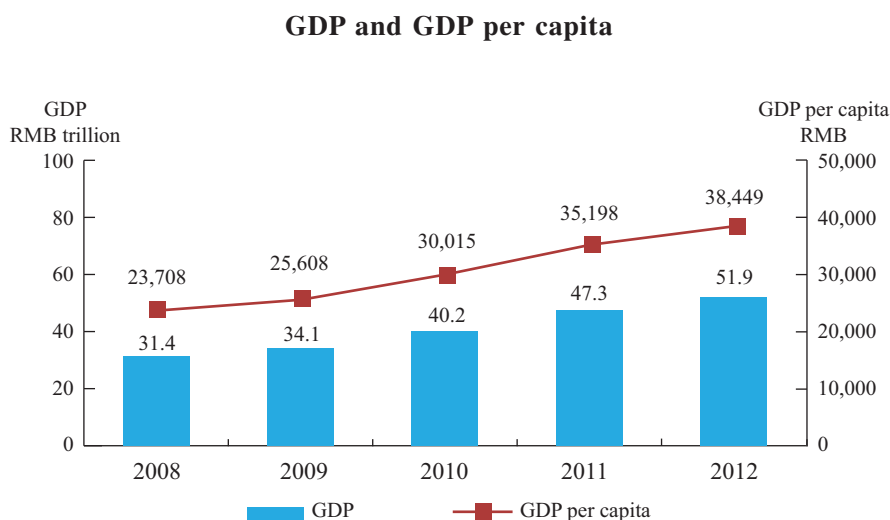

INDUSTRY OVERVIEW

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 compiled 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.



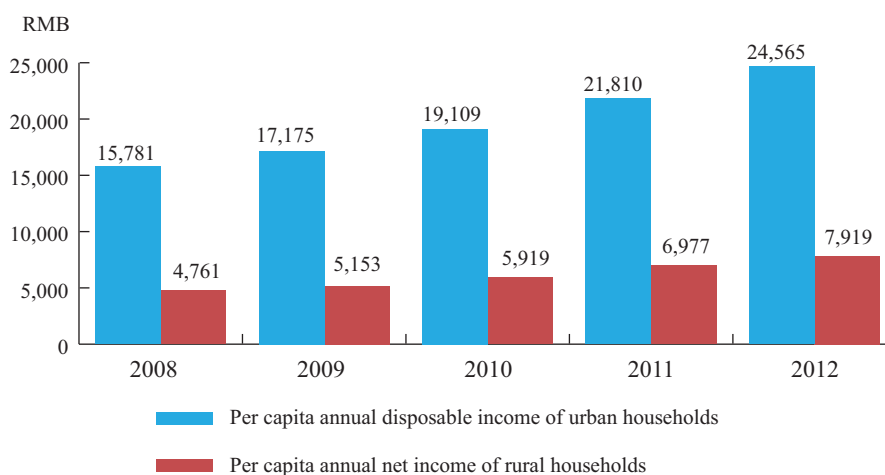
Source: National Bureau of Statistics of China

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



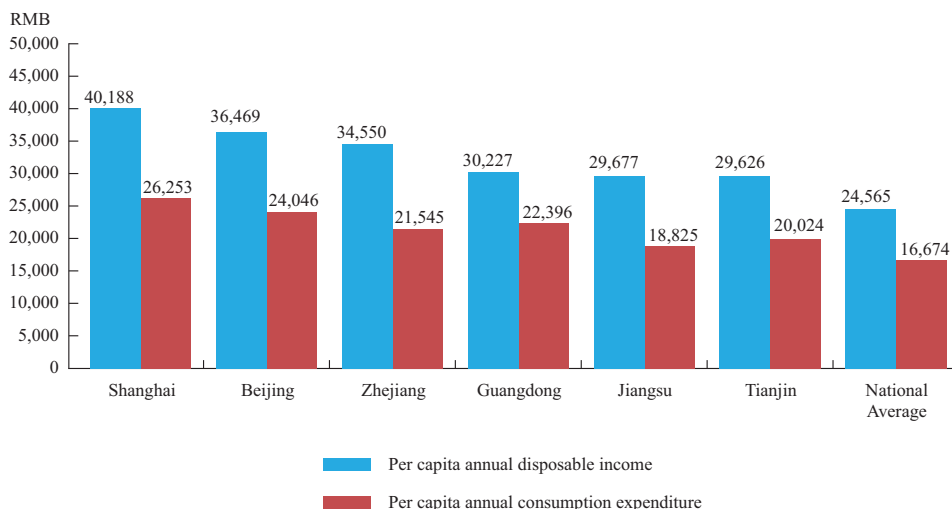
Source: National Bureau of Statistics of China

