members kept at our residential address other than those specified in (2) and (3);
- (2) Register of members of our overseas-listed foreign Shares kept at the location of the overseas stock exchange where such Shares are listed;
- (3) Register of members kept in other locations according to the decision of the Board of Directors as required for the listing of the Shares.

Different parts of the register of members shall not overlap. The transfer of Shares registered in a certain part of the register of members shall not be registered elsewhere in the register of members as long as the Shares remain registered.

Any alteration or rectification to any part of the register of members shall be made in accordance with the laws in the place where such part of the register of members is maintained.

No change of the register of members as a result of the transfer of Shares shall be made within 30 days before the general Shareholders' meeting is convened or within 5 days prior to the record date on which our Company decides to distribute dividends.

When our Company convenes the general meeting, distributes dividends, goes into liquidation or is involved in other actions that require the confirmation of equities, the Board of Directors shall fix a date as the equity registration date, upon expiration of which the Shareholders whose names appear on the register of members shall be the Shareholders.

Any person who objects to the register of members and requests to register his/her name (title) in the register of members or to remove his/her name (title) from the register of members may apply to the court with jurisdiction to amend the register of members.

Subject to production of the relevant written documents evidencing the class and quantity of Shares held and verification of their identities as Shareholders by our Company, Shareholders are entitled to obtain relevant information in accordance with laws, administrative regulations and the requirements of the Articles of Association, including:

- 1) A copy of the Articles of Association, subject to payment of costs;
- 2) The right to inspect and copy the following, subject to payment of a reasonable fee:
 - a) All parts of the register of members;
 - b) Personal particulars of each of our Company's Directors, Supervisors, managers and other senior management, including:
 - i. Present and former names and aliases;

- ii. Principal address (place of residence);
- iii. Nationality;
- iv. Primary and all other part-time occupations and duties;
- v. Identification documents and numbers;
- c) Status of our Company's share capital;
- d) Reports showing the aggregate nominal value, quantity, highest and lowest prices paid in respect of each class of Shares repurchased by our Company since the previous accounting year and the aggregate amount paid by our Company for this purpose;
- e) Counterfoil of our Company's debentures;
- f) Minutes of general Shareholders' meetings.

QUORUM OF GENERAL MEETINGS

If the number of Shares carrying voting rights represented by the Shareholders intending to attend a meeting exceeds one half of the total number of Shares carrying voting rights, our Company may convene the general Shareholders' meeting. If the number of a class of Shares carrying voting rights represented by the Shareholders intending to attend a meeting exceeds one half of the total number of such class of Shares, our Company may convene the classified meeting.

RESTRICTIONS ON RIGHTS OF CONTROLLING SHAREHOLDERS

In addition to the obligations imposed by laws, administrative regulations or the listing rules required by the stock exchange on which Shares of our Company are listed, Controlling Shareholders shall not exercise their voting rights in respect of the following matters in a manner prejudicial to the interests of all or part of the Shareholders of our Company:

- (1) To release the responsibility of a Director or Supervisor to act honestly in the best interests of our Company;
- (2) To approve the expropriation by a Director or Supervisor (for his/her own benefit or for the benefit of another person), in any way, of our Company's assets, including (without limitation to) any opportunities beneficial to our Company;
- (3) To approve the expropriation by a Director or Supervisor (for his/her own benefit or for the benefit of another person) of the personal rights of other Shareholders, including (without limitation to) rights to distributions and voting rights save pursuant to a restructuring proposal submitted to Shareholders for approval in accordance with the Articles of Association.

COMPANY LIQUIDATION

Our Company shall be dissolved and liquidated lawfully upon the occurrence of any of the following events:

- (1) The operation period expires;
- (2) A resolution for dissolution is passed by Shareholders at a general Shareholders' meeting;
- (3) Dissolution is necessary due to a merger or division of our Company;
- (4) Our Company is legally declared insolvent due to its failure to repay debts as they become due;
- (5) Our Company is ordered to close down because of its violation of laws and administrative regulations; or
- (6) Where our Company encounters significant difficulties in business and management, continuous survival will be significantly detrimental to the interests of Shareholders, and the difficulties may not be overcome through other means, Shareholders who hold more than 10% of the Shares carrying voting rights may request a People's court to dissolve our Company.

Where our Company is dissolved due to the provisions set forth in (1) and (2) above, the liquidation team shall be established within 15 days and the personnel of the liquidation team shall be determined by a general Shareholders' meeting with an ordinary resolution.

In the event that our Company is dissolved in accordance with the provisions set forth in (4) above, the People's court shall organize Shareholders, related agencies and professionals to form the liquidation team to conduct the liquidation pursuant to relevant provisions of the law.

In the event that our Company is dissolved in accordance with the provisions set forth in (5) above, the relevant competent authority shall organize Shareholders, related agencies and professionals to form the liquidation team to conduct the liquidation.

If the Board decides to liquidate our Company (except where our Company is liquidated after declaring bankruptcy), the Board shall state in the notice of the general Shareholders' meeting convened for this purpose that the Board has performed a comprehensive investigation of the status of our Company and believes that our Company is able to payoff all of our debts within 12 months of the start of liquidation.

Upon the passing of the resolution by Shareholders in the general Shareholders' meeting for the liquidation of our Company, all duties and powers of the Board shall terminate immediately.

The liquidation committee shall act in accordance with the instructions of the general Shareholders' meeting to make a report at least once every year to the general Shareholders' meeting on the committee's income and expenses, the businesses of our Company and the progress of the liquidation and to present a final report to the general Shareholders' meeting on the completion of the liquidation.

During the liquidation period, the liquidation committee shall exercise the following functions and powers:

- (1) Categorise our Company's assets and prepare a balance sheet and an inventory of assets respectively;
- (2) Notify the creditors or to publish public announcements;
- (3) Dispose of and liquidate any pending businesses of our Company;
- (4) Pay outstanding taxes;
- (5) Settle claims and debts;
- (6) Deal with the surplus assets remaining after repayment by our Company of debts; and
- (7) Represent our Company in any civil proceedings.

After it has categorised our Company's assets and after it has prepared the balance sheet and an inventory of assets, the liquidation committee shall formulate a liquidation plan and present it to a general Shareholders' meeting or to the relevant competent authority for confirmation.

Where our Company is liquidated by reason of dissolution, upon completion of the categorisation of our Company's assets and preparation of a balance sheet and an inventory of assets, if the liquidation committee discovers that our Company's assets are insufficient to repay our Company's debts in full, the liquidation committee shall immediately apply to the People's court for a declaration of insolvency. After our Company is declared insolvent by a ruling of the People's court, the liquidation committee shall transfer all matters arising from the liquidation to the People's court.

Following the completion of the liquidation, the liquidation committee shall prepare a liquidation report, a statement of income and expenses received and made during the liquidation period and a financial report, which shall be verified by a Chinese certified public accountant and submitted to the general meeting or the relevant competent authority for confirmation.

The liquidation committee shall, within 30 days after the confirmation by the general Shareholders' meeting or the relevant competent authority, submit the documents referred to in the preceding paragraph to the registration authority and apply for cancellation of registration of our Company, and publish a public announcement relating to the termination of our Company.

OTHER IMPORTANT PROVISIONS FOR OUR COMPANY OR THE SHAREHOLDERS**(1) General Provisions**

Our Company is a permanently existing joint stock limited company.

Our Company may invest in other companies, provided that, unless required by law, it may not become a jointly liable investor for the liability commitments of the invested company.

The Articles of Association is binding on our Company, the Shareholders, Directors, Supervisors, managers, and other senior management. The above personnel are entitled to make claims concerning the affairs of our Company in accordance with the Articles of Association.

Shareholders may sue our Company pursuant to the Articles of Association. Our Company may sue Shareholders pursuant to the Articles of Association. Shareholders may sue Shareholders pursuant to the Articles of Association. Shareholders may sue the Directors, Supervisors, managers and other senior management pursuant to the Articles of Association.

(2) Our Company may increase stock capital by the following means:

- 1) Offer new Shares to unspecified investors;
- 2) Place new Shares with existing Shareholders;
- 3) Give new Shares to existing Shareholders;
- 4) Issue new Shares to particular investors;
- 5) Convert the reserve funds into share capital;
- 6) other means approved by the laws, administrative regulations and securities regulatory agency of the State Council.

Upon approval to issue our Company's new Shares according to the provisions of the Articles of Association, the matter is to be dealt with in accordance with the procedures of related laws and administrative regulations of the State.

Our Company may reduce our share capital according to the provisions of the Articles of Association. Reduction in share capital of our Company is to be made in compliance with the procedures under the PRC Company Law, other relevant provisions and the Articles of Association.

Where our Company reduces our share capital, it must prepare a balance sheet and a list of properties.

After our Company's reduction in capital, our share capital may not be less than the statutory minimum amount.

(3) Shareholders

The Shareholders of our Company are persons lawfully holding the Shares of our Company and whose names (titles) are listed in the register of Shareholders. Shareholders are entitled to rights and assume obligations according to types of their Shares and their shareholdings. Shareholders who hold the same type of Shares are entitled to the same rights and assume the same obligations.

The Shareholders of ordinary Shares of our Company enjoy the following rights:

- 1) To receive dividends and other distributions in proportion to the number of Shares held;
- 2) To participate in or appoint a proxy of Shareholder to participate in and exercise voting rights at the general Shareholders' meeting;
- 3) To supervise and manage our business and operational activities, provide suggestions or submit queries;
- 4) To transfer the Shares held according to the provisions of the laws, administrative regulations and the Articles of Association;
- 5) To obtain relevant information according to the provisions of law, administrative regulations and the Articles of Association;
- 6) To participate in the distribution of the remaining assets of our Company in proportion to the number of Shares held upon our termination or liquidation;
- 7) To require our Company to acquire Shares of Shareholders who disagree with the resolutions on the merger or division of our Company which are passed by the general meeting;
- 8) To entitle Shareholders holding, individually or in aggregate, more than 3% of Shares of our Company to propose additional resolution in writing to the Board 10 days before the general meeting;
- 9) Other rights conferred by laws, administrative regulations and the Articles of Association.

Our Company may not exercise any power to freeze or otherwise impair any of the rights attaching to any Share by reason only that any person interested directly or indirectly in the Shares of our Company has failed to disclose his/her interests to our Company.

Our Company adopts the registered method for the Shares.

The Share certificates of our Company are signed by the chairman of the Board of Directors. Where the stock exchange on which the Shares are listed requires our other senior management of our Company to sign the Share certificates, they are also to be signed by other senior management. The Share certificates are to become effective after being affixed with the stamp of our Company or print-stamped. Affixing our Company stamp to the Share certificates is subject to the authorization of the Board of Directors. The signature of the chairman of the Board of Directors or other related senior management may also be printed on the Share certificates.

If any person whose name appears in the register of Shareholders or who requests to register his/her name (title) in the register of Shareholders loses his/her Share certificates (that is, “original Share certificates”), he/she may apply to our Company to re-issue new Share certificates for those Shares. If our Company is granted a mandate to issue warrants to anonymous holders, it may not issue any new warrants to replace the original warrants lost unless it is convinced beyond reasonable doubt the original warrants have been destroyed.

In the event Shareholder of Domestic Shares applies to our Company for a re-issuance after losing the Share certificates, the matter is to be dealt with pursuant to related provisions of the PRC Company Law.

In the event a Shareholder of overseas listed foreign Shares applies to our Company for re-issuance after losing the Share certificates, the matter is to be dealt with pursuant to the laws, rules of the stock exchange or other related provisions where the original register of Shareholders of the overseas listed foreign Shares is kept.

In the event a Shareholder of overseas listed foreign Shares listed in Hong Kong applies to our Company for re-issuance after losing the Share certificates, the Share certificates are to be issued in compliance with the following requirements:

- 1) The applicant shall submit the application in the standard format designated by our Company and attach a notary certificate or legal declaration. The contents of the notary certificate or legal declaration shall include the reason for the applicant’s request, circumstances and evidence of loss of Share certificates, as well as a statement that nobody else may request to be registered as a Shareholder with respect to the pertinent Shares.
- 2) Before deciding to issue new Share certificates, our Company does not receive any statement in which any person other than the applicant requests to be registered as the Shareholder with respect to the Shares.
- 3) If our Company decides to issue new Share certificates to the applicant, we shall publish an announcement in a newspaper designated by the Board of Directors indicating that we plan to re-issue new Share certificates. The announcement period shall be 90 days and the announcement shall be published at least once every 30 days.

