

## SUMMARY

*This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.*

*There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in “Risk Factors” on page 23. You should read that section carefully before you decide to invest in the Offer Shares.*

### OUR BUSINESS

#### Overview

We are the largest manufacturer of cooking wine in China, with a market share of 13.8% and 5.8% in terms of retail sales value and retail sales volume in 2012, respectively, according to the Euromonitor Report. Cooking wine is an essential ingredient widely used in food preparation to deliver richer flavors and dissolve meat and fish odors. According to the Euromonitor Report, the PRC cooking wine market, in terms of retail sales value, grew at a CAGR of 23.4% from 2008 to 2012, and is expected to grow at a CAGR of 20.3% from 2012 to 2017 and reach approximately RMB10.6 billion by 2017. We also offer other condiment products, including soy sauce and vinegar. Our market leadership earned us the accolade of National Flagship Enterprise in Agricultural Industrialization (農業產業化國家重點龍頭企業) in 2013.

Our products are branded under “Lao Heng He” (“老恒和”), which dates back to more than 130 years ago, and is recognized for its strong heritage in China’s condiment market. We were the only one among the top three cooking wine producers in China in terms of retail sales value in 2012 that manufactured cooking wine products using exclusively the naturally-brewing method, according to the Euromonitor Report.

#### Our Products

We offer naturally-brewed and high-quality condiment products, including cooking wine, soy sauce, vinegar and other products. The table below sets out the amount and percentage of our total sales revenue for each of our product categories for the periods indicated:

	For the year ended December 31,						For the eight months ended August 31,			
	2010		2011		2012		2012		2013	
	% of total revenue from sales	% of total revenue from sales	% of total revenue from sales	% of total revenue from sales	% of total revenue from sales	% of total revenue from sales	% of total revenue from sales	% of total revenue from sales	% of total revenue from sales	
	RMB'000	of goods	RMB'000	of goods	RMB'000	of goods	RMB'000	of goods	RMB'000	of goods
	(unaudited)									
Cooking wine products	15,121	46.5	60,153	54.9	292,273	86.6	156,217	82.8	233,134	72.3
Soy sauce products	9,735	29.9	20,538	18.8	12,780	3.8	8,696	4.6	70,219	21.7
Vinegar products	3,770	11.6	13,865	12.7	9,291	2.8	6,163	3.3	3,478	1.1
Other products	3,913	12.0	14,936	13.6	22,781	6.8	17,251	9.3	16,031	4.9
Total revenue from sales of goods	32,539	100.0	109,492	100.0	337,125	100.0	188,327	100.0	322,862	100.0

Prior to December 2011, our cooking wine products were mainly produced using a mixture of primarily naturally-brewed yellow rice wine and relatively small quantity of alcohol. We officially introduced the concept of naturally-brewed cooking wine into our business in December 2011 and since then all of our cooking wine products have been manufactured using naturally-brewed yellow rice wine as base without adding any alcohol. Our cooking wine products are broadly categorized into premium,

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high-end, medium-range and mass-market based on the weighted average Wine Years of the vintage base wine used, concentration level of base wine content, in particular, the concentration level of long-aged base wine, as well as ABV levels, taking into account other factors such as packaging materials. The table below sets out our total sales of cooking wine products by product line for the periods indicated:

	For the year ended December 31,						For the eight months ended August 31,			
	2010		2011		2012		2012		2013	
	% of total sales of cooking wine		% of total sales of cooking wine		% of total sales of cooking wine		% of total sales of cooking wine		% of total sales of cooking wine	
	RMB'000	products	RMB'000	products	RMB'000	products	RMB'000	products	RMB'000	products
	(unaudited)									
Premium	—	—	6,596	11.0	81,481	27.9	27,528	17.6	65,157	27.9
High-end	—	—	—	—	24,781	8.5	6,214	4.0	60,873	26.1
Medium-range	6,338	41.9	38,953	64.7	115,423	39.4	61,189	39.2	92,355	39.6
Mass-market	8,783	58.1	14,604	24.3	70,588	24.2	61,286	39.2	14,749	6.4
Total	15,121	100.0	60,153	100.0	292,273	100.0	156,217	100.0	233,134	100.0

The following table sets forth the gross profit and gross profit margin of our principal products by product line for the periods indicated:

	For the year ended December 31,						For the eight months ended August 31,			
	2010		2011		2012		2012		2013	
	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Cooking wine products										
Premium	—	—	5,580	84.6	61,597	75.6	20,771	75.5	48,110	73.8
High-end	—	—	—	—	17,063	68.9	4,176	67.2	39,429	64.8
Medium-range	1,491	23.5	15,298	39.3	59,891	51.9	31,365	51.3	40,487	43.8
Mass-market	4,747	54.0	7,298	50.0	39,200	55.5	38,195	62.3	8,924	60.5
Subtotal	6,238	41.3	28,176	46.8	177,751	60.8	94,507	60.5	136,950	58.7
Soy sauce products	884	9.1	6,641	32.3	4,732	37.0	2,803	32.2	48,833	69.5
Vinegar products	1,226	32.5	5,240	37.8	5,153	55.5	4,737	76.9	2,041	58.7
Other products										
Paste and pickled vegetables	643	77.4	4,934	49.4	4,417	23.1	3,683	25.3	4,329	28.7
Others	638	20.7	1,251	25.3	846	23.2	1,827	67.6	459	47.2
Subtotal	1,281	32.7	6,185	41.4	5,263	23.1	5,510	31.9	4,788	29.9
Total	9,629	36.9 <sup>(1)</sup>	46,242	42.2	192,899	57.2	107,557	57.1	192,612	59.7

(1) Excluding the RMB3.8 million in net processing income for rendering of processing services, our gross margin in 2010 would have been 29.6%. See “Financial Information — Description of Certain Income Statement Items — Revenue”.

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### Our Stock of Base Wine

Our cooking wine products are manufactured by blending vintage base wine of different ages with mixer base wine, salt, spices and water. Our production department normally formulates an annual production schedule for base wine before we commence our production process each year. The following table sets forth the changes in our stock of base wine in earthen jars, production and sales volume of cooking wine products during the Track Record Period:

	For the year ended December 31,			For the eight months ended August 31, 2013
	2010	2011	2012	2013
	Liters '000	Liters '000	Liters '000	Liters '000
<b>Volume at the beginning of period</b>				
Less than 2 Wine Years	—	761	10,781	13,009
2 to 5 Wine Years	540	540	1,270	8,977
5 to 10 Wine Years	2,351	2,351	2,116	1,693
10 to 20 Wine Years <sup>(1)</sup>	3,217	3,217	2,783	2,226
Over 20 Wine Years <sup>(1)</sup>	4,889	4,889	4,333	3,466
	<u>10,997</u>	<u>11,758</u>	<u>21,283</u>	<u>29,371</u>
<b>Total</b>				
<b>Newly produced during the period<sup>(2)</sup></b>	761	13,906	32,906	47,986
<b>Newly procured from third party suppliers</b>				
Less than 2 Wine Years	—	—	—	—
2 to 5 Wine Years	1,635	1,262	—	—
5 to 10 Wine Years	558	—	—	—
10 to 20 Wine Years	—	—	—	—
Over 20 Wine Years	—	—	—	—
	<u>2,193</u>	<u>1,262</u>	<u>—</u>	<u>—</u>
<b>Total</b>				
<b>Used during the period</b>				
Less than 2 Wine Years	—	3,886	20,678	20,716
2 to 5 Wine Years	1,635	532	2,293	735
5 to 10 Wine Years	558	235	423	120
10 to 20 Wine Years	—	434	557	155
Over 20 Wine Years	—	556	867	230
	<u>2,193</u>	<u>5,643</u>	<u>24,818</u>	<u>21,956</u>
<b>Total</b>				
<b>Movement among different age groups<sup>(3)</sup></b>				
Less than 2 Wine Years	—	—	(10,000)	(1,000)
2 to 5 Wine Years	—	—	10,000	1,000
5 to 10 Wine Years	—	—	—	—
10 to 20 Wine Years	—	—	—	—
Over 20 Wine Years	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Volume at the end of the period</b>				
Less than 2 Wine Years	761	10,781	13,009	40,279
2 to 5 Wine Years	540	1,270	8,977	8,241
5 to 10 Wine Years	2,351	2,116	1,693	1,573
10 to 20 Wine Years	3,217	2,783	2,226	2,072
Over 20 Wine Years	4,889	4,333	3,466	3,236
	<u>11,758</u>	<u>21,283</u>	<u>29,371</u>	<u>55,401</u>
<b>Total</b>				

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	For the year ended December 31,			For the eight months ended August 31, 2013
	2010	2011	2012	
	Liters '000	Liters '000	Liters '000	Liters '000
<b>Production volume of cooking wine products and usage of base wine<sup>(4)</sup></b>				
Premium				
Production volume of cooking wine	—	447	4,944	4,146
Volume of base wine used to produce a thousand liters of cooking wine	—	0.91	0.92	0.93
Volume of vintage base wine used to produce a thousand liters of cooking wine	—	0.91	0.21	0.06
Volume of mixer base wine used to produce a thousand liters of cooking wine	—	—	0.71	0.87
High-end				
Production volume of cooking wine	—	—	2,284	5,654
Volume of base wine used to produce a thousand liters of cooking wine	—	—	0.62	0.87
Volume of vintage base wine used to produce a thousand liters of cooking wine	—	—	0.15	0.06
Volume of mixer base wine used to produce a thousand liters of cooking wine	—	—	0.47	0.81
Medium-range				
Production volume of cooking wine	1,535	8,378	19,462	13,425
Volume of base wine used to produce a thousand liters of cooking wine	0.36	0.37	0.41	0.85
Volume of vintage base wine used to produce a thousand liters of cooking wine	0.36	0.07	0.09	0.04
Volume of mixer base wine used to produce a thousand liters of cooking wine	—	0.30	0.32	0.81
Mass-market				
Production volume of cooking wine	4,708	7,520	28,985	2,529
Volume of base wine used to produce a thousand liters of cooking wine	0.35	0.29	0.37	0.68
Volume of vintage base wine used to produce a thousand liters of cooking wine	0.35	0.10	0.03	0.04
Volume of mixer base wine used to produce a thousand liters of cooking wine	—	0.19	0.34	0.64
<b>Sales volume of cooking wine products</b>				
Premium	—	446	4,880	3,896
High-end	—	—	2,271	5,542
Medium-range	1,488	7,354	18,960	14,812
Mass-market	4,686	7,365	28,114	3,420
Total	<u>6,174</u>	<u>15,165</u>	<u>54,225</u>	<u>27,671</u>

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- (1) Including the remaining portion of the base wine contributed by Mr. Chen. Mr. Chen contributed approximately 5.3 million liters of base wine with 10 to 20 Wine Years and approximately 6.0 million liters of base wine of over 20 Wine Years in December 2008. A portion of such contributed base wine was used in 2009. The foregoing contribution constituted all of Mr. Chen's home stock, and was contributed to help Huzhou Lao Heng He's production of cooking wine. Mr. Chen obtained the aforementioned base wine through decades of accumulation in his base wine home stock and such contributed base wine was of our requisite aging and quality requirements. Mr. Chen started accumulating naturally-brewed base wine as early as 1990, when he started his career in the condiment business. Mr. Chen made such contribution for nil consideration when he made his decision to expand Lao Heng He's cooking wine business. The fair value of Mr. Chen's donation has been accounted for in the audited financial statements of the Company as the fair value of the donated base wine of RMB7.0 million was reflected in the opening capital reserves as of January 1, 2010, and the same amount was reflected in the opening cost of inventories.

As the result of the foregoing contribution, Mr. Chen did not retain any home stock of base wine and therefore no base wine was contributed to our Company by Mr. Chen during the Track Record Period. Mr. Chen does not plan to further contribute any base wine to our Company after the Listing, as we have established stable base wine production capabilities.

- (2) Newly produced base wine is aged less than two Wine Years.
- (3) Representing movement of certain amount of base wine of two Wine Years into the category of "2 to 5 Wine Years" in 2012 and the eight months ended August 31, 2013 due to the aging process.
- (4) The generally increased amount of base wine usage across different cooking wine product lines during the Track Record Period mainly reflects our official introduction of the concept of naturally-brewed cooking wine to our business in December 2011, which led to our manufacturing of cooking wine products using 100% naturally-brewed yellow rice wine as base without adding any alcohol since then.

The overall decreased proportion of usage of vintage base wine during the Track Record Period was due to the increased proportion of usage of mixer base wine. Like vintage base wine, mixer base wine also contributes to the overall aroma and scent of the cooking wine products and were more readily available since our production facilities were expanded in 2011. As confirmed by