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

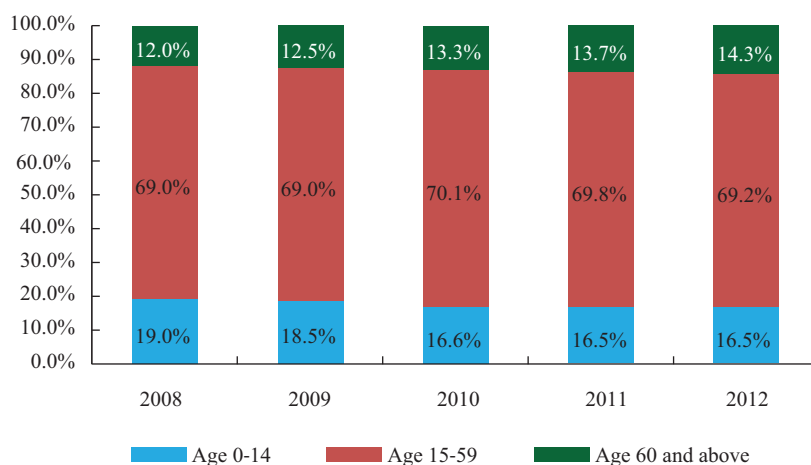


Sources: National Bureau of Statistics of China; 2012 China Health Statistical Yearbook; SMERI Report

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

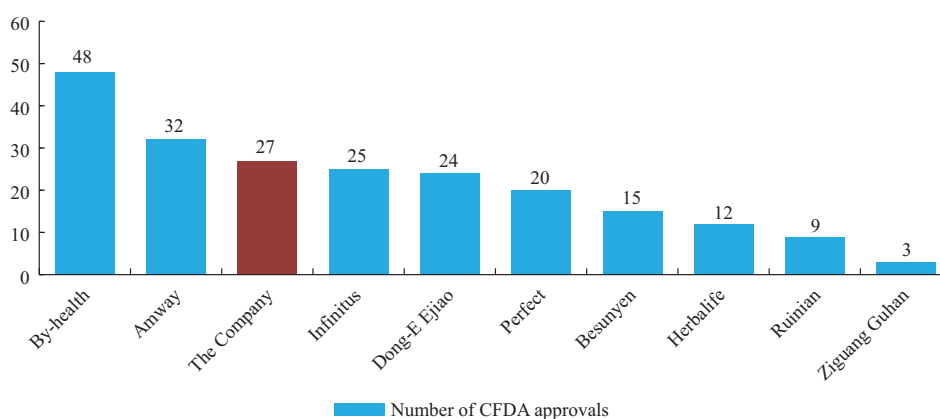
INDUSTRY OVERVIEW

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 E-jiao”), 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)

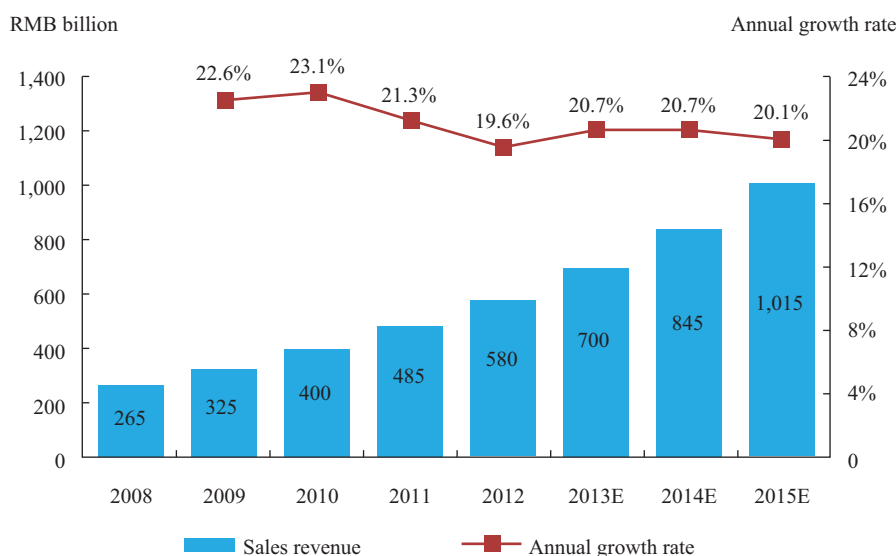


Sources: CFDA; SMERI Report

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.

INDUSTRY OVERVIEW

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	
<i>(RMB in millions, except percentages)</i>								
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	
<i>(RMB in millions, except percentages)</i>								
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	
<i>(RMB in millions, except percentages)</i>								
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.