- 4) Before publishing the announcement indicating that we plan to re-issue new Share certificates, our Company shall submit a copy of the announcement to be published to the securities exchange on which the Shares are listed and may publish the announcement after receiving a reply from the stock exchange confirming that the announcement has been displayed at the stock exchange. The period of displaying the announcement at the stock exchange is 90 days.

If the application for reissue of new Share certificates is not approved by the registered Shareholders of the related Shares, our Company shall mail the copy of the announcement to be published to the Shareholders.

- 5) In the event that nobody raises any objection to the reissue of new Share certificates to our Company, upon expiration of the 90-day display period of the announcement specified in 3) and 4) above, the new share certificates may be reissued according to the application.
- 6) When re-issuing new Share certificates according to the Articles of Association, our Company shall immediately cancel the original Share certificates and register the cancellation and reissue on the register of Shareholders.
- 7) All expenses incurred by our Company from the cancellation of the original Share certificates and reissue of the new Share certificates are to be borne by the applicant. Before the applicant has provided reasonable security, our Company has the right to refuse to take any action.

(4) Shareholders Untraceable

When permitted by laws, our Company is entitled to sell the Shares of a Shareholder failing to be contacted under the following circumstances:

- 1) Our Company has paid dividends at least three times on these Shares within 12 years, but no one has claimed the dividends during that period; and
- 2) Upon expiration of the 12-year period, our Company publishes an announcement in a newspaper, indicating our intention to sell the Shares and notifies the stock exchange on which the Shares are listed of such intention.

(5) Regulations on the Powers of the Board and Convening the Board Meetings

The Board of Directors is responsible to the general Shareholders' meeting and exercises the following powers:

- 1) Convene the general Shareholders' meeting and report on work to the general Shareholders' meeting;
- 2) Implement the resolutions of the general Shareholders' meeting;

- 3) Determine our business and investment plans;
- 4) Devise our annual financial budget and closing account plans;
- 5) Devise our profit distribution and loss offset plans;
- 6) Formulate the plans for increasing or decreasing our registered capital and the issue of corporate bonds;
- 7) Formulate plans for corporate merger, separation, and dissolution of our Company;
- 8) Decide on the setup of our Company's internal management organization;
- 9) Appoint or dismiss the general manager of our Company; based on the nomination of the general manager, to appoint or dismiss our deputy general manager and chief financial officer; to appoint or dismiss the secretary to the Board, and determine their remuneration;
- 10) Determine the salaries, benefits, rewards and punishment for the staff of our Company;
- 11) Approve our Company to appoint or change directors and shareholder representative supervisors of wholly-owned subsidiaries of our Company, appoint, change or recommend representatives of the shareholders, directors (candidate), and shareholder representative supervisors (candidate) of entities controlled or invested in by our Company;
- 12) Set our basic management systems;
- 13) Make the modification plan to this Articles of Association;
- 14) Determine the establishment of our Company's domestic or overseas sub-branches;
- 15) Decide on the matters such as merger, division or reorganization of entities wholly-owned or controlled by our Company;
- 16) Decide on the establishment of special committees under the Board and to appoint or remove its person-in-charge;
- 17) Propose at general Shareholders' meetings a resolution in respect of candidates for independent Directors and replacement of independent Directors;
- 18) Propose at general Shareholders' meetings for the appointment, renewal or remove of accountants' firm conducting audit for our Company;
- 19) Attend to the work report of our general manager and review the work of the general manager;

- 20) Manage information disclosure of our Company;
- 21) Formulate the equity incentives plan;
- 22) Exercise decision-making power on issues in respect of external investment (including increase in investment and equity transfer), financing, venture investment, entrusted wealth management, provision of external guarantees, save and except for those decisions to be decided by the general Shareholders' meeting pursuant to the law, regulations and the Articles of Association;
- 23) Decide on other major affairs of our Company, save for matters to be resolved at general Shareholders' meetings as required by the PRC Company Law and the Articles of Association;
- 24) Decide on and to monitor the implementation of our Company's risk management system, including risk assessments, financial control, internal audit and legal risk control;
- 25) other powers conferred by the Articles of Association or the general Shareholders' meetings;
- 26) other matters authorized by the laws, administrative regulations, department rules and the Listing Rules.

All of the above resolutions adopted by the Board of Directors, except for those in 6), 7) and 13), which must be approved by more than a two-thirds vote of the Directors, are to be approved by a simple majority of votes by the Directors.

Board meetings are to be convened at least twice a year and called by the chairman of the Board of Directors, and a notice of at least 10 days is to be sent to all Directors before the meeting is convened.

The chairman of the Board of Directors shall convene a special Board meeting within 10 days upon receiving the proposal in case of occurrence of any of the following events:

- 1) When the Shareholders representing over 10% of voting rights make a proposal;
- 2) When over one third of Directors make a proposal;
- 3) When the chairman of the Board of Directors deems necessary;
- 4) When two independent Directors make a proposal;
- 5) When the Supervisory Board makes a proposal;
- 6) When the general manager makes a proposal.

The Directors shall attend the Board meeting in person. In the event that Directors are unable to attend the meeting for some reason, he/she may appoint in writing another Director to attend the Board meeting. The proxy letter is to specify authority domain.

The Director who attends the meeting on behalf of another Director is to exercise the right of the Director within the scope of authorization. If any Director fails to attend the Board meeting or entrust a proxy to be present on his/her behalf, such Director is deemed to have waived his/her voting rights at that meeting.

Board meetings are to be attended by more than half of the Directors before the Board meeting can be convened.

Each Director has one vote. Resolutions made by the Board of Directors must be approved by more than half of the Directors' votes.

When the number of dissenting votes equals the number of affirmative votes, the chairman of the Board of Directors is entitled to one additional vote.

Apart from certain exceptions specified in laws, regulations and relevant requirements of the securities regulatory agencies in the place where our Company's Shares are listed, a Director may not vote on passing of any resolution pertaining any contract, arrangement or any other recommendation in which he/she himself/herself or any of his/her associates is materially interested proposed at a Board meeting. Such Director may not be counted in the quorum of the relevant meeting. Where the number of the Directors who can vote on this matter is less than three, such issue is to be submitted to the general Shareholders' meeting for voting.

(6) Independent Director

The Board of Directors includes three independent Directors. The independent Directors shall carry out responsibilities in an independent manner, without influence by our Company's major Shareholders, de facto controller, or other units or individuals which have interests in our Company, or its major Shareholders, or de facto controller. The independent Directors are to perform their duties diligently, so as to protect our Company's interests, in particular, to ensure that the legal rights of the public Shareholders are not infringed.

(7) Secretary to the Board

The secretary to the Board must be a natural person with the requisite expertise and experience and be appointed by the Board of Directors.

(8) Supervisory Board

Our Company shall set up a Supervisory Board. The Supervisory Board consists of five Supervisors, and one of them serves as the chairman of the Supervisory Board. The Supervisors serve three-year terms and may be re-elected. The chairman of the Supervisory Board shall be elected and dismissed by more than a two-thirds vote of the members of the Supervisory Board.

The Supervisory Board shall consist of three shareholder representative Supervisors and two employee representative Supervisors of our Company. The shareholder representative Supervisors shall be elected and dismissed by the general meeting. The employee representatives shall be elected and dismissed through democratic election.

The Directors, general manager, secretary to the Board, chief financial officer and other senior management may not also serve as Supervisors.

The Supervisory Board is to convene at least two regular meetings every year. The chairman is to convene extraordinary meetings of the Supervisory Board.

The Supervisory Board is responsible to the general Shareholders' meeting and lawfully exercises the following powers:

- 1) Examine the financial standing of our Company;
- 2) Supervise the Directors, general manager and other senior management in performing their duties to our Company, to determine whether there is any action in contravention of any laws, administrative regulations or the Articles of Association, and to put forward suggestions for dismissing any Directors or senior management who are in breach of the laws, administrative regulations, the Articles of Association or resolutions of the general Shareholders' meetings;
- 3) Require the Directors, general manager and other senior management to take corrective measures when their actions are detrimental to our Company's interests;
- 4) Verify the financial information such as the financial reports, business reports and profit distribution plans to be submitted by the Board to the general Shareholders' meetings and, should any queries arise, to authorize, in the name of our Company, a re-examination by the certified public accountants and practicing auditors;
- 5) Propose to convene an extraordinary general Shareholders' meeting, where the Board of Directors fails to perform the duties in relation to convening or presiding over the general meeting as required by the PRC Company Law, to convene and preside over the general Shareholders' meeting;
- 6) Submit proposals at the general Shareholders' meetings;
- 7) Propose to convene extraordinary Board meetings;
- 8) Represent our Company in negotiating with or in bringing actions against the Directors and senior management;
- 9) Investigate into any abnormalities in operation of our Company; if necessary, to engage accounting firms, law firms and other professional institutions to assist its work, and the expenses are to be borne by our Company;

- 10) Other powers and duties stipulated in the Articles of Association.

The Supervisors are to attend the Board meeting and may make queries or provide suggestions on the resolutions of the Board meeting.

(9) General Manager

Our Company includes one general manager, nominated, appointed or dismissed by the Board of Directors.

The general manager of our Company is responsible to the Board of Directors and exercises the following powers:

- 1) Be in charge of the producing and operational management of our Company, to organize the enforcement of resolutions of the Board of Directors;
- 2) Organize the implementation of the annual operation plans and investment schemes of our Company;
- 3) Formulate the structure scheme of the internal management agency of our Company;
- 4) Formulate the structure scheme of the branch of our Company;
- 5) Formulate the basic management system of our Company;
- 6) Formulate the basic rules of our Company;
- 7) Propose the appointment or dismissal of the deputy general manager, chief financial officer or other senior management of our Company;
- 8) Appoint or dismiss management other than those to be appointed or dismissed by the Board of Directors;
- 9) Determine the salaries, benefits, rewards and punishment for the staff of our Company, and to determine the appointment and dismissal of the staff of our Company;
- 10) Propose to convene extraordinary Board meetings;
- 11) Other powers and duties authorized by the Articles of Association and the Board of Directors.

(10) Reserves

When the annual after-tax earnings of our Company are distributed, our Company must allocate 10% of the profits to our statutory reserve. When the aggregate amount of the statutory reserve reaches or exceeds 50% of our Company's registered capital, no more allocations need to be provided.

If our statutory reserve is insufficient to offset our losses incurred during the previous year, the profits generated during the current year must be used to make up the losses before allocating the statutory reserve in accordance with the requirements set forth in the preceding paragraph.

After allocation to the statutory reserve from the profits after tax of our Company, we may also allocate to the reserves at will from after-tax earnings in line with the resolution(s) adopted at the general Shareholders' meeting.

After offsetting the losses and allocating to the reserve, all remaining earnings may be distributed in proportion to Shares held by Shareholders.

If it is resolved at the general Shareholders' meeting to distribute profit to Shareholders before offsetting the losses and making allocation to statutory revenue reserve in violation to the provisions of the previous paragraph, the Shareholders shall return such distributed profits to our Company.

The Shares held by our Company may not participate in the profit distribution.

(11) Settlement of Disputes

Our Company shall comply with the following rules governing the settlement of disputes:

- 1) Whenever there occur any disputes or claims between Shareholders of the overseas-listed foreign Shares and our Company, Shareholders of the overseas-listed foreign Shares and our Company's Directors, Supervisors, general manager or other senior management, or Shareholders of the overseas-listed foreign Shares and Shareholders of Domestic Shares regarding the rights or obligations relating to the affairs of our Company imposed by the Articles of Association, the PRC Company Law and other relevant laws and administrative regulations, such disputes or claims are to be referred by the relevant parties to arbitration.

Where the aforesaid dispute or claim of rights is referred to arbitration, the entire claim or dispute as a whole must be referred to arbitration, and any parties who have a cause of action based on the same facts or whose participation is necessary for the settlement of such dispute or claim, are bound by the award of the arbitration provided that such person is our Company or a Shareholder, a Director, a Supervisor, the general manager or other senior management of our Company.

Disputes in relation to the definition of Shareholders and the Shareholders' register need not be resolved by arbitration.

- 2) A claimant may elect for arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Centre in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body so elected by the claimant.

If a claimant elects for arbitration at Hong Kong International Arbitration Centre, any party to the dispute may request the arbitration to be conducted in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Centre.

- 3) The laws of the PRC are applicable to the arbitration for the disputes or claims of rights referred to in item (1), unless otherwise provided in the laws and administrative regulations.
- 4) The award of an arbitration body shall be final and binding on all parties.

FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. Incorporation of our Company**

We were established under the PRC law as a stock company on May 24, 1999 and were converted into a joint stock limited liability company on October 26, 2012. We established a place of business in Hong Kong at 40th Floor, Jardine House, 1 Connaught Place, Hong Kong, and was registered as a non-Hong Kong Company under Part XI of the Companies Ordinance on November 22, 2013. Ms. Kam Mei Ha Wendy has been appointed as our agents for the acceptance of service of process in Hong Kong.

As we are established in the PRC, we are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of PRC laws and principal regulatory provisions is set out in Appendix V to this prospectus.

2. Changes in share capital of our Company

As at the date of its establishment, the registered capital of our Company was RMB500,000. As of the Latest Practicable Date, the share capital of our Company was RMB61,111,100 divided into 611,111,000 Shares of nominal value of RMB0.10 each all of which were fully paid and were held as to 78.00% by Mr. Gui, 8.67% by Ms. Wu, 3.33% by certain Directors, Supervisors, senior management members and employees of our Company namely, Ms. Zhang Yuan (executive Director), Ms. Xu Li (executive Director), Ms. Zhu Feifei (executive Director), Ms. Yu Min (Supervisor), Ms. Ge Hongxia (employee), Mr. Shen Yehai (employee), Ms. Zhou Qian (employee), Mr. Zhu Yu (employee), Ms. Wang Tingting (employee), Ms. Wu Xuemei (Supervisor), Ms. Liang Lijun (employee), Ms. Zhang Tinghua (employee), Ms. Duanmu Chuan Fen (employee), Ms. Zhi Hui (senior management and one of our joint company secretaries), Mr. Song Jiming (senior management), Ms. Gao Zhen (employee), Ms. Wang Li (employee) and Ms. Chen Hairong (employee), and 10% by Shanghai Fosun respectively.

The following sets out the changes in our Company's share capital since its incorporation:

- (a) On February 9, 2001, the registered capital of our Company was increased from RMB500,000 to RMB2,000,000 and was fully paid.
- (b) On May 13, 2005, the registered capital of our Company was increased from RMB2,000,000 to RMB2,050,000 and was fully paid.
- (c) On July 17, 2006, the registered capital of our Company was increased from RMB2,050,000 to RMB5,000,000 and was fully paid.
- (d) On October 24, 2006, the registered capital of our Company was increased from RMB5,000,000 to RMB26,000,000 and was fully paid.

- (e) On July 31, 2012, the registered capital of our Company was increased from RMB26,000,000 to RMB27,000,000 and was fully paid.
- (f) On October 26, 2012, our Company was converted from a limited liability company to a joint stock limited liability company with net asset value of RMB59,113,194.57, and our Company then issued 55,000,000 Domestic Shares with a nominal value of RMB1.00 each. The share capital of our Company was then increased from RMB27,000,000 to RMB55,000,000.
- (g) On May 30, 2013, the share capital of our Company was increased from RMB55,000,000 to RMB61,111,100 and was fully paid.
- (h) On December 10, 2013, it was resolved that the share capital of our Company shall be subdivided from 61,111,100 Shares of RMB1.00 each to 611,111,000 Shares of RMB0.10 each and hence as of the Latest Practicable Date, the share capital of our Company was RMB61,111,100, made up of 611,111,000 Shares of RMB0.10 each.

Immediately upon completion of the Global Offering, the share capital of our Company will be RMB81,491,100, made up of 611,111,000 Domestic Shares and 203,800,000 H Shares, with nominal value of RMB0.10 each, assuming the Over-allotment Option is not exercised.

Immediately upon completion of the Global Offering, the share capital of our Company will be RMB84,548,100, made up of 611,111,000 Domestic Shares and 234,370,000 H Shares, with nominal value of RMB0.10 each, assuming the Over-allotment Option is exercised in full.

Save as disclosed in this paragraph and “4. Corporate history” below, there has been no alteration in our share capital since establishment.

3. Resolutions of all Shareholders passed on September 3, 2013 and December 10, 2013

At our extraordinary Shareholders’ meeting held on September 3, 2013 and December 10, 2013, among other things, the following resolutions were passed by our Shareholders:

- (a) approving the issue of H Shares by our Company and the Listing;
- (b) subject to completion of the Global Offering, the Articles of Association has been approved and adopted, which shall become effective on the Listing Date;
- (c) the share capital of our Company has been subdivided from 61,111,100 shares of RMB1.00 each to 611,111,000 shares of RMB0.10 each;
- (d) our Company has granted a general mandate to the Board to issue such number of H Shares up to 20% of the H Shares in issue. Such general mandate will become effective from the Listing Date and ends on the earlier of the date of first annual general meeting of our Company after Listing or the date of Shareholders’ meeting on which the Shareholders withdraw or revise the terms of the general mandate; and

- (e) approving the Board to handle all matters relating to, among others, the issue of the H Shares and the Listing.

4. Corporate history

Our Company

Establishment of our Company

Our Company was established as a stock company in the PRC on May 24, 1999, under the name of Nanjing Sinolife United Bio-Tech Research Institute* (南京中科生物研究所).

The establishment of our Company was approved by the relevant PRC regulatory authorities on May 24, 1999, and our scope of business then covered research and development, sale and consultation on biological health food products. Business licence of our Company was granted on May 24, 1999. The then registered capital of our Company amounted to RMB500,000, which was contributed as to 30% by Mr. Gui and 10% each by seven individuals, being Independent Third Parties. As at May 21, 1999, the registered capital of RMB500,000 was fully paid-up by the abovementioned equity holders.

Transfer of equity interests in our Company from the seven Independent Third Parties to another seven individuals

On November 4, 1999, each of the abovementioned seven Independent Third Parties entered into an equity transfer agreement with Ms. Wu and another six individuals, being Independent Third Parties, pursuant to which they transferred all of their equity interests in our Company, i.e. RMB350,000, representing 70% of the then paid-up capital of our Company, to Ms. Wu and the other six individuals at an aggregate consideration of RMB350,000. The transfer was registered with the relevant PRC regulatory authorities on November 19, 1999. Upon completion of such transfer, our Company was held by Mr. Gui as to 30%, Ms. Wu as to 10%, and the other six individual Shareholders as to 60% in aggregate, with each holding as to 10%.

Increase in registered capital of our Company from RMB500,000 to RMB2,000,000

On February 8, 2001, our then equity holders resolved to increase the registered capital of our Company from RMB500,000 to RMB2,000,000, which was contributed by Mr. Gui as to RMB1,150,000, Ms. Wu as to RMB50,000 and each of the other six individual equity holders as to RMB50,000 respectively. As at February 7, 2001, the additional capital of RMB1,500,000 was fully paid-up by the abovementioned equity holders as to their respective proportions. The increase in the registered capital of our Company was registered with the relevant PRC regulatory authorities on February 9, 2001. Upon completion of the increase in registered capital of our Company, it was held as to 65% by Mr. Gui, 5% by Ms. Wu and 30% by the other six individual Shareholders in aggregate.

Change of business form from a stock company to a limited liability company

On May 13, 2005, an equity holders' resolution was passed regarding, among others, (i) the change of the business form of our Company from a stock company to a limited liability company; and (ii) the change of name of our Company to Nanjing Sinolife United Bio-Tech

Research Institute Company Limited* (南京中科生物研究所有限公司). The updated business licence was granted to our Company on May 13, 2005. Upon the change of business form, the registered capital of our Company was increased from RMB2,000,000 to RMB2,050,000 based on the net asset value of our Company as at May 9, 2005. Our Company was then owned by Mr. Gui as to 65%, Ms. Wu as to 5% and each of the other six individual equity holders as to 5% respectively.

Transfer of equity interests in our Company from the six Independent Third Parties to Mr. Gui

On May 21, 2005, each of the abovementioned six Independent Third Parties entered into an equity transfer agreement with Mr. Gui, pursuant to which they transferred all of their equity interests in our Company, i.e. RMB615,000, representing 30% of the paid-up capital of our Company, to Mr. Gui at an aggregate consideration of RMB615,000. The updated business licence was granted to our Company on May 30, 2005. Upon completion of such transfer, our Company was held by Mr. Gui as to 95% and Ms. Wu as to 5%.

Increase in registered capital of our Company from RMB2,050,000 to RMB5,000,000

On July 5, 2006, Mr. Gui and Ms. Wu resolved to increase the registered capital of our Company from RMB2,050,000 to RMB5,000,000, which was contributed by Mr. Gui as to RMB2,802,500 and Ms. Wu as to RMB147,500. As at July 5, 2006, the additional capital of RMB2,950,000 was fully paid-up by Mr. Gui and Ms. Wu as to their respective proportions. The updated business licence was granted to our Company by the relevant PRC regulatory authorities on July 17, 2006.

Increase in registered capital of our Company from RMB5,000,000 to RMB26,000,000

On October 18, 2006, Mr. Gui and Ms. Wu resolved to increase the registered capital of our Company from RMB5,000,000 to RMB26,000,000, which was contributed by Mr. Gui as to RMB18,650,000 and Ms. Wu as to RMB2,350,000. As at October 18, 2006, the additional capital of RMB21,000,000 was fully paid-up by Mr. Gui and Ms. Wu as to their respective proportions. The increase in the registered capital was registered with the relevant PRC regulatory authorities on October 24, 2006. Upon completion of the transfer of equity interests in our Company in May 2005 as mentioned above and up to completion of the aforesaid increases in registered capital of our Company, it was held by Mr. Gui as to 90% and Ms. Wu as to 10%.

Increase in registered capital of our Company from RMB26,000,000 to RMB27,000,000

On July 2, 2012, Mr. Gui and Ms. Wu resolved to increase the registered capital of our Company from RMB26,000,000 to RMB27,000,000, and Zhongyan Investment agreed to subscribe for the additional capital of RMB1,000,000 at a consideration of RMB6,193,700. As at July 13, 2012, the consideration of RMB6,193,700 was settled by Zhongyan Investment. The updated business licence was granted to our Company by the relevant PRC regulatory authorities on July 31, 2012. Upon completion of the increase in registered capital of our Company, it was held as to 86.67% by Mr. Gui, 9.63% by Ms. Wu and 3.70% by Zhongyan Investment.

Zhongyan Investment was established on June 27, 2012 as an investment vehicle, which was owned by the following Directors, Supervisors, senior management members and employees of our Company:

Name	Position in our Company	Investment amount (RMB)	Equity interest (%)
Ms. Zhang Yuan	Executive Director	2,017,200	32.43%
Ms. Xu Li	Executive Director	1,681,000	27.02%
Ms. Zhu Feifei	Executive Director	201,800	3.24%
Ms. Yu Min	Supervisor	201,800	3.24%
Ms. Ge Hongxia	Employee	201,800	3.24%
Mr. Shen Yehai	Employee	201,800	3.24%
Ms. Zhou Qian	Employee	201,800	3.24%
Mr. Zhu Yu	Employee	201,800	3.24%
Ms. Wang Tingting	Employee	201,800	3.24%
Ms. Wu Xuemei	Supervisor	168,100	2.71%
Ms. Liang Lijun	Employee	168,100	2.71%
Ms. Zhang Tinghua	Employee	168,100	2.71%
Ms. Duanmu Chuan Fen	Employee	134,500	2.17%
Ms. Zhi Hui	Senior management and one of our joint company secretaries	134,500	2.17%
Mr. Song Jiming	Senior management	84,100	1.35%
Ms. Gao Zhen	Employee	84,100	1.35%
Ms. Wang Li	Employee	84,100	1.35%
Ms. Chen Hairong	Employee	84,100	1.35%
Total		6,220,500	100%

Change of business form from a limited liability company to a joint stock limited liability company

On October 8, 2012, Mr. Gui, Ms. Wu and Zhongyan Investment resolved to convert our Company from a limited liability company to a joint stock limited liability company with net asset value of RMB59,113,194.57, our Company then issued 55,000,000 Domestic Shares with a nominal value of RMB1.00 each. Mr. Gui, Ms. Wu and Zhongyan Investment therefore owned 47,688,500 Domestic Shares, 5,296,500 Domestic Shares and 2,035,000 Domestic Shares respectively. The change of business form and increase in registered capital of our Company from RMB27,000,000 to RMB55,000,000 was registered with the relevant PRC regulatory authorities on October 26, 2012.

The number of Domestic Shares each limited partner of Zhongyan Investment is interested in is set out as follow:

Name	Position in our Company	Number of Domestic Shares each limited partner of Zhongyan Investment is interested in^(Note)
Ms. Zhang Yuan	Executive Director	659,950.5
Ms. Xu Li	Executive Director	549,857.0
Ms. Zhu Feifei	Executive Director	65,934.0
Ms. Yu Min	Supervisor	65,934.0
Ms. Ge Hongxia	Employee	65,934.0
Mr. Shen Yehai	Employee	65,934.0
Ms. Zhou Qian	Employee	65,934.0
Ms. Zhu Yu	Employee	65,934.0
Ms. Wang Tingting	Employee	65,934.0
Ms. Wu Xuemei	Supervisor	55,148.5
Ms. Liang Lijun	Employee	55,148.5
Ms. Zhang Tinghua	Employee	55,148.5
Ms. Duanmu Chuan Fen	Employee	44,159.5
Ms. Zhi Hui	Senior management and one of our joint company secretaries	44,159.5
Mr. Song Jiming	Senior management	27,472.5
Ms. Gao Zhen	Employee	27,472.5
Ms. Wang Li	Employee	27,472.5
Ms. Chen Hairong	Employee	27,472.5

Note:

The Individual Shareholders were holding the 2,035,000 Domestic Shares collectively through Zhongyan Investment and fractional Domestic Shares set out in the table above are for illustration purpose only.

Increase in share capital of our Company from RMB55,000,000 to RMB61,111,100

On May 16, 2013, Mr. Gui, Ms. Wu and Zhongyan Investment resolved to increase the share capital of our Company from RMB55,000,000 to RMB61,111,100, and Shanghai Fosun agreed to subscribe for the increased share capital of RMB6,111,100 at a consideration of RMB50,000,000. The increase in share capital of our Company was registered with the relevant PRC regulatory authorities on May 30, 2013. Upon completion of the increase in share capital of our Company, it was held as to 78.00% by Mr. Gui, 8.67% by Ms. Wu, 3.33% by Zhongyan Investment, and 10.00% by Shanghai Fosun.

Transfer of interests in our Company from Zhongyan Investment to certain Directors, Supervisors, senior management members and employees of our Company

On November 19, 2013, Zhongyan Investment entered into an equity transfer agreement with each of its 18 limited partners pursuant to which Zhongyan Investment transferred its entire interests in our Company, to its limited partners at the same consideration in which Zhongyan Investment subscribed the registered capital of our Company on July 2, 2012. The transfer was properly and legally completed and fully settled on November 26, 2013 as advised by our PRC legal advisor, Yongheng Partners. The transfer would not change any of the 18 limited partners' ultimate interest in our Company. Upon completion of such transfer, the interests of our Company held by the abovementioned 18 limited partners are as follow:

Name	Position in our Company	Investment amount in our Company (RMB)^(Note 1)	Interest in our Company (%)	Number of Domestic Shares held^(Note 2)
Ms. Zhang Yuan	Executive Director	2,008,631	1.080%	659,955
Ms. Xu Li	Executive Director	1,673,538	0.900%	549,857
Ms. Zhu Feifei	Executive Director	200,676	0.108%	65,934
Ms. Yu Min	Supervisor	200,676	0.108%	65,934
Ms. Ge Hongxia	Employee	200,676	0.108%	65,934
Mr. Shen Yehai	Employee	200,676	0.108%	65,934
Ms. Zhou Qian	Employee	200,676	0.108%	65,934
Mr. Zhu Yu	Employee	200,676	0.108%	65,934
Ms. Wang Tingting	Employee	200,676	0.108%	65,934
Ms. Wu Xuemei	Supervisor	167,848	0.090%	55,148
Ms. Liang Lijun	Employee	167,848	0.090%	55,148
Ms. Zhang Tinghua	Employee	167,848	0.090%	55,148
Ms. Duanmu Chuan Fen	Employee	134,402	0.072%	44,159
Ms. Zhi Hui	Senior management and one of our joint company secretaries	134,402	0.072%	44,159
Mr. Song Jiming	Senior management	83,613	0.045%	27,472
Ms. Gao Zhen	Employee	83,613	0.045%	27,472
Ms. Wang Li	Employee	83,613	0.045%	27,472
Ms. Chen Hairong	Employee	83,613	0.045%	27,472
Total		6,193,700	3.33%	2,035,000

Notes:

1. Any discrepancy between the total and the sum of investment amounts set out above is due to rounding.
2. The differences between the number of Domestic Shares held by the Individual Shareholders (as defined below) is due to the reallocation of Domestic Shares among the Individual Shareholders after the transfer of equity interests in our Company from Zhongyan Investment to the Individual Shareholders. Prior to the transfer, the Individual Shareholders were holding the 20,350,000 Domestic Shares collectively through Zhongyan Investment. Fractional Domestic Shares arising from such allocation was rounded down to the nearest whole number and all of the remaining fractional Domestic Shares were allocated to Ms. Zhang Yuan.

Subdivision of Shares

On December 10, 2013, Ms. Zhang Yuan, Ms. Xu Li, Ms. Zhu Feifei, Ms. Yu Min, Ms. Ge Hongxia, Mr. Shen Yehai, Ms. Zhou Qian, Mr. Zhu Yu, Ms. Wang Tingting, Ms. Wu Xuemei, Ms. Liang Lijun, Ms. Zhang Tinghua, Ms. Duanmu Chuan Fen, Ms. Zhi Hui, Mr. Song Jiming, Ms. Gao Zhen, Ms. Wang Li and Ms. Chen Hairong, the limited partners of Zhongyan Investment, Mr. Gui, Ms. Wu and Shanghai Fosun resolved that the share capital of our Company shall be subdivided from 61,111,100 Shares of RMB1.00 each to 611,111,000 Shares of RMB0.10 each. As at December 10, 2013, the share capital of our Company was RMB61,111,100, made up of 611,111,000 Shares of RMB0.10 each; and the Company remained to be held as to 78.00% by Mr. Gui, 8.67% by Ms. Wu, 3.33% by the limited partners of Zhongyan Investment, and 10.00% by Shanghai Fosun.

Nanjing Zhongsheng

Nanjing Zhongsheng was established on June 17, 2003 with registered capital of RMB20,000,000. On February 18, 2007, our Company acquired 51% of the equity interest in Nanjing Zhongsheng from five equity holders, who were Independent Third Parties, being 9.18% from Mr. Zhang Xiesheng, 5.1% from Mr. Wang Weisheng, 5.1% from Mr. Yao Jianru, 4.08% from 南京先聲保健品有限公司 (Nanjing Xiansheng Nutritional Supplements Co., Ltd.*) and 27.54% from 海南先聲投資集團有限公司 (Hainan Xiansheng Investment Group Co. Ltd.*) amounting to RMB10,200,000.

On February 27, 2007, our Company entered into an equity transfer agreement pursuant to which our Company transferred RMB200,000 of its equity interests in Nanjing Zhongsheng to Nanjing Zhongsheng Pharmaceutical at a consideration of RMB200,000.

On May 4, 2008, our Company entered into an equity transfer agreement pursuant to which our Company acquired an additional 49% of the equity interests in Nanjing Zhongsheng from 南京先聲東元科技商貿有限公司 (Nanjing Xiansheng Dongyuan Technology and Commence Co., Ltd.*) an Independent Third Party at a consideration of RMB9,800,000. After the transfer, our Company then owned 99% of the equity interests in Nanjing Zhongsheng and the other 1% being held by Nanjing Zhongsheng Pharmaceutical.

On January 1, 2010, our Company entered into an equity transfer agreement pursuant to which Nanjing Zhongsheng Pharmaceutical transferred all of its equity interests in Nanjing Zhongsheng to our Company at a consideration of RMB200,000. Nanjing Zhongsheng has then become a wholly-owned subsidiary of our Company. Approval for such transfer was obtained on January 14, 2010 from the relevant PRC regulatory authorities.

Suzhou Zhongsheng

Suzhou Zhongsheng was established on March 26, 2008 with registered capital of RMB600,000, which was owned as to 80% by our Company and 20% by Nanjing Zhongsheng Pharmaceutical respectively. On January 26, 2010, Nanjing Zhongsheng Pharmaceutical entered into an equity transfer agreement pursuant to which Nanjing Zhongsheng Pharmaceutical transferred all of its equity interests in Suzhou Zhongsheng, with paid-up capital of RMB120,000, to our Company at a consideration of RMB120,000. Suzhou Zhongsheng has then become a wholly-owned subsidiary of our Company. Approval for such transfer was obtained on January 28, 2010 from the relevant PRC regulatory authorities.

Hangzhou Zhongsheng

Hangzhou Zhongsheng was established on April 2, 2008 with registered capital of RMB600,000 which was owned as to 80% by our Company and 20% by Nanjing Zhongsheng Pharmaceutical respectively. On February 1, 2010, Nanjing Zhongsheng Pharmaceutical entered into an equity transfer agreement pursuant to which Nanjing Zhongsheng Pharmaceutical transferred all of its equity interests in Hangzhou Zhongsheng, with paid-up capital of RMB120,000, to our Company at a consideration of RMB120,000. Hangzhou Zhongsheng has then become a wholly-owned subsidiary of our Company. Approval for such transfer was obtained on February 22, 2010 from the relevant PRC regulatory authorities.

Beijing Zhongsheng

Beijing Zhongsheng was established on April 9, 2008 with registered capital of RMB600,000 which was owned as to 80% by our Company and 20% by Nanjing Zhongsheng Pharmaceutical respectively. On February 1, 2010, Nanjing Zhongsheng Pharmaceutical entered into an equity transfer agreement pursuant to which Nanjing Zhongsheng Pharmaceutical transferred all of its equity interests in Beijing Zhongsheng, with paid-up capital of RMB120,000, to our Company at a consideration of RMB120,000. Beijing Zhongsheng has then become a wholly-owned subsidiary of our Company. Approval for such transfer was obtained on February 5, 2010 from the relevant PRC regulatory authorities.

Wuxi Zhongsheng

Wuxi Zhongsheng was established on April 10, 2008 with registered capital of RMB600,000 which was owned as to 80% by our Company and 20% by Nanjing Zhongsheng Pharmaceutical respectively. On March 25, 2010, Nanjing Zhongsheng Pharmaceutical entered into an equity transfer agreement pursuant to which Nanjing Zhongsheng Pharmaceutical transferred all of its equity interests in Wuxi Zhongsheng, with paid-up capital of RMB120,000, to our Company at a consideration of RMB120,000. Wuxi Zhongsheng has then become a wholly-owned subsidiary of our Company. Approval for such transfer was obtained on May 21, 2010 from the relevant PRC regulatory authorities.

Changzhou Zhongsheng

Changzhou Zhongsheng was established on April 22, 2008 with registered capital of RMB600,000 which was owned as to 80% by our Company and 20% by Nanjing Zhongsheng Pharmaceutical respectively. On January 22, 2010, Nanjing Zhongsheng Pharmaceutical

transferred all of its equity interests in Changzhou Zhongsheng, with paid-up capital of RMB120,000, to our Company at a consideration of RMB120,000. Changzhou Zhongsheng has then become a wholly-owned subsidiary of our Company. Approval for such transfer was obtained on May 6, 2010 from the relevant PRC regulatory authorities.

Jinan Zhongsheng

Jinan Zhongsheng was established on April 30, 2008 with registered capital of RMB600,000 which was owned as to 80% by our Company and 20% by Nanjing Zhongsheng Pharmaceutical respectively. On January 25, 2010, Nanjing Zhongsheng Pharmaceutical entered into an equity transfer agreement pursuant to which Nanjing Zhongsheng Pharmaceutical transferred all of its equity interests in Jinan Zhongsheng, with paid-up capital of RMB120,000, to our Company at a consideration of RMB120,000. Jinan Zhongsheng has then become a wholly-owned subsidiary of our Company. Approval for such transfer was obtained on January 29, 2010 from the relevant PRC regulatory authorities.

Guangzhou Zhongsheng

Guangzhou Zhongsheng was established on June 27, 2008 with registered capital of RMB600,000 which was owned as to 80% by our Company and 20% by Nanjing Zhongsheng Pharmaceutical respectively. On April 1, 2010, Nanjing Zhongsheng Pharmaceutical entered into an equity transfer agreement pursuant to which Nanjing Zhongsheng Pharmaceutical transferred all of its equity interests in Guangzhou Zhongsheng, with paid-up capital of RMB120,000, to our Company at a consideration of RMB120,000. Guangzhou Zhongsheng has then become a wholly-owned subsidiary of our Company. Approval for such transfer was obtained on April 7, 2010 from the relevant PRC regulatory authorities.

Shenzhen Zhongsheng

Shenzhen Zhongsheng was established on April 23, 2009 with registered capital of RMB600,000 which was owned as to 80% by our Company and 20% by Nanjing Zhongsheng Pharmaceutical respectively. On March 31, 2010, Nanjing Zhongsheng Pharmaceutical entered into an equity transfer agreement pursuant to which Nanjing Zhongsheng Pharmaceutical transferred all of its equity interests in Shenzhen Zhongsheng, with paid-up capital of RMB120,000, to our Company at a consideration of RMB120,000. Shenzhen Zhongsheng has then become a wholly-owned subsidiary of our Company. Approval for such transfer was obtained on April 13, 2010 from the relevant PRC regulatory authorities.

Chengdu Zhongsheng

Chengdu Zhongsheng was established by our Company in the PRC on April 6, 2011 with registered capital of RMB500,000. The relevant business licence was granted to Chengdu Zhongsheng on April 6, 2011. Chengdu Zhongsheng has been a wholly-owned subsidiary of our Company since its establishment.

Zhenjiang Zhongsheng

Zhenjiang Zhongsheng was established by our Company in the PRC on April 28, 2011 with registered capital of RMB100,000. The relevant business licence was granted to Zhengjiang Zhongsheng on April 28, 2011. Zhenjiang Zhongsheng has been a wholly-owned subsidiary of our Company since its establishment.

Wuhan Zhongsheng

Wuhan Zhongsheng was established by our Company in the PRC on May 23, 2011 with registered capital of RMB100,000. The relevant business licence was granted to Wuhan Zhongsheng on May 23, 2011. Wuhan Zhongsheng has been a wholly-owned subsidiary of our Company since its establishment.

Qingdao Zhongsheng

Qingdao Zhongsheng was established by our Company in the PRC on June 24, 2011 with registered capital of RMB100,000. The relevant business licence was granted to Qingdao Zhongsheng on June 24, 2011. Qingdao Zhongsheng has been a wholly-owned subsidiary of our Company since its establishment.

Nanjing Deao

Nanjing Deao was established by Ms. Wu Wenting on July 15, 2011 with registered capital of RMB1,000,000. On September 27, 2012, Ms. Wu Wenting entered into an equity transfer agreement pursuant to which Ms. Wu Wenting transferred all of her equity interests in Nanjing Deao, with paid-up capital of RMB1,000,000, to our Company at a consideration of RMB1,840,000 which was determined with reference to the net asset value of Nanjing Deao as at August 31, 2012. Approval for such transfer was obtained on September 27, 2012 from the relevant PRC regulatory authorities. Since then, Nanjing Deao has been a wholly-owned subsidiary of our Company.

Cobayer Health Food Company

Cobayer Health Food Company was incorporated under the laws of the Australia on March 2, 2009. At its incorporation, Mr. Gui was the sole shareholder of Cobayer Health Food Company and he owned two ordinary shares with paid-up capital of AUD2,000. On August 28, 2012, Mr. Gui entered into a share transfer agreement pursuant to which Mr. Gui transferred all of his shares in Cobayer Health Food Company to our Company at a consideration of RMB4,100,000 which was determined with reference to the approximate net asset value of Cobayer Health Food Company. Such transfer was registered with the relevant Australian regulatory authorities on December 24, 2012. Since then, Cobayer Health Food Company has become a wholly-owned subsidiary of our Company.

Nanjing Zhongsheng Pharmaceutical

In 2010, Nanjing Zhongsheng Pharmaceutical, which was then owned by our Controlling Shareholders, transferred CFDA health food approvals of seven Zhongsheng series products to our Company at nil cost and our Company has continued to run the business of Nanjing Zhongsheng Pharmaceutical thereafter. The aforementioned transfer is accounted for as a business combination under common control.

Nanjing Zhongsheng Pharmaceutical was established in the PRC by Mr. Gui and Ms. Wu as a limited liability company on March 2, 2005 with registered capital of RMB2,000,000. Nanjing Zhongsheng Pharmaceutical was owned as to 90% by Mr. Gui and 10% by Ms. Wu.

In August 2010, the sales department of Nanjing Zhongsheng Pharmaceutical was deregistered with the relevant PRC regulatory authorities. Seven of its CFDA approvals were transferred to our Company. For details of these transfers, please refer to the paragraph headed “Approvals and Permits” under the section headed “Business” in this prospectus. Nanjing Zhongsheng Pharmaceutical was deregistered with Nanjing Administration for Industry and Commerce on July 27, 2011.

Shanghai Zhongsheng

Shanghai Zhongsheng was established by our Company in the PRC on November 18, 2013 with registered capital of RMB100,000. The relevant business licence was granted to Shanghai Zhongsheng on November 18, 2013. Shanghai Zhongsheng has been a wholly-owned subsidiary of our Company since its establishment.

5. Changes in share capital of our subsidiaries

Our subsidiaries are listed in the accountants’ report set out in Appendix I to this prospectus.

Save for the alterations described in paragraphs 2 and 4 above, there is no alteration in the share capital of our Group which took place within the two years immediately preceding the date of this prospectus.

6. Further information of our subsidiaries

Our Group has interest in the registered capital of the following entities in the PRC. A summary of the corporate information of each of these entities is set out as follows:

(A) *Nanjing Zhongsheng*

(i) Name of the enterprise:	南京中生生物科技有限公司 (Nanjing Zhongsheng Bio-Tech Co. Limited*)
(ii) Economic nature:	Limited liability company
(iii) Registered owner:	Our Company
(iv) Total investment:	RMB20 million
(v) Registered capital:	RMB20 million
(vi) Attributable interest to our Group:	100%
(vii) Term of operation:	June 17, 2003 to June 15, 2033
(viii) Scope of business:	Permitted operational items: production and sale of health food products and other food products (cordyceps fruit) (in accordance with the scope as stated in the permit); general operational items: research and development and consultancy on biotechnology

(B) *Suzhou Zhongsheng*

(i) Name of the enterprise:	蘇州中生健康生物製品有限公司 (Suzhou Zhongsheng Health & Biological Products Co. Limited*)
(ii) Economic nature:	Limited liability company
(iii) Registered owner:	Our Company
(iv) Total investment:	RMB600,000
(v) Registered capital:	RMB600,000

- (vi) Attributable interest to our Group: 100%
- (vii) Term of operation: March 26, 2008 to March 25, 2018
- (viii) Scope of business: Permitted operational items: retail and wholesale of packaged food (in accordance with the scope of operation as stipulated in the Food Circulation Permit); general operational items: sale of fitness equipment, general merchandise, knitwear, textiles, garments and cosmetics

(C) Hangzhou Zhongsheng

- (i) Name of the enterprise: 杭州中研生物製品有限公司
(Hangzhou Zhongyan Biological Products Co. Limited*)
- (ii) Economic nature: Limited liability company
- (iii) Registered owner: Our Company
- (iv) Total investment: RMB600,000
- (v) Registered capital: RMB600,000
- (vi) Attributable interest to our Group: 100%
- (vii) Term of operation: April 2, 2008 to April 1, 2018
- (viii) Scope of business: Permitted operational items: wholesale and retail of packaged food (period of validity up to March 15, 2015); general operational items: services; technological development of biological products and cosmetics; wholesale and retail of fitness equipment, general merchandise, knitwear, textiles and garments (the above scope of business does not include items that are prohibited, restricted and permitted by the national laws and regulations)

(D) Beijing Zhongsheng

(i) Name of the enterprise:	北京中生美好健康科技有限公司 (Beijing Zhongsheng Wonderful Health Technology Co. Limited*)
(ii) Economic nature:	Limited liability company
(iii) Registered owner:	Our Company
(iv) Total investment:	RMB600,000
(v) Registered capital:	RMB600,000
(vi) Attributable interest to our Group:	100%
(vii) Term of operation:	April 9, 2008 to April 8, 2028
(viii) Scope of business:	Permitted operational items: retail of packaged food and operation related to health food products; general operational items: technological development of cosmetics and technological consultancy; sale of fitness equipment, general merchandise, knitwear, textiles, garments and cosmetics

(E) Wuxi Zhongsheng

(i) Name of the enterprise:	無錫中研健康品有限公司 (Wuxi Zhongyan Health Products Co. Limited*)
(ii) Economic nature:	Limited liability company
(iii) Registered owner:	Our Company
(iv) Total investment:	RMB600,000
(v) Registered capital:	RMB600,000
(vi) Attributable interest to our Group:	100%
(vii) Term of operation:	April 10, 2008 to indefinite

(viii) Scope of business: Permitted operational items: retail and wholesale of packaged food; general operational items: sale of fitness equipment, daily necessities, knitwear, raw materials (excluding seed cotton) and cosmetics (the above scope of business which requires approval for specific items may only operate after obtaining prior approval)

(F) *Changzhou Zhongsheng*

(i) Name of the enterprise: 常州中生美好生物製品有限公司
(Changzhou Zhongsheng Wonderful Bio-Health Products Co. Limited*)

(ii) Economic nature: Limited liability company

(iii) Registered owner: Our Company

(iv) Total investment: RMB600,000

(v) Registered capital: RMB600,000

(vi) Attributable interest to our Group: 100%

(vii) Term of operation: April 22, 2008 to April 16, 2018

(viii) Scope of business: Permitted operational items: wholesale and retail of packaged food and dairy products (including infant formula milk powder); general operational items: research and development of biological products; research, development and consultancy on health food products; sale of fitness equipment, household goods, knitwear and garments

(G) Jinan Zhongsheng

(i) Name of the enterprise:	濟南中生華商生物製品有限公司 (Jinan Zhongsheng Chinese Commerce Biological Products Co. Limited*)
(ii) Economic nature:	Limited liability company
(iii) Registered owner:	Our Company
(iv) Total investment:	RMB600,000
(v) Registered capital:	RMB600,000
(vi) Attributable interest to our Group:	100%
(vii) Term of operation:	April 30, 2008 to long term
(viii) Scope of business:	Permitted operational items: operation related to health food products; general operational items: wholesale and retail of general merchandise, knitwear, textiles and garments (other items may not operate without obtaining prior approval)

(H) Guangzhou Zhongsheng

(i) Name of the enterprise:	廣州中院生物科技有限公司 (Guangzhou Zhongyuan Bio-Tech Co. Limited*)
(ii) Economic nature:	Limited liability company
(iii) Registered owner:	Our Company
(iv) Total investment:	RMB600,000
(v) Registered capital:	RMB600,000
(vi) Attributable interest to our Group:	100%
(vii) Term of operation:	June 27, 2008 to long term

(viii) Scope of business: Development of biotechnology, wholesale and retail of packaged food (including alcoholic beverages) and dairy products (excluding infant formula milk powder); Food Circulation Permit valid until November 23, 2014; wholesale of alcohols; sale of fitness equipment, general merchandise, garments, knitwear, textile and cosmetics

(I) *Shenzhen Zhongsheng*

(i) Name of the enterprise: 深圳市中生華商生物科技有限公司
(Shenzhen Zhongsheng Chinese Commerce Bio-Tech Co. Limited*)

(ii) Economic nature: Limited liability company

(iii) Registered owner: Our Company

(iv) Total investment: RMB600,000

(v) Registered capital: RMB600,000

(vi) Attributable interest to our Group: 100%

(vii) Term of operation: April 23, 2009 to April 23, 2019

- (viii) Scope of business: Technological development, wholesale and retail of health food products (Keda Life Preserving Honey Capsules, Keda Natural Green Capsules, Keda Honey Soft Capsules, Keda Jin Sheng Yuan Tea, Zhongsheng Coenzyme Q₁₀ Capsules, Zhongsheng Condonopsis Lanceolata Tablets, Zhongsheng Cow's Milk Chewy Tablets, Zhongsheng Grapeseed Capsules, Gui's Smart Capsules, Dongyuan Life Prolonging Tablets only); sale of fitness equipment, daily necessities, knitwear, textiles and garments; technological development and sale of cosmetics (other than items prohibited by laws, administrative regulations and the State Council, while restricted items may only operate after obtaining prior approval)

(J) *Chengdu Zhongsheng*

- (i) Name of the enterprise: 成都中生華美生物科技有限公司
(Chengdu Zhongsheng Hua Mei Bio-Tech Co. Limited*)
- (ii) Economic nature: Limited liability company
- (iii) Registered owner: Our Company
- (iv) Total investment: RMB500,000
- (v) Registered capital: RMB500,000
- (vi) Attributable interest to our Group: 100%
- (vii) Term of operation: April 6, 2011 to indefinite

(viii) Scope of business: Research, development and sale of biological products (excluding biological products for human and animal use and pesticides); sale of general merchandise, knitwear, textiles, garments and cosmetics (the above scope of business does not include those restricted by the national laws and regulations, while those requiring approval may only operate with the permit within its period of validity); wholesale and retail of packaged food (operating with the permit which is valid until January 29, 2014)

(K) Zhenjiang Zhongsheng

(i) Name of the enterprise: 鎮江中生健康科技有限公司
(Zhenjiang Zhongsheng Health Bio-Tech Co. Limited*)

(ii) Economic nature: Limited liability company

(iii) Registered owner: Our Company

(iv) Total investment: RMB100,000

(v) Registered capital: RMB100,000

(vi) Attributable interest to our Group: 100%

(vii) Term of operation: April 28, 2011 to April 24, 2031

(viii) Scope of business: Permitted operational items: retail and wholesale of packaged food (the types of food are restricted to the scope stipulated in the Food Circulation Permit); general operational items: health consultancy services

(L) Wuhan Zhongsheng

(i) Name of the enterprise:	武漢中生華商生物科技有限公司 (Wuhan Zhongsheng Chinese Commerce Biological Technology Co. Limited*)
(ii) Economic nature:	Limited liability company
(iii) Registered owner:	Our Company
(iv) Total investment:	RMB100,000
(v) Registered capital:	RMB100,000
(vi) Attributable interest to our Group:	100%
(vii) Term of operation:	May 23, 2011 to May 22, 2026
(viii) Scope of business:	Research, development, consultancy on and sale of health food products; sale of general merchandise, knitwear and garments; research, development and sale of cosmetics; wholesale and retail of packaged food (those State-regulated items which require approval for specific items may only operate after obtaining prior approval)

(M) Qingdao Zhongsheng

(i) Name of the enterprise:	青島中生康健生物製品有限公司 (Qingdao Zhongsheng Biological Products Co. Limited*)
(ii) Economic nature:	Limited liability company
(iii) Registered owner:	Our Company
(iv) Total investment:	RMB100,000
(v) Registered capital:	RMB100,000
(vi) Attributable interest to our Group:	100%

(vii) Term of operation:	June 24, 2011 to indefinite
(viii) Scope of business:	Permitted operational items: operation related to packaged food (health food products); general operational items: technological research, development of and consultancy on health food products; wholesale of general merchandise, knitwear, textiles and garments, technological research and development of cosmetics (the above scope of business which requires permit approval may only operate with permit)

(N) Nanjing Deao

(i) Name of the enterprise:	南京德澳國際貿易有限公司 (Nanjing Deao International Trade Co. Limited*)
(ii) Economic nature:	Limited liability company
(iii) Registered owner:	Our Company
(iv) Total investment:	RMB1 million
(v) Registered capital:	RMB1 million
(vi) Attributable interest to our Group:	100%
(vii) Term of operation:	July 15, 2011 to July 14, 2026
(viii) Scope of business:	Permitted operational items: wholesale and retail of packaged food; general operational items: manufacture and distribution of import and export of various commodities and technology (save for commodities and technologies restricted and prohibited from operation, import and export by the State)

(O) Shanghai Zhongsheng

(i) Name of the enterprise:	上海康赫生物科技有限公司 (Shanghai Kanghe Bio-Tech Co. Limited*)
(ii) Economic nature:	Limited liability company
(iii) Registered owner:	Our Company
(iv) Total investment:	RMB100,000
(v) Registered capital:	RMB100,000
(vi) Attributable interest to our Group:	100%
(vii) Term of operation:	November 18, 2013 to November 17, 2023
(viii) Scope of business:	Permitted operational items: retail of pre-packaged food (excluding cooked and marinated food and frozen food) and dairy products (excluding milk powder infant formula); sale of fitness equipment, general merchandise, knitwear, garments and cosmetics; technological research and development and consultancy on medical equipment; research, development and consultancy on health food products

Our Group also has interest in the share capital of a company in Australia. A summary of the corporate information of this entity is set out as follows:

(P) Cobayer

(i) Name of the enterprise:	Australia Cobayer Health Food Co Pty Ltd
(ii) Economic nature:	Limited liability company
(iii) Registered owner:	Our Company
(iv) Issued share capital:	2 shares of AUD1,000 each
(v) Attributable interest to our Group:	100%
(vi) Principal business:	Trading of food products

7. Registration under Part XI of the Companies Ordinance

Our Company has established our head office and a principal place of business in Hong Kong for the purpose of registration under Part XI of the Companies Ordinance at 40th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong. Our Company has been registered as a non-Hong Kong Company under Part XI of the Companies Ordinance. Ms. Kam Mei Ha Wendy has been appointed as agent of our Company for the acceptance of service of process in Hong Kong.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

8. Summary of material contracts

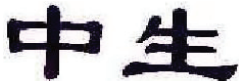
The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of our Group within the two years preceding the date of this prospectus and are or may be material:

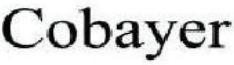
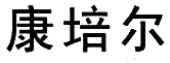
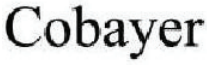
- (a) the Shanghai Fosun Pre-IPO Investment Agreement;
- (b) the Deed of Indemnity;
- (c) the Hong Kong Underwriting Agreement; and
- (d) the cornerstone investment agreement dated December 24, 2013, entered into among BOCOM International Securities Limited, Town Health Corporate Advisory and Investments Limited and our Company, pursuant to which Town Health Corporate Advisory and Investments Limited agreed to subscribe at the Offer Price for such number of H Shares (rounded down to the nearest whole board lot of 2,000 H Shares) as may be purchased with an aggregate of USD\$5.0 million (or approximately HK\$38.8 million).

9. Intellectual property rights of our Group

Trademarks

As of the Latest Practicable Date, our Group had the right to use the following trademarks which are material to our business:

No.	Trademark	Registered owner	Place of registration	Class	Registration number	Duration of validity
1.		Company	PRC	30 (Note 1)	1623127	21 August 2011 to 20 August 2021
2.		Company	PRC	30 (Note 1)	1663199	7 November 2011 to 6 November 2021
3.		Company	PRC	30 (Note 1)	1643077	28 September 2011 to 27 September 2021
4.		Company	PRC	30 (Note 2)	4120405	7 February 2007 to 6 February 2017
5.		Company	PRC	30 (Note 2)	4310892	14 March 2007 to 13 March 2017
6.		Company	PRC	10 (Note 3)	4457588	14 September 2007 to 13 September 2017
7.		Company	PRC	5 (Note 4)	4457589	4 April 2008 to 13 April 2018
8.		Company	PRC	30 (Note 5)	5874395	21 November 2009 to 20 November 2019

No.	Trademark	Registered owner	Place of registration	Class	Registration number	Duration of validity
9.		Company	PRC	33 (Note 6)	7684520	21 November 2010 to 20 November 2020
10.		Company	PRC	5 (Note 7)	7922803	14 March 2011 to 13 March 2021
11.		Company	PRC	33 (Note 6)	7691324	21 November 2010 to 21 November 2020
12.		Company	PRC	33 (Note 6)	7691360	21 November 2010 to 20 November 2020
13.		Company	PRC	30 (Note 8)	8589651	14 November 2011 to 13 November 2021
14.		Company	PRC	30 (Note 8)	8589678	14 November 2011 to 13 November 2021
15.		Company	PRC	29 (Note 9)	9923338	7 November 2012 to 6 November 2022
16.		Company	PRC	29 (Note 9)	9923381	7 November 2012 to 6 November 2022
17.		Company	PRC	29 (Note 9)	9923316	7 November 2012 to 6 November 2022

No.	Trademark	Registered owner	Place of registration	Class	Registration number	Duration of validity
18.		Company	PRC	5 (Note 10)	11058265	October 21, 2013 to October 20, 2023
19.		Company	PRC	29 (Note 11)	11058275	October 21, 2013 to October 20, 2023
20.		Company	PRC	29 (Note 11)	11058312	October 21, 2013 to October 20, 2023
21.		Company	PRC	30 (Note 12)	11059329	October 21, 2013 to October 20, 2023
22.		Cobayer	Australia	5 (Note 13)	1495216	12 June 2012 to 12 June 2022
23.		Cobayer	Australia	5 (Note 14)	1408852	22 February 2011 to 22 February 2021
24.		Cobayer	Australia	5 (Note 15)	1408635	22 February 2011 to 22 February 2021

Notes:

1. The specific goods under class 30 in respect of which these trademarks were registered are nutritional mixture for non-medical use, nutritional paste for non-medical use, nutritional powder for non-medical use and nutritional capsules for non-medical use.
2. The specific goods under class 30 in respect of which these trademarks were registered are nutritional mixture for non-medical use, nutritional paste for non-medical use, nutritional powder for non-medical use, nutritional capsules for non-medical use, spirulina (non-medical nutritional products) and edible propolis (propolis).
3. The specific goods under class 10 in respect of which these trademarks were registered are medical apparatus and instruments, surgical equipment, pillows for insomnia, electrotherapeutic equipment, orthopedic articles, milk bottles for infants, rubber pacifiers and special made medical furniture.
4. The specific goods under class 5 in respect of which these trademarks were registered are medicines for human use, medical nutritional products, Chinese medicines, pharmaceutical ingredients, chemical medical products, medical capsules, babies' food, medical pillows, air freshener and babies' milk powder.

5. The specific goods under class 30 in respect of which these trademarks were registered are edible royal jelly (non-medical use), nutritional mixture for non-medical use, nutritional paste for non-medical use, nutritional powder for non-medical use, nutritional capsules for non-medical use, honey, edible propolis (propolis), spirulina (non-medical nutritional products), pollen fitness cream and chicken essence with cordyceps.
6. The specific goods under class 33 in respect of which these trademarks were registered are fruits wine (alcoholic), cocktails, grapes wine, wine, whiskey, vodka, sake, edible alcohol, brandy, and liquid containing alcohol.
7. The specific goods under class 5 in respect of which these trademarks were registered are babies' food, babies' milk powder, medical health bags, facial powder for babies' use, medical almond milk and microbiological nutritional substances.
8. The specific goods under class 30 in respect of which these trademarks were registered are edible propolis (propolis), food containing starch, edible royal jelly (non-medical use), spirulina (non-medical nutritional products), nutritional mixture for non-medical use, nutritional paste for non-medical use, nutritional powder for non-medical use, nutritional capsules for non-medical use and chicken essence with cordyceps.
9. The specific goods under class 29 in respect of which these trademarks were registered are milk powder, edible oils, edible olive oil, dried bird's nest, food with fish, dried fruits, preserved vegetables, egg powder, nuts and edible egg white.
10. The specific goods under class 5 in respect of which these trademarks were registered are babies' food, babies' milk powder, nutritional drinks for medical use, medical health bags, fish powder for medical use, microbiological nutritional substances, propolis nutritional supplements and protein nutritional supplements.
11. The specific goods under class 29 in respect of which these trademarks were registered are milk powder, edible oil, edible olive oil, edible bird's nest, food with fish, dried fruits, preserved vegetables, egg powder, nuts and egg white for cooking.
12. The specific goods under class 30 in respect of which these trademarks were registered are honey, propolis, pollen fitness cream, cocoa made products, confectionery, cereal products, farinaceous food, pulse flour, seasonings, and edible aromatic essence.
13. The specific goods under class 5 in respect of which these trademarks were registered are babies' food; baby food; dietary food supplements; dried milk being food for infants; dried milk powder being food for babies; dried milk preparations being food for babies; dried milk products being food for babies; food for babies; food for infants; food supplements (dietary supplements); foodstuffs for babies; foodstuffs for infants; hydrolysed starches for infants' foods; hydrolysed starches for invalids' food; infants' foods; milk foods for infants; milk powder for foodstuffs for babies; milk powders (foodstuff for babies); mineral additives to foodstuffs for human consumption; mineral food supplements; mineral preparations for use as nutritional additives to foodstuffs for humans; modified starches for food for persons with a dietary disorder; powdered milk foods for infants; protein preparations for use as additives to foodstuffs for human consumption (adapted for medical purposes); supplements (trace element) for foodstuffs for human consumption; vitamin preparations in the nature of food supplements; vitamin supplements for foodstuffs for human consumption.
14. The specific goods under class 5 in respect of which these trademarks were registered are babies' food; baby food; collagen based medicated supplements for food; dried milk powder being food for babies; dried milk products being food for babies; food for babies; food for infants; food supplements for medical purposes; food supplements for the dietary management of illness in humans; foodstuffs for babies; foodstuffs for infants; fortifying foodstuffs of minerals or vitamins; health food supplements made principally of minerals; health food supplements made principally of vitamins; infants' foods; milk foods for infants; milk powder for foodstuffs for babies; milk powders (foodstuffs for babies); mineral food-supplements; mineral supplements for foodstuffs for human consumption; powdered dietary food concentrates for use in a weight reduction programme for medical purposes; powdered milk foods for infants; preparations for food for human consumption (for babies); preparations for food for human consumption (for infants); preparations for use as additives to food for human consumption (minerals); preparations for use as additives to food for human consumption (trace elements); preparations for use as additives to food for human consumption (vitamins); protein foods for human consumption (adapted for medical purposes); supplements (trace element) for foodstuffs for human consumption; vitamin supplements for foodstuffs for human consumption.

15. The specific goods under class 5 in respect of which these trademarks were registered are baby food; collagen based medicated supplements for food; dried milk being food for infants; dried milk powder being food for babies; dried milk products being food for babies; food for babies; food for infants; food supplements for the dietary management of illness in humans; foodstuffs for babies; foodstuffs for infants; fortifying foodstuffs of minerals or vitamins; health food supplements made principally of minerals; health food supplements principally made of vitamins; infants' foods; medicated food supplements; medicated preparations for use as supplements for food; medicated supplements for food; milk powders (foodstuffs for babies); minerals food-supplements; mineral supplements for foodstuffs for human consumption; powdered dietary food concentrates for use in a weight reduction programme for medical purposes; powdered milk foods for infants; preparations for food for human consumption (for babies); preparations for food for human consumption (for infants); preparation for food for human consumption (for persons with a dietary requirement due to a medical condition); preparations for use as additives to food for human consumption (minerals); preparations for use as additives to food for human consumption (trace elements); preparations for use as additives to food for human consumption (adapted for medical purposes); supplements (trace element) for foodstuffs for human consumption; vitamin supplements for foodstuffs for human consumption.

As of the Latest Practicable Date, applications had been made by our Group for the registration of the following trademarks which are material to our business:

No.	Trademark	Applicant	Place of application	Class	Application number	Application Date
1.		Company	PRC	3 (Note 1)	11058224	June 12, 2012
2.		Company	PRC	3 (Note 1)	11058229	June 12, 2012
3.		Company	PRC	30 (Note 4)	11058340	June 12, 2012
4.		Company	PRC	5 (Note 5)	11164600	July 4, 2012
5.		Company	PRC	5 (Note 5)	11167374	July 5, 2012
6.		Company	PRC	5 (Note 6)	11525975	September 21, 2012

No.	Trademark	Applicant	Place of application	Class	Application number	Application Date
7.		Company	PRC	29 (<i>Note 3</i>)	11526055	September 21, 2012
8.		Company	PRC	30 (<i>Note 4</i>)	11526117	September 21, 2012
9.		Company	PRC	30 (<i>Note 7</i>)	12433094	April 16, 2013
10.		Company	PRC	3 (<i>Note 1</i>)	11058216	June 12, 2012
11.		Company	PRC	3 (<i>Note 8</i>)	12931414	July 17, 2013
12.		Company	PRC	5 (<i>Note 9</i>)	12931518	July 17, 2013
13.		Company	PRC	29 (<i>Note 10</i>)	12931612	July 17, 2013
14.		Company	PRC	30 (<i>Note 11</i>)	12931712	July 17, 2013
15.		Company	Hong Kong	3, 5, 29, 30 (<i>Note 12</i>)	302746783	September 25, 2013

Notes:

- The specific goods under class 3 in respect of which these trademarks were applied for registration are cosmetics, toothpaste, facial cleansing milk, incense products (fragrance), shampoo, cleansing agents, soap, perfume, dried flower petals and fragrance mixture (fragrance) and cosmetics for animal use.

2. The specific goods under class 5 in respect of which these trademarks were applied for registration are minerals dietary supplements, nutritional supplements, flaxseed dietary supplements, flaxseed oil dietary supplements, wheat germ dietary supplements, yeast dietary supplements, enzyme dietary supplements, lecithin dietary supplements, sodium alginate dietary supplements and casein.
3. The specific goods under class 5 in respect of which these trademarks were applied for registration are babies' food, babies' milk powder, nutritional drinks for medical use, nutritional food for medical use, medical health bags, fish powder for medical use, microbiological nutritional substances, royal jelly, nutritional supplements, propolis nutritional supplements, protein nutritional supplements, nutritional supplements, minerals dietary supplements, flaxseed dietary supplements, flaxseed oil dietary supplements, wheat germ dietary supplements, yeast dietary supplements, enzyme dietary supplements, lecithin dietary supplements, sodium alginate dietary supplements and casein.
4. The specific goods under class 30 in respect of which these trademarks were applied for registration are honey for food products, yellow syrup, honey, royal jelly, pollen fitness cream, confectionery, cereal made products, pulse flour, farinaceous food, cocoa drinks and oatmeal food products.
5. The specific goods under class 3 in respect of which these trademarks were applied for registration are cosmetics, facial cleansing milk, detergents, cleansing agents, soap, toothpaste, incense products (fragrance), shampoo, shower gel and perfume.
6. The specific goods under class 5 in respect of which these trademarks were applied for registration are medicines for human use, medical nutritional food, Chinese medicine, pharmaceutical ingredients, chemical medical products, medical capsules, babies' food, medical pillows, medical health bags, facial powder for babies' use, babies' milk powder, microbiological nutritional substances, nutritional drinks for medical use, sweets for medical use, vitamins, cod liver oil, dietary fiber, nutritional food for medical use, minerals dietary supplements, dietary supplements, flaxseed dietary supplements, flaxseed oil dietary supplements, wheat germ dietary supplements, yeast dietary supplements, royal jelly dietary supplements, propolis dietary supplements, pollen dietary supplements, enzyme dietary supplements, glucose dietary supplements, lecithin dietary supplements, sodium alginate dietary supplements, casein and protein dietary supplements.
7. The specific goods under class 29 in respect of which these trademarks were applied for registration are milk powder, edible fats, edible bird's nest, food with fish, dried fruits, preserved vegetables, egg powder, egg white for cooking purpose, edible oils, snacks with mainly fruits and vegetables and processed nuts.
8. The specific goods under class 30 in respect of which these trademarks were applied for registration are edible honey, yellow syrup, honey, royal jelly, pollen fitness cream, propolis, confectionery, cereal made products, pulse flour, farinaceous food, oatmeal food products and chicken essence with cordyceps.
9. The specific goods under class 3 in respect of which these trademarks were applied for registration are bleaching preparations and other substances for laundry use; cleaning, polishing, scouring and abrasive preparations; soaps; perfumery, essential oils, cosmetics, hair lotions; dentifrices.

The specific goods under class 5 in respect of which these trademarks were applied for registration are pharmaceutical and veterinary preparations; sanitary preparations for medical purposes; dietetic food and substances adapted for medical or veterinary use, food for babies; dietary supplements for humans and animals; plasters, materials for dressings; material for stopping teeth, dental wax; disinfectants; preparations for destroying vermin; fungicides, herbicides.

The specific goods under class 29 in respect of which these trademarks were applied for registration are meat, fish, poultry and game; meat extracts; preserved, frozen, dried and cooked fruits and vegetables; jellies, jams, compotes; eggs; milk and milk products; edible oils and fats.

The specific goods under class 30 in respect of which these trademarks were applied for registration are coffee, tea, cocoa and artificial coffee; rice; tapioca and sago; flour and preparations made from cereals; bread, pastry and confectionery; ices; sugar, honey, treacle; yeast, baking-powder; salt; mustard; vinegar, sauces (condiments); spices; ice.

Domain names

As of the Latest Practicable Date, our Group had registered the following domain names:

No.	Domain name	Registrant
1.	conbair.com	Company
2.	zs-united.com	Company
3.	中生聯合生物.cn	Company
4.	中生聯合生物.com	Company
5.	中生聯合生物.中國	Company
6.	cobayer.com	Nanjing Zhongsheng
7.	zkbi.com	Nanjing Zhongsheng
8.	南京中科生物研究所.com	Nanjing Zhongsheng
9.	cobayer-dairy	Nanjing Zhongsheng

10. Connected transactions and related party transactions

Save as disclosed in the section headed “Continuing Connected Transactions” of this prospectus and in note 31 to the Accountants’ Report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, we have not engaged in any other material connected transactions or related party transactions.

FURTHER INFORMATION ABOUT DIRECTORS AND SUPERVISORS**11. Directors*****(a) Disclosure of interests of Directors and Supervisors***

Save as disclosed in “4. Corporate history” above, none of our Directors and Supervisors or their associates was engaged in any dealings with our Group during the two years preceding the date of this prospectus.

*(b) Particulars of Directors' and Supervisors' service contracts**Executive Directors*

Each of our executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as executive Directors for a term until October 24, 2015. For the appointment date of each executive Director, see "Directors, Supervisors, Senior Management and Employees – Directors". The term of service shall be renewed subject to approval of our Shareholders, unless terminated by not less than three months' notice in writing by either party.

Each of our executive Directors is entitled to a basic salary as set out below (subject to an annual increment at the discretion of our Directors) and a discretionary management bonus based on the financial performance of our Group in that financial year. An executive Director may not vote on any resolution of our Directors regarding the amount of the management bonus payable to him/her. The current basic annual salaries of our executive Directors are as follows:

<u>Name</u>	<u>Annual salary</u>
	<u>(RMB)</u>
Mr. Gui	617,000
Ms. Zhang Yuan	240,000
Ms. Xu Li	227,000
Ms. Zhu Feifei	147,000

Non-executive and independent non-executive Directors

Each of our non-executive and independent non-executive Directors has been appointed for a term until October 24, 2015 renewable subject to the approval of our Shareholders, unless terminated by not less than three months' notice in writing served by either our non-executive and independent non-executive Director. Each of Mr. Jiang Fuxin and Ms. Feng Qing is entitled to a director's fee of RMB60,000 per annum. Mr. Vincent Cheng is entitled to a director's fee of HK\$150,000 per annum. Save for directors' fees, none of our non-executive and independent non-executive Directors is expected to receive any other remuneration for holding their office as a non-executive and independent non-executive Director.

Supervisors

Each of our Supervisors has been appointed for a term until October 24, 2015 renewable subject to the approval of our Shareholders, unless terminated by not less than three months' notice in writing served by either our Supervisor or our Company. For the appointment date of each Supervisor, see "Directors, Supervisors, Senior Management and Employees – Supervisors".

Save as disclosed aforesaid, none of our Directors or Supervisors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by our Company within one year without the payment of compensation (other than statutory compensation).

(c) *Remuneration of Directors and Supervisors*

- (i) The aggregate emoluments paid and benefits in kind granted by our Group to our Directors and Supervisors in respect of the three years ended December 31, 2010, 2011 and 2012, and the six months ended June 30, 2013 were approximately RMB1.3 million, RMB1.4 million, RMB1.4 million and RMB0.9 million respectively.
- (ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including our non-executive and independent non-executive Directors) and Supervisors for the year ending December 31, 2013, are expected to be approximately RMB1.5 million.
- (iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended December 31, 2012 and the six months ended June 30, 2013 as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended December 31, 2012 and the six months ended June 30, 2013.

(d) *Interests and short positions of our Directors and Supervisors in the Shares, underlying Shares or debentures of our Company and our associated corporations following the Global Offering*

Immediately following completion of the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, the interests or short positions of our Directors and Supervisors in the Shares, underlying Shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be

required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to notify our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

Name	Class of Shares held after the Global Offering	Number of Shares held after the Global Offering	Capacity/ Nature of interest	Approximate percentage of shareholding in the relevant class after the Global Offering ⁽¹⁾	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering ⁽²⁾
Mr. Gui ⁽³⁾	Domestic Shares	476,685,000	Beneficial owner	78.00%	58.50%
		52,965,000	Interest of spouse	8.67%	6.50%
Ms. Zhang Yuan	Domestic Shares	6,599,550	Beneficial owner	1.08%	0.81%
Ms. Xu Li	Domestic Shares	5,498,570	Beneficial owner	0.90%	0.67%
Ms. Zhu Feifei	Domestic Shares	659,340	Beneficial owner	0.11%	0.08%
Ms. Yu Min	Domestic Shares	659,340	Beneficial owner	0.11%	0.08%
Ms. Wu Xuemei	Domestic Shares	551,480	Beneficial owner	0.09%	0.07%

Notes:

- (1) The calculation is based on the total number of Domestic Shares after the Global Offering, assuming the Over-allotment Option is not exercised.
- (2) The calculation is based on the total number of 814,911,000 Shares in issue after the Global Offering, assuming the Over-allotment Option is not exercised.
- (3) Mr. Gui is the spouse of Ms. Wu. Under the SFO, Mr. Gui will be deemed to be interested in the same number of Shares in which Ms. Wu is interested.

12. Interest discloseable under the SFO and Substantial Shareholders

So far as our Directors are aware, immediately following completion of the Global Offering (but without taking into account of any Shares which may be taken up under the Global Offering and any Shares which may be allotted and issued upon the exercise of the Over-allotment Option), other than a Director or chief executive of our Company whose interests are disclosed under the sub-paragraph headed “Interests and short positions of our Directors in the Shares, underlying Shares or debentures of our Company and our associated corporations following the Global Offering” above, the following persons will have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and who will be expected, directly or indirectly, to be interested in 10% or more of the Shares:

Name	Class of Shares held after the Global Offering	Number of Shares held after the Global Offering	Capacity/ Nature of interest	Approximate percentage of shareholding in the relevant class after the Global Offering ⁽¹⁾	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering ⁽²⁾
Ms. Wu ⁽³⁾⁽⁴⁾	Domestic Shares	52,965,000	Beneficial owner	8.67%	6.50%
		476,685,000	Interest of spouse	78.00%	58.50%
Shanghai Fosun	Domestic Shares	61,111,000	Beneficial owner	10.00%	7.50%

Notes:

- (1) The calculation is based on the percentage of shareholding in Domestic Shares after the Global Offering, assuming the Over-allotment Option is not exercised.
- (2) The calculation is based on the total number of 814,911,000 Shares in issue after the Global Offering, assuming the Over-allotment Option is not exercised.
- (3) Ms. Wu is the spouse of Mr. Gui. Under the SFO, Ms. Wu will be deemed to be interested in the same number of Shares in which Mr. Gui is interested.
- (4) Immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised), Ms. Wu will directly hold 52,965,000 Domestic Shares, representing 8.67% of the domestic share capital and approximately 6.50% of the total share capital of our Company, respectively.

13. Disclaimers

Save as disclosed in this prospectus:

- (a) and taking no account of any Shares which may be taken up or acquired under the Global Offering or upon the exercise of the Over-allotment Option, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of us;
- (b) none of our Directors has any interest or short position in any of the shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;
- (c) none of our Directors nor any of the parties listed in the paragraph 20 has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any other member of us nor will any Director apply for the Offer Shares either in his/her own name or in the name of a nominee;
- (d) none of our Directors nor any of the parties listed in paragraph 20 below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of us; and
- (e) save in connection with the Underwriting Agreements, none of the parties listed in paragraph 20 below:
 - (i) is interested legally or beneficially in any securities of any member of us; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of us.

OTHER INFORMATION

14. Estate duty, tax and other indemnities

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

Our Controlling Shareholders (together, the “**Indemnifiers**”) have entered into a deed of indemnity with and in favor of our Company (for itself and as trustee for each of our present subsidiaries) (being the material contract referred to in paragraph b of the paragraph headed “Summary of material contracts” in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of the death of any person and by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group on or before Listing; and
- (b) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation.

The Indemnifiers are under no liability under the deed of indemnity in respect of any taxation:

- (a) to the extent that provision has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to June 30, 2013;
- (b) to the extent that such taxation or liability falling on any of the members of our Group in respect of their accounting periods or any accounting period commencing on or after July 1, 2013 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily effected by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, otherwise than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after June 30, 2013; or

- (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before June 30, 2013 or pursuant to any statement of intention made in this prospectus; or
- (c) to the extent that such taxation liabilities or claim arises or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the deed of indemnity or to the extent such claim arises or is increased by an increase in rates of taxation after the date of the deed of indemnity with retrospective effect; or
- (d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to June 30, 2013 and which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the deed of indemnity, each of the Indemnifiers has also undertaken to us that he/she/it will indemnify and at all times keeps us fully indemnified, on a joint and several basis, inter alia, all expenses, payments, sums, outgoings, fees, demands, claims, damages, losses, costs (including, but not limited to, legal and other professional costs), charges, liabilities, fines, penalties and tax which any member of our Group may incur, suffer or accrue, directly or indirectly, from or on the basis of or in connection with the non-compliance incidents of the relevant PRC laws and regulations by any member of our Group in the PRC described in the paragraph headed "Legal and compliance" in the "Business" section of this prospectus.

15. Litigation

No member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on our results of operations or financial condition of our Group.

16. Preliminary expenses

The preliminary expenses of our Company in relation to the Listing are estimated to be approximately RMB650,000 and are payable by our Company.

17. Promoter

The Promoters of our Company are Mr. Gui, Ms. Wu and Zhongyan Investment. Within the two years preceding the date of this prospectus, no amount or benefit has been paid or given to any promoters of our Company in connection with the Global Offering or the related transactions described in this prospectus.

18. Agency fees or commissions received

Under the terms and conditions of the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive a gross underwriting commission of 3.5% of the Offer Price payable for the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commissions. For unsubscribed Hong Kong Public Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the Sole Global Coordinator and the relevant Underwriters (but not the Hong Kong Underwriters). We may also in our sole discretion pay the Sole Global Coordinator an additional incentive fee of up to 1.0% of the Offer Price for each Offer Share.

The aggregate commissions and fees payable by us in relation to the Global Offering, together with Hong Kong Stock Exchange listing fees, SFC transaction levy, the Hong Kong Stock Exchange trading fee, legal and other professional fees, and printing and other expenses relating to the Global Offering are estimated to amount to approximately HK\$42.8 million (assuming an Offer Price of HK\$1.75 per H Share, which is the mid-point of our indicative offer price range, and assuming the Over-allotment Option is not exercised) in total.

19. Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for listing of, and permission to deal in, the H Shares to be issued as mentioned in this prospectus and any H Shares which may be issued upon the exercise of the Over-allotment Option on the Hong Kong Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

The Sole Sponsor is independent from our Company pursuant to Rule 3A.07 of the Listing Rules. The Sole Sponsor's fee is estimated to amount to HK\$5.5 million.

20. Qualifications of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

NAME	Qualification
BDO Limited	Certified Public Accountants
BDO Financial Services Limited	Internal control advisor
Bell Gully	New Zealand barristers and solicitors
BOCOM International Asia	Licensed corporation under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
Longton Legal	Australia barristers and attorneys
Yongheng Partners	Qualified PRC lawyers
BMI Appraisals Limited	Professional property valuer
SMERI	Industry consultant

21. Consents of experts

Each of BDO Limited, BDO Financial Services Limited, Bell Gully, BOCOM International Asia, Longton Legal, Yongheng Partners, BMI Appraisals Limited and SMERI has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and the references to their names or summaries of opinions included herein in the form and context in which they respectively appear.

22. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

23. Taxation of holders of H Shares

Dealings in H Shares registered on our Company's H Shares register of members will be subject to Hong Kong stamp duty. Intending holders of H Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in H Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of H Shares resulting from their subscription for, purchase, holding or disposal of or dealing in H Shares.

Profits from dealings in H Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the H Shares being sold or transferred. Information in relation to taxation is set out in Appendix IV to this prospectus.

24. Miscellaneous

- (a) Save as disclosed in this prospectus:
 - (i) within two years preceding the date of this prospectus:
 - (aa) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
 - (cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of our subsidiaries;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
- (b) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since June 30, 2013 (being the date to which the latest audited combined financial statements of our Group were made up). Based on our current estimates, we will recognize RMB13.8 million as our administrative expenses between June 30, 2013 and the completion of the Global Offering, which is likely to have a material adverse impact on our net profit for the year ending December 31, 2013.
- (c) our Directors confirm that there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

25. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses for Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) copies of the **WHITE, YELLOW and GREEN** Application Forms;
- (b) the written consents referred to in the paragraph headed “Consents of experts” in Appendix VII to this prospectus; and
- (c) copies of the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix VII to this prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Chiu & Partners at 40/F., Jardine House, 1 Connaught Place, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Articles of Association of our Company;
- (b) the accountants’ report prepared by BDO Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the audited financial statements of companies comprising our Group for each of the two financial years ended December 31, 2012 (or the period since their respective dates of incorporation of the relevant member of our Group where it is shorter), if any;
- (d) the letter prepared by BDO Limited on unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (e) the valuation report (including a letter, a summary of values and the valuation certificate) prepared by BMI Appraisals Limited relating to the property interests of our Group, the texts of which are set out in Appendix III to this prospectus;
- (f) the industry report prepared by SMERI and referred to in the section headed “Industry Overview” in this prospectus;
- (g) the report for independent review over our management of health food product advertisements prepared by BDO Financial Services Limited and referred to in “Business – Legal and Compliance”;
- (h) the PRC Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial translation;

- (i) the legal opinions prepared by our PRC legal advisor, Yongheng Partners, in respect of certain aspects of our Group and the property interests of our Group in the PRC;
- (j) the legal opinion prepared by our Australia legal advisor, Longton Legal, in respect of certain aspects of our Group and the property interests of our Group in Australia;
- (k) the legal opinion prepared by our New Zealand legal advisor, Bell Gully, in respect of certain aspects of our Group in New Zealand;
- (l) the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix VII to this prospectus;
- (m) the service contracts referred to in the paragraph headed “Particulars of Directors’ and Supervisors’ service contracts” in Appendix VII to this prospectus; and
- (n) the written consents referred to in the paragraph headed “Consents of experts” in Appendix VII to this prospectus.

**NANJING SINOLIFE
UNITED COMPANY LIMITED***
南京中生聯合股份有限公司

* For identification purposes only