

---



## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

### OUR BUSINESS HISTORY

Our Group's history can be traced back to 1997 when our predecessor, Consun Pharmaceutical Factory (康臣製藥廠), established GZ Consun in December 1997. GZ Consun subsequently became a WFOE wholly owned by Cannopus in December 1998.

In 2003, our Guangzhou production plant obtained the GMP certification. We expanded our operation to Tongliao, Inner Mongolia autonomous region with the establishment of Consun (Inner Mongolia) in December 2005. Our production plant in Tongliao, Inner Mongolia autonomous region, obtained the GMP certification and commenced production in 2008. This plant enabled us to benefit from the close proximity of the key Chinese herbs plantation bases. We strategically acquired Kangyuan in October 2009 to further strengthen our production capacity in Inner Mongolia autonomous region. Set out below are our key business development:

- 1998..... Our gadopentetate dimeglumine injection was commercially launched.
- Our uremic clearance granule was commercially launched.
- 2001..... GZ Consun was granted the “High and New Technology Enterprise” (高新技術企業) status.
- 2003..... Our Guangzhou production plant obtained the GMP certification.
- 2006..... Our own research and development laboratory for kidney medicines was established.
- The production technique of our uremic clearance granule was patented by SIPO.
- The formula and key production technique of our uremic clearance granule were recognised by the Ministry of Science and Technology and State Secrecy Bureau (國家保密局) as a State Secret under the secret category.
- 2008..... Our Tongliao production plant obtained the GMP certification.
- 2009..... Our kidney repair and edema alleviation granule was commercially launched.
- Consun (Inner Mongolia) was granted the “High and New Technology Enterprise” status.
- 2011.....  was recognised as “Guangzhou Well-known Brand” by the Guangzhou branch of SAIC.
- 2012.....  康臣 CONSUN was recognised as “Guangdong Well-known Brand” by the Guangdong branch of SAIC.
- Our uremic clearance granule was listed in the National List of Essential Medicines.

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

### OUR CORPORATE HISTORY UP TO THE REORGANISATION

#### Our Operating Subsidiaries in the PRC

We primarily conduct our integrated pharmaceutical business in the PRC through our five operating subsidiaries, being GZ Consun, Consun Medicine, Consun Research, Consun (Inner Mongolia) and Kangyuan.

#### **GZ Consun**

GZ Consun, being one of our operating subsidiaries in Guangzhou, the principal business activities of which are the research, production and sales of pharmaceutical and healthcare products.

GZ Consun was established in the PRC on 29 December 1997 as a sino-foreign equity joint venture enterprise with an initial registered capital of RMB80.0 million. At the time of its establishment, GZ Consun was registered to be owned as to 51.0% by Cannopus (beneficially owned and controlled by Mr. YOUNG since the date of its incorporation) and as to 49.0% by Consun Pharmaceutical Factory, which was wholly owned by 中國人民解放軍第一軍醫大學 (the First Military Medical University of the People's Liberation Army of the PRC). When GZ Consun was first established, its operation was financed by Cannopus and Consun Pharmaceutical Factory with their respective internal resources. In December 1998, Consun Pharmaceutical Factory transferred its 49.0% equity interests in GZ Consun to Cannopus at a consideration of RMB13.0 million. After the transfer, GZ Consun became a WFOE wholly owned by Cannopus.

In May 2002, after reducing the registered capital of GZ Consun to RMB45,530,000 due to reduction of investment in GZ Consun as a result of adverse change in the then economy of the PRC, Cannopus attempted to transfer 12.0% and 3.0% of its equity interest in GZ Consun to Qian'an (owned by Ms. LI) and Zijing (then owned as to 80.0% by Mr. WANG Zi Han) for a consideration of RMB5,463,600 and RMB1,365,900, respectively. The considerations were determined with reference to the reduced registered capital of GZ Consun at that time. However, as Qian'an had only settled part of the consideration, which is equivalent to 6.0% equity interest in GZ Consun, while Zijing had failed to settle all consideration, only 6.0% equity interest in GZ Consun was eventually transferred to Qian'an by Cannopus. As a result, GZ Consun was owned as to 94.0% by Cannopus and as to 6.0% by Qian'an.

The registered capital of GZ Consun was increased to RMB55,770,000 and RMB80,770,000 in August 2004 and January 2008, respectively.

In July 2008, Cannopus transferred 20.0% and 5.0% of its equity interest in GZ Consun to Grand Reach and Faithful Gain, both of which were holding companies incorporated in Hong Kong and ultimately owned by Mr. YOUNG at that time, for a consideration of RMB23,261,760 and RMB5,815,440, respectively. The considerations were determined with reference to, among other things, the amount of the registered capital and the net asset value of approximately RMB150.0 million of GZ Consun as at 31 December 2007. The purpose of such transfers was to facilitate the proposed divestment of Mr. YOUNG's 25.0% indirect interest in GZ Consun. Subsequently, in November 2008, Mr. YOUNG transferred his 20.0% indirect equity interest in GZ Consun to Hony Capital, by transferring all his indirect equity interest in Immense Value, which wholly owned Grand Reach, for a consideration of RMB180.0 million and his 5.0% indirect equity interest in GZ Consun to a holding company owned by Mr. WANG Zi Han, by transferring all his indirect equity interest in a BVI intermediary holding company, which wholly owned Faithful Gain, for a consideration of RMB30.0 million, respectively. The considerations of such transfers were arrived at arm's length

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

negotiations. For the transfer of 20.0% equity interest in GZ Consun to Hony Capital, please also refer to the paragraph headed “Our subsidiaries in the BVI and Hong Kong prior to the Reorganisation – *Immense Value*” below in this section.

In December 2008, Qian'an transferred 0.95213%, 0.45464% and 0.35323% equity interest in GZ Consun to Kangsheng, Kangli and Kangji (all owned by the employees or ex-employees of GZ Consun) for a consideration of RMB1,098,000, RMB546,272 and RMB405,000, respectively. The considerations were arrived after arm's length negotiations and determined with reference to, among other things, the amount of the registered capital and the net asset value of approximately RMB150.0 million of GZ Consun as at 31 December 2007. Following these transfers, GZ Consun was owned as to 69.0% by Cannopus, as to 20.0% by Grand Reach, as to 5.0% by Faithful Gain, as to 4.24% by Qian'an, as to 0.95213% by Kangsheng, as to 0.45464% by Kangli and as to 0.35323% by Kangji immediately before the Reorganisation.

### **Consun Medicine**

Consun Medicine, being one of our operating subsidiaries in Guangzhou, the principal business activities of which are wholesale of Chinese herb, Chinese medicine, biochemical drugs and antibiotic drugs, and import and export goods and technology.

Consun Medicine (formerly known as 廣州瑞蕾醫藥有限公司 (Guangzhou Ruilei Medical Co., Ltd.)) was established in the PRC on 1 December 2003 with an initial registered capital of RMB500,000. At the time of its establishment, Consun Medicine was owned as to 80.0% by Ms. LI and as to 20.0% by Ms. LIU Ling, who was a former employee of GZ Consun.

In August 2004, Consun Medicine increased its registered capital to RMB3.0 million and changed its company name to Consun Medicine.

In February 2007, Ms. LI and Ms. LIU Ling transferred 40.0% and 20.0% of their equity interests in Consun Medicine to GZ Consun for a consideration of RMB1.2 million and RMB600,000, respectively. In February 2008, Ms. LI transferred her remaining 40.0% equity interests in Consun Medicine to GZ Consun for a consideration of RMB1.2 million. The considerations of such transfers were determined with reference to the then registered capital of RMB3.0 million. Following these transfers, Consun Medicine has become a wholly-owned subsidiary of GZ Consun.

### **Consun Research**

Consun Research, being one of our operating subsidiaries in Guangzhou, the principal business activities of which are research of pharmaceutical and healthcare products, technology transfer and technology consultation.

Consun Research was established in the PRC on 28 September 2005 with an initial registered capital of RMB300,000. At the time of its establishment, Consun Research was owned as to 50.0% by Mr. AN, as to 30.0% by Consun Medicine and as to 20.0% by Mr. SHI Xinghua, who is a senior consultant of GZ Consun.

In February 2007, Consun Medicine, Mr. AN and Mr. SHI Xinghua transferred 30.0%, 10.0% and 20.0% of their equity interests in Consun Research to GZ Consun for a consideration of RMB90,000, RMB30,000 and RMB60,000, respectively. In February 2008, Mr. AN transferred his remaining 40.0% equity interests in Consun Research to GZ Consun for a consideration of RMB120,000. The considerations of such transfers were determined with reference to the then

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

registered capital of RMB300,000. Following these transfers, Consun Research has become a wholly-owned subsidiary of GZ Consun.

In September 2008, the registered capital of Consun Research was increased to RMB10.0 million.

### ***Consun (Inner Mongolia)***

Consun (Inner Mongolia), being one of our operating subsidiaries in Inner Mongolia, the principal business activity of which is production of proprietary Chinese medicines.

Consun (Inner Mongolia) was established in the PRC on 29 December 2005 as a sino-foreign equity joint venture enterprise with a registered capital of RMB25.0 million. At the time of its establishment, Consun (Inner Mongolia) was owned as to 50.0% by GZ Consun, as to 47.0% by Cannopus and as to 3.0% by Qian'an.

In March 2007, Cannopus and Qian'an transferred 9.4% and 0.6% of their equity interests in Consun (Inner Mongolia) to GZ Consun for a consideration of RMB2,350,000 and RMB150,000, respectively.

In November 2008, Cannopus and Qian'an transferred their remaining 37.6% and 2.4% equity interests in Consun (Inner Mongolia) to GZ Consun for a consideration of RMB9.4 million and RMB600,000, respectively. The considerations of these transfers were determined with reference to the registered capital of Consun (Inner Mongolia). Following these transfers, Consun (Inner Mongolia) has become a wholly-owned subsidiary of GZ Consun.

### ***Kangyuan***

Kangyuan, being one of our operating subsidiaries in Inner Mongolia, was acquired by our Group in October 2009 and the principal business activities of which are production and sales of chemicals, antibiotic drugs, capsules and oral solution.

Kangyuan was established in the PRC on 13 June 2000. Before being acquired by our Group in October 2009, Kangyuan was owned as to approximately 54.9% by Mr. LIU Shengcheng and as to approximately 36.7% by 科左后旗國有資產經營管理公司 (Kezuohouqi State-owned Assets Management Company) ("**Kezuohouqi Management**") with the remaining approximately 8.4% owned by other ten shareholders, including two PRC entities and eight PRC individuals. All of such shareholders are Independent Third Parties.

In June 2009, 科爾沁左翼後旗人民政府 (Keerqin Zuoyihouqi Peoples' Government) invited GZ Consun to acquire the entire equity interest of Kangyuan with the intention to develop the regional pharmaceutical industry of Tongliao, Inner Mongolia autonomous region. GZ Consun was honored to proceed with the acquisition in October 2009 after taken into account major considerations that (i) our Group could enhance the development of our production base in Inner Mongolia autonomous region which is strategically located to benefit from the close proximity of the plantation bases of the key Chinese herbs for our production in order to facilitate the delivery and supply of raw materials and thereby reducing the production cost; and (ii) with the intention to broaden our product segment by acquiring the production approvals of additional 78 other medicines, on top of the six original production approvals held by GZ Consun at that time. We manufacture and sell 17 of such other medicine during the Track Record Period but gradually ceased the production and sale of the 12 of them, which were manufactured by Kangyuan since March 2010 due to their lower gross profit margins in order to focus on the production and marketing resources on our major key products.

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

The acquisition of 100.0% equity interest in Kangyuan was implemented in two phases. In October 2009, approximately 54.9% and, in aggregate, approximately 8.4% equity interest in Kangyuan owned by Mr. LIU Shengcheng and the other ten shareholders were acquired by GZ Consun for the total consideration of approximately RMB3.0 million, which were subsequently transferred to Consun (Inner Mongolia) in December 2009. The considerations for the transfers were settled in April 2010. We acquired the remaining equity interest in Kangyuan from the PRC state-owned Kezuohouqi Management for a consideration of approximately RMB1.8 million after going through a public bidding process between 22 December 2009 and 19 January 2010. The consideration was paid to 內蒙古產權交易中心 (Inner Mongolia Property Rights Exchange Center), which held such consideration in escrow on behalf of Kezuohouqi Management, and completed in January 2010 as stipulated by the share transfer agreement entered into between Kezuohouqi Management and Consun (Inner Mongolia), while such transfer was filed with relevant PRC authority in March 2010. The considerations were determined with reference to the appraisal value of Kangyuan as at 30 June 2009 prepared by an independent valuer, 北京德祥資產評估有限責任公司 (Beijing Dexiang Assets Appraisal Co., Ltd.). After such transfers, Kangyuan has become a wholly-owned subsidiary of Consun (Inner Mongolia).

### **Our subsidiaries in the BVI and Hong Kong prior to the Reorganisation**

Prior to the Reorganisation, our major offshore subsidiaries are as below. Our subsidiaries in the BVI and Hong Kong are all intermediary holding companies.

#### ***Immense Value***

Immense Value was incorporated as a limited liability company in the BVI on 28 February 2008 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. Immense Value held 100.0% equity interest in Grand Reach which in turn held 20.0% equity interest in GZ Consun. In April 2008, one ordinary share of US\$1.00 each was allotted and issued by Immense Value to Glory Garden Holdings Limited, a company incorporated in the BVI which was then wholly owned by Cannopus and indirectly held 20.0% equity interest in GZ Consun through Immense Value and Grand Reach.

In November 2008, Glory Garden Holdings Limited (as then ultimately owned by Mr. YOUNG) transferred one ordinary share, representing 100.0% of equity interest in Immense Value to First Kind (ultimately owned by Hony Capital) for a consideration of RMB180.0 million. The consideration was arrived after arm's length negotiations. After such transfer, Hony Capital indirectly held 20.0% equity interest in GZ Consun through First Kind, Immense Value and Grand Reach.

In June 2010, to simplify the shareholding structure, First Kind transferred one ordinary share in Immense Value to Hony Capital for a consideration of approximately US\$26.3 million, which was determined with reference to the original investment cost of Hony Capital in 2008 and was settled in December 2012. As a result, Immense Value was directly wholly owned by Hony Capital immediately before the Reorganisation.

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

### ***Grand Reach***

Grand Reach was incorporated as a limited liability company in Hong Kong on 22 April 2008 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On the same day, one ordinary share of HK\$1.00 each was allotted and issued by Grand Reach to Sagacious Inc, which is a company secretarial service company.

In May 2008, Sagacious Inc. transferred one ordinary share in Grand Reach to Immense Value for a consideration of HK\$1.00 and 999 ordinary shares of HK\$1.00 each were subsequently allotted and issued by Grand Reach to Immense Value in September 2010. Grand Reach has become a wholly-owned subsidiary of Immense Value since May 2008.

### ***Brilliant Reach***

Brilliant Reach was incorporated as a limited liability company in the BVI on 8 June 2010 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. In October 2010, one ordinary share of US\$1.00 each was allotted and issued by Brilliant Reach to Mr. YOUNG. As a result, Brilliant Reach was wholly owned by Mr. YOUNG immediately before the Reorganisation.

### **Disposed subsidiary during the Track Record Period**

Consun Pharmaceutical Limited (formerly named as Grand Millions International Limited) was a limited liability company incorporated in Hong Kong with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. Prior to the disposal of Consun Pharmaceutical Limited by our Group, it was owned as to 90.0% by GZ Consun and the remaining 10.0% by Mr. YOUNG, Mr. AN and Ms. LI. Consun Pharmaceutical Limited was set up mainly for carrying out trading business in Hong Kong and holding a residential property. Since no business was subsequently carried out in Hong Kong, Consun Pharmaceutical Limited was disposed to an Independent Third Party in December 2010 at approximately RMB3.3 million with reference to the net asset value of Consun Pharmaceutical Limited.

### **Concerted Group of Controlling Shareholders**

Mr. YOUNG, Mr. AN and Ms. LI, as the Concerted Group, have directly and indirectly controlled the management and operation of GZ Consun since 1 January 2002. Mr. YOUNG, being the financial investor, has not participated in the daily management of GZ Consun and has placed substantial reliance on Mr. AN and Ms. LI, whom Mr. YOUNG has known for over 20 and 15 years, respectively. The Concerted Group has maintained a long term business relationship for more than 10 years since the end of 2001, when they had the intention of jointly investing in the GZ Consun and controlling the management and operation of GZ Consun through the Voting Arrangement (as defined below).

On 1 January 2002, the Concerted Group entered into the Acting in Concert Agreement. On 11 March 2013, in preparation for the Listing, the Concerted Group executed the Acting in Concert Confirmation, whereby they confirmed their acting in concert arrangement in the past, as well as their intention to continue with such arrangement to consolidate their control of our Group until the Acting in Concert Agreement is terminated otherwise.

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

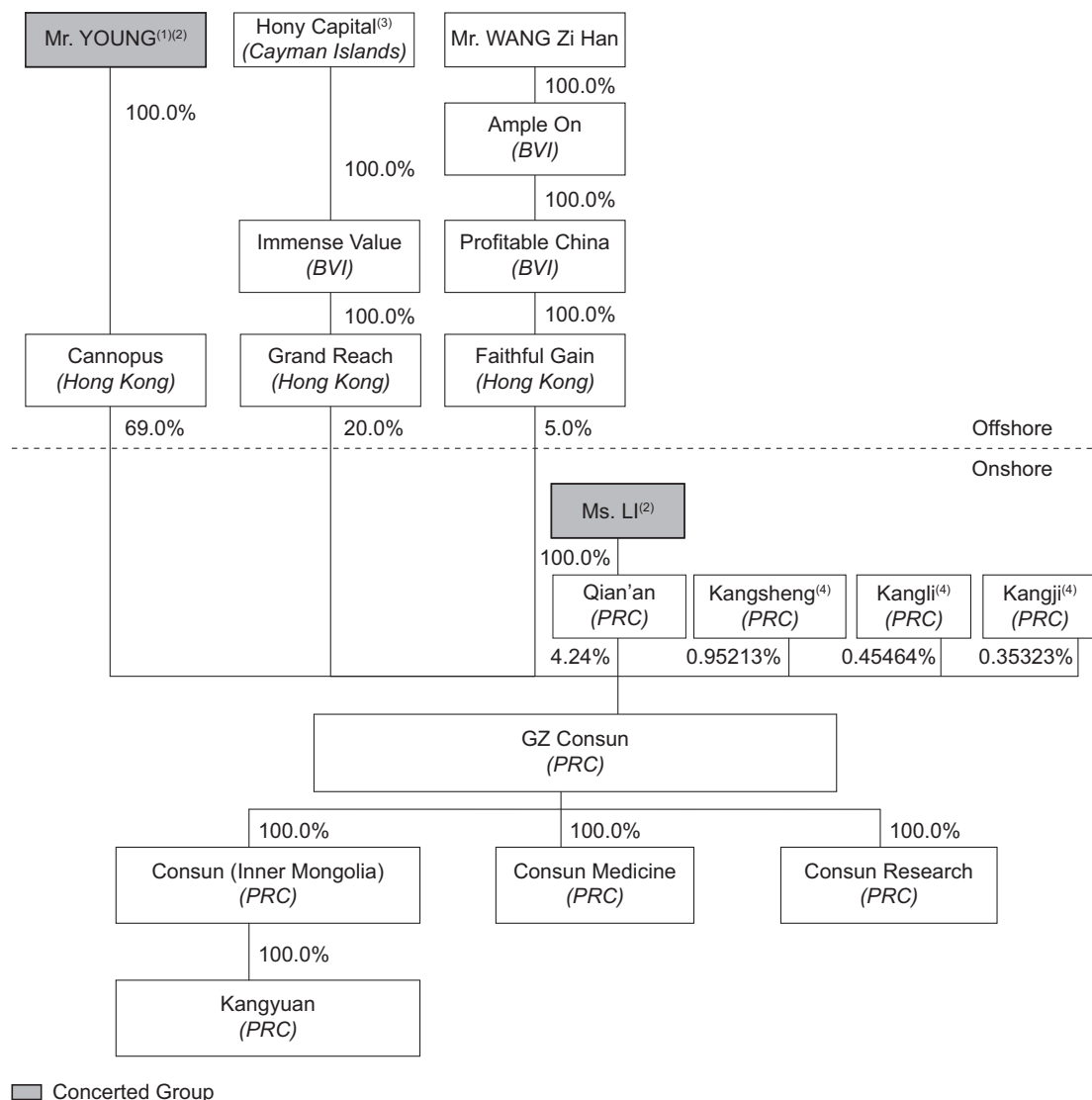
Pursuant to the Acting in Concert Agreement and the Acting in Concert Confirmation, the Concerted Group is considered to act as a group of Controlling Shareholders because:

- (a) Mr. YOUNG, Mr. AN and Ms. LI agreed to act in concert with each other when dealing with operational and financial matters of GZ Consun and its subsidiaries since the date of Acting in Concert Agreement.
- (b) Among themselves, the Concerted Group also made an arrangement that Mr. YOUNG and Ms. LI (as ultimate shareholders and directors of GZ Consun) shall exercise their shareholders' rights to vote and will continue to vote pursuant to the opinion of Mr. AN, who is most familiar with and has more than 15 years of experience in the business of our Group (the "**Voting Arrangement**").
- (c) The Concerted Group held meetings from time to time (whenever material issues arose) and reached consensus on all key decisions through the Voting Arrangement.
- (d) Due to its company nature, GZ Consun did not hold any shareholders' meetings from January 2002 to November 2012 (the "**Concerted Period**"). The Concerted Group had voted unanimously on all board resolutions during the Concerted Period.
- (e) During the Concerted Period, Mr. YOUNG appointed directors through Cannopus pursuant to the opinion of Mr. AN while Ms. LI appointed herself as director through Qian'an.
- (f) The Concerted Group has the intention to continue to jointly control our Company until the Acting in Concert Agreement is terminated.
- (g) The Concerted Group would be regarded as "acting in concert" for the purpose of the Takeovers Code.

The Concerted Group will be beneficially interested in approximately 73.6% equity interest of GZ Consun immediately before the Reorganisation and will be beneficially interested in approximately 47.8% of our entire issued share capital after the completion of the Reorganisation, Global Offering and Capitalisation Issue (taking into no account of any Shares that may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme).

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets forth our Group's corporate and shareholding structure immediately before our Reorganisation:



### Notes:

- (1) Mr. YOUNG has beneficially owned and controlled Cannopus since its incorporation.
- (2) Mr. YOUNG, Mr. AN and Ms. LI, as the Concerted Group, are considered to act as a group of Controlling Shareholders for the purpose of the Listing Rules. Further information is set out in the paragraph headed "Concerted Group of Controlling Shareholders" above in this section.
- (3) Hony Capital is controlled by its sole general partner, Hony Capital Fund III GP, L.P. Hony Capital Fund III GP, L.P. is in turn controlled by its sole general partner, Hony Capital Fund III GP Limited. Hony Capital Fund III GP Limited is wholly owned by Hony Capital Management Limited, which is in turn owned as to 20.0% by Legend Holdings Limited (through its wholly-owned subsidiary, Right Lane Limited) and 80.0% by Mr. John Huan ZHAO (through Hony Managing Partners Limited, a company wholly owned by him). Legend Holdings Limited is ultimately owned as to 36.0% by the Chinese Academy of Sciences (whose interests in Legend Holdings Limited are held through its wholly-owned subsidiary, Chinese Academy of Sciences Holdings Co., Ltd.), 24.0% by 北京聯持志遠管理諮詢中心(有限合夥) (Beijing Lian Chi Zhi Yuan Management Consulting Center Limited Partnership), 20.0% by China Oceanwide Holdings Group Co. Ltd., 8.9% by 北京聯恒永信投資中心(有限合夥) (Beijing Lian Heng Yong Xin Investment Center Limited Partnership), 3.4% by Mr. LIU Chuanzhi (柳傳志), 2.4% by Mr. ZHU Linan (朱立南), 1.8% by Mr. NING Min (寧旻), 1.5% by Mr. HUANG Shaokang (黃少康), 1.0% by Mr. CHEN Shaopeng (陳紹鵬) and 1.0% by Mr. TANG Xudong (唐旭東).
- (4) Each of Kangsheng, Kangli and Kangji is wholly owned by various employees or ex-employees of GZ Consun.



### REORGANISATION

In order to prepare for the Listing, we underwent the Reorganisation which involved the following steps:

#### **(1) Incorporation of our Company**

Our Company was incorporated as an exempted company under the laws of the Cayman Islands with limited liability on 13 December 2010 to act as the ultimate holding company of our Group. As at the date of incorporation of our Company, its authorised share capital was HK\$100,000 divided into 1,000,000 Shares of HK\$0.10 each. On the same day, one Share was allotted, issued and credited as fully paid to our Company's initial subscriber. On 24 January 2011, the initial subscriber transferred one Share to Cannopus for a consideration of HK\$0.10.

As of the Latest Practicable Date, all allotted and issued shares of our Company were held as to 29.9% by First Kind, 26.0% by Central Success, 21.34% by GuidoZ, 16.0% by Double Grace, 5.0% by Ample Wise, 0.95213% by Assets Builder, 0.45464% by Wealthy Hero and 0.35323% by Loyal Team. As a result of the Reorganisation, our Company, through Brilliant Reach and Immense Value, indirectly holds all the equity interests in our subsidiaries, which have been principally engaged in the research, manufacturing and sale of modern Chinese medicines and medical contrast medium in the PRC.

#### **(2) Transfer of entire equity interests in Brilliant Reach**

Prior to the Reorganisation, Brilliant Reach was wholly owned by Mr. YOUNG.

On 27 March 2012, Mr. YOUNG transferred 100.0% equity interests in Brilliant Reach to our Company for a consideration of US\$1.00. Upon completion of the equity transfer, Brilliant Reach became a direct wholly-owned subsidiary of our Company.

#### **(3) Incorporation of Century International**

On 27 March 2012, Century International was incorporated in Hong Kong as a limited liability company with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On the same day, one ordinary share of HK\$1.00 each was allotted and issued by Century International to Brilliant Reach. Accordingly, Century International became an indirect wholly-owned subsidiary of our Company.

#### **(4) Share swaps and acquisition of the entire equity interest in GZ Consun**

- (a) Pursuant to a share swap agreement dated 29 March 2012, Hony Capital transferred 100.0% equity interest in Immense Value to our Company. As the consideration of such transfer, our Company allotted and issued 2,000 Shares, credited as fully paid, to Hony Capital through First Kind at the direction of the transferor. Upon completion of the equity transfer, Immense Value became a direct wholly-owned subsidiary of our Company.

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

- (b) Pursuant to a share swap agreement dated 29 March 2012, Mr. WANG Zi Han transferred 100.0% equity interest in Ample On to our Company. As the consideration of such transfer, our Company allotted and issued 500 Shares, credited as fully paid, to Mr. WANG Zi Han through Ample Wise at the direction of the transferor. Upon completion of the equity transfer, Ample On became a direct wholly-owned subsidiary of our Company and was transferred back to Mr. WANG Zi Han in December 2012. For details, please refer to paragraph (5) below.
- (c) On 29 March 2012, our Company allotted and issued 6,899 Shares to Cannopus for a consideration of approximately RMB161.3 million, which is equivalent to the consideration for our Group's acquisition of 69.0% equity interest in GZ Consun. The consideration was determined with reference to appraisal value of GZ Consun based on the Assets Appraisal Report dated 10 January 2012 (the "**Assets Appraisal Report**") produced by 廣州同嘉資產評估有限公司 (Guangzhou Tongjia Assets Appraisal Co., Ltd.), an Independent Third Party. According to the Assets Appraisal Report, the appraisal value of GZ Consun as of 30 November 2011 was approximately RMB233.8 million. An equity transfer agreement dated 19 November 2012 was entered into between Cannopus and Century International, pursuant to which Century International agreed to acquire 69.0% equity interest in GZ Consun for a consideration of approximately RMB161.3 million. The consideration was set off pursuant to a Deed of Set-off dated 24 December 2012 and entered into among Cannopus, Century International and our Company.
- (d) On 29 March 2012, our Company allotted and issued 424 Shares to Ms. LI through Double Grace for a consideration of approximately RMB9.9 million, which is equivalent to the consideration for our Group's acquisition of 4.24% equity interest in GZ Consun. The consideration was determined with reference to the Assets Appraisal Report and was settled in November 2012. An equity transfer agreement dated 19 November 2012 was entered into between Qian'an and Century International, pursuant to which Century International agreed to acquire 4.24% equity interest in GZ Consun for a consideration of approximately RMB9.9 million, which was settled in February 2013.
- (e) On 29 March 2012, our Company allotted and issued 95.213 Shares to Mr. AN, who beneficially owns 18.8324% interest and holds the remaining interest as a trustee for 17 employees or ex-employees of GZ Consun, through Assets Builder for a consideration of approximately RMB2.2 million, which is equivalent to the consideration for our Group's acquisition of 0.95213% equity interest in GZ Consun. The consideration was determined with reference to the Assets Appraisal Report and was settled in November 2012. An equity transfer agreement dated 19 November 2012 was entered into between Kangsheng and Century International, pursuant to which Century International agreed to acquire 0.95213% equity interest in GZ Consun for a consideration of approximately RMB2.2 million, which was settled in February 2013.

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

- (f) On 29 March 2012, our Company allotted and issued 45.464 Shares to Mr. ZHOU Shangwen, who beneficially owns 9.4654% interest and holds the remaining interest as a trustee for 13 employees or ex-employees of GZ Consun, through Wealthy Hero for a consideration of approximately RMB1.1 million, which is equivalent to the consideration for our Group's acquisition of 0.45464% equity interest in GZ Consun. The consideration was determined with reference to the Assets Appraisal Report and was settled in November 2012. An equity transfer agreement dated 19 November 2012 was entered into between Kangli and Century International, pursuant to which Century International agreed to acquire 0.45464% equity interest in GZ Consun for a consideration of approximately RMB1.1 million, which was settled in February 2013.
- (g) On 29 March 2012, our Company allotted and issued 35.323 Shares to Mr. TANG Ning, as a trustee for 15 employees or ex-employees of GZ Consun, through Loyal Team for a consideration of approximately RMB0.8 million, which is equivalent to the consideration for our Group's acquisition of 0.35323% equity interest in GZ Consun. The consideration was determined with reference to the Assets Appraisal Report and was settled in November 2012. An equity transfer agreement dated 19 November 2012 was entered into between Kangji and Century International, pursuant to which Century International agreed to acquire 0.35323% equity interest in GZ Consun for a consideration of approximately RMB0.8 million, which was settled in February 2013.

The acquisition of equity interest in GZ Consun as mentioned in paragraphs (c) to (g) above has been approved by 廣東省對外貿易經濟合作廳 (the Department of Foreign Trade and Economic Cooperation of Guangdong Province) on 4 December 2012. Following these transfers, our Company was owned as to 69.0% by Cannopus, as to 20.0% by First Kind, as to 5.0% by Ample Wise, as to 4.24% by Double Grace, as to 0.95213% by Assets Builder, as to 0.45464% by Wealthy Hero and as to 0.35323% by Loyal Team.

### **(5) Intra-group transfer of 5.0% equity interest in GZ Consun**

To enjoy the 5.0% preferential tax rate on dividend payment as stipulated by the "Arrangement between the Mainland of China and the HKSAR for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion", an equity transfer agreement was entered into between Grand Reach and Faithful Gain on 19 November 2012, pursuant to which Faithful Gain transferred 5.0% of its equity interest in GZ Consun for a consideration of approximately RMB11.7 million which was determined with reference to the Assets Appraisal Report. The consideration was waived pursuant to a Deed of Waiver dated 20 November 2012 and entered into between Grand Reach and Faithful Gain. The transfer was approved by the Department of Foreign Trade and Economic Cooperation of Guangdong Province on 4 December 2012. After such transfer, Ample On, an intermediate holding company, was no longer useful to our Group and 100.0% equity interests in Ample On was transferred back to Mr. WANG Zi Han for a consideration of US\$1.00 at nominal amount in December 2012.

We confirm that all the Reorganisation steps as disclosed above were properly and legally settled and completed.

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

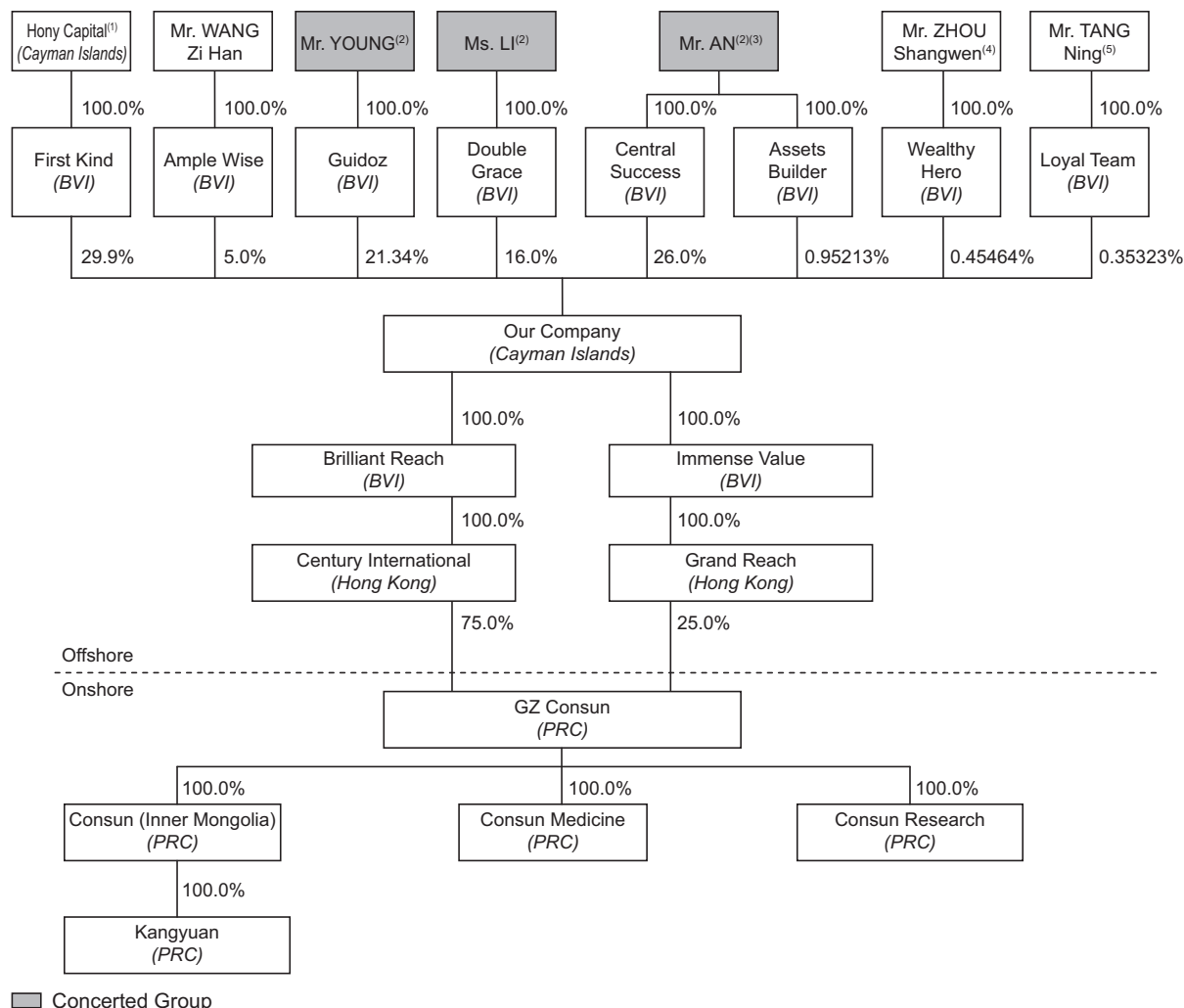
### (6) Transfer of Shares among the Shareholders of our Company

- (a) Pursuant to the instrument of transfer dated 24 December 2012, Cannopus transferred 47.34% equity interest in our Company to Mr. YOUNG through Guidoz. Both companies are wholly owned by Mr. YOUNG. Such transfer was properly and legally settled and completed.
- (b) Pursuant to an equity transfer agreement dated 7 October 2011 entered into between Cannopus and Double Grace and an equity transfer agreement dated the even date entered into between Cannopus and First Kind, Double Grace and First Kind acquired 11.76% and 9.9% equity interest in our Company for a consideration of approximately RMB80.0 million and RMB118.8 million, respectively. The considerations were determined with reference to the then financial condition, business operation and prospect of our Group taking into account the market condition. The considerations were settled in January 2012 and October 2011, respectively. Such transfers were conditional upon the completion of the Reorganisation steps as described in paragraphs (4)(c) to (4)(g) above which were subject to approval by relevant PRC authorities. Such transfers were subsequently completed on 24 December 2012. The reasons for such transfers are because Mr. YOUNG wants to cash out part of his investment in our Group and Mr. YOUNG considers it is in the best interests of our Group and its shareholders as a whole to allow the core management team members to acquire more shares in our Group. Such transfers were properly and legally settled and completed.
- (c) Pursuant to an equity transfer agreement dated 19 November 2012 and a supplemental agreement dated 29 May 2013 entered into between Guidoz and Central Success, Central Success acquired 26.0% equity interest in our Company for an aggregate consideration of approximately RMB171.1 million. The consideration was determined with reference to the appraisal value of our Group as of 31 October 2012, which was approximately RMB658.0 million, prepared by an independent valuer, American Appraisal China Limited, when the Reorganisation was almost completed. The consideration was settled in May 2013. The reasons for such transfer are because Mr. YOUNG wants to cash out part of his investment in our Group and Mr. YOUNG considers it is in the best interests of our Group and its shareholders as a whole to allow the core management team members to acquire more shares in our Group. Such transfer was properly and legally settled and completed.

Upon completion of the Reorganisation, our Company was owned by First Kind as to 29.9%, Central Success as to 26.0%, Guidoz as to 21.34%, Double Grace as to 16.0%, Ample Wise as to 5.0%, Assets Builder as to 0.95213%, Wealthy Hero as to 0.45464% and Loyal Team as to 0.35323%.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The corporate structure of our Group after the Reorganisation but immediately prior to the Capitalisation Issue and the Global Offering is set out below:

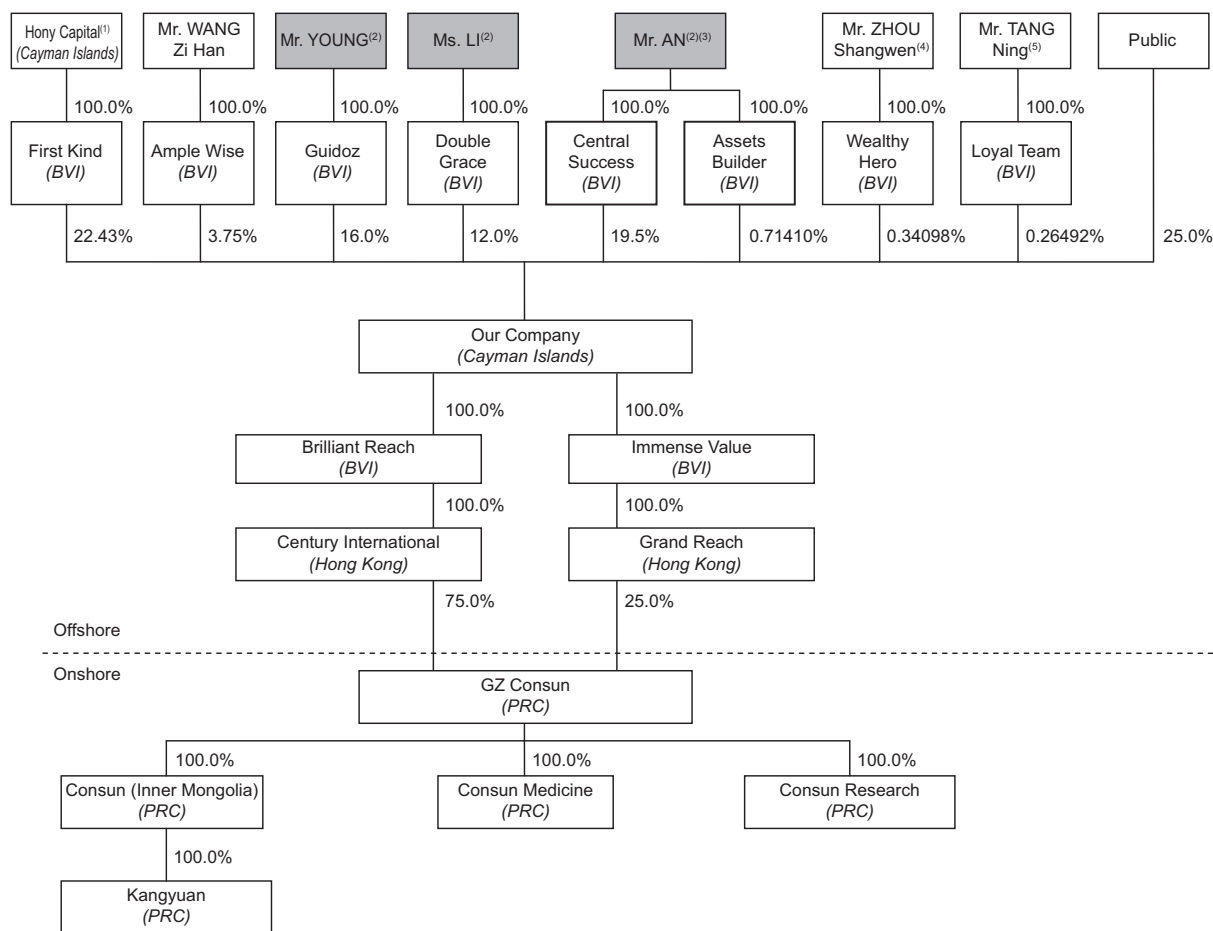


**Notes:**

- (1) Hony Capital is controlled by its sole general partner, Hony Capital Fund III GP, L.P. Hony Capital Fund III GP, L.P. is in turn controlled by its sole general partner, Hony Capital Fund III GP Limited. Hony Capital Fund III GP Limited is wholly owned by Hony Capital Management Limited, which is in turn owned as to 20.0% by Legend Holdings Limited (through its wholly-owned subsidiary, Right Lane Limited) and 80.0% by Mr. John Huan ZHAO (through Hony Managing Partners Limited, a company wholly owned by him). Legend Holdings Limited is ultimately owned as to 36.0% by the Chinese Academy of Sciences (whose interests in Legend Holdings Limited are held through its wholly-owned subsidiary, Chinese Academy of Sciences Holdings Co., Ltd.), 24.0% by Beijing Lian Chi Zhi Yuan Management Consulting Center Limited Partnership, 20.0% by China Oceanwide Holdings Group Co. Ltd., 8.9% by Beijing Lian Heng Yong Xin Investment Center Limited Partnership, 3.4% by Mr. LIU Chuanzhi, 2.4% by Mr. ZHU Linan, 1.8% by Mr. NING Min, 1.5% by Mr. HUANG Shaokang, 1.0% by Mr. CHEN Shaopeng and 1.0% by Mr. TANG Xudong.
- (2) Mr. YOUNG, Mr. AN and Ms. LI, as the Concerted Group, are considered to act as a group of Controlling Shareholders for the purpose of the Listing Rules. Further information is set out in the paragraph headed "Concerted Group of Controlling Shareholders" above in this section.
- (3) The entire issued share capital of Assets Builder is held by Mr. AN. Only 18.8324% equity interest in Assets Builder is beneficially owned by Mr. AN. The remaining interests in Assets Builder are held by Mr. AN as a trustee for 17 employees or ex-employees of GZ Consun.
- (4) The entire issued share capital of Wealthy Hero is held by Mr. ZHOU Shangwen (our senior management). Only 9.4654% equity interest in Wealthy Hero is beneficially owned by Mr. ZHOU Shangwen. The remaining interests in Wealthy Hero are held by Mr. ZHOU Shangwen as a trustee for 13 employees or ex-employees of GZ Consun.
- (5) The entire issued share capital of Loyal Team is held by Mr. TANG Ning (our senior management) as a trustee for 15 employees or ex-employees of GZ Consun.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets forth our shareholding structure immediately following completion of the Global Offering and Capitalisation Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares that may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme):



■ Concerted Group

### Notes:

- (1) Hony Capital is controlled by its sole general partner, Hony Capital Fund III GP, L.P. Hony Capital Fund III GP, L.P. is in turn controlled by its sole general partner, Hony Capital Fund III GP Limited. Hony Capital Fund III GP Limited is wholly owned by Hony Capital Management Limited, which is in turn owned as to 20.0% by Legend Holdings Limited (through its wholly-owned subsidiary, Right Lane Limited) and 80.0% by Mr. John Huan ZHAO (through Hony Managing Partners Limited, a company wholly owned by him). Legend Holdings Limited is ultimately owned as to 36.0% by the Chinese Academy of Sciences (whose interests in Legend Holdings Limited are held through its wholly-owned subsidiary, Chinese Academy of Sciences Holdings Co., Ltd.), 24.0% by Beijing Lian Chi Zhi Yuan Management Consulting Center Limited Partnership, 20.0% by China Oceanwide Holdings Group Co. Ltd., 8.9% by Beijing Lian Heng Yong Xin Investment Center Limited Partnership, 3.4% by Mr. LIU Chuanzhi, 2.4% by Mr. ZHU Linan, 1.8% by Mr. NING Min, 1.5% by Mr. HUANG Shaokang, 1.0% by Mr. CHEN Shaopeng and 1.0% by Mr. TANG Xudong.
- (2) Mr. YOUNG, Mr. AN and Ms. LI, as the Concerted Group, are considered to act as a group of controlling shareholders for the purpose of the Listing Rules. Further information is set out in the paragraph headed "Concerted Group of Controlling Shareholders" above in this section.
- (3) The entire issued share capital of Assets Builder is held by Mr. AN. Only 18.8324% equity interest in Assets Builder is beneficially owned by Mr. AN. The remaining interests in Assets Builder are held by Mr. AN as a trustee for 17 employees or ex-employees of GZ Consun.
- (4) The entire issued share capital of Wealthy Hero is held by Mr. ZHOU Shangwen (our senior management). Only 9.4654% equity interest in Wealthy Hero is beneficially owned by Mr. ZHOU Shangwen. The remaining interests in Wealthy Hero are held by Mr. ZHOU Shangwen as a trustee for 13 employees or ex-employees of GZ Consun.
- (5) The entire issued share capital of Loyal Team is held by Mr. TANG Ning (our senior management) as a trustee for 15 employees or ex-employees of GZ Consun.

---

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

---

### THE RULES ON THE MERGER AND ACQUISITION OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS

Pursuant to the M&A Rules, where a domestic individual person intends to take over his/her related domestic company in the name of an offshore company which he/she lawfully established or controls, the takeover shall be subject to the examination and approval of the Ministry of Commerce of the PRC; and the M&A Rules require an offshore special purpose vehicle formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals shall obtain the approval of the CSRC prior to the listing and trading of the securities of such offshore special purpose vehicle on an overseas stock exchange. As confirmed by our PRC Legal Advisers, as GZ Consun was established as a foreign-invested enterprise before 8 September 2006, the share transfers regarding the equity interests of GZ Consun as described in this section do not constitute a “takeover of a domestic enterprise” under Article 2 of the M&A Rules. On this basis, the M&A Rules do not apply to the acquisitions above or to the Global Offering.

### SAFE REGISTRATION

SAFE Notice No. 75 requires PRC residents to register with the local SAFE branch before establishing or controlling any company outside of PRC for the purpose of capital financing with assets or equities of PRC companies, referred to in the SAFE Notice No. 75 as offshore special purpose companies.

As confirmed by our PRC Legal Advisers, as our Company is not an offshore special purpose company established or controlled by PRC residents, and there is no round-trip investment involved, our Shareholders and ultimate beneficial owners are not subject to the foreign exchange registration process of overseas investments under the SAFE Notice No. 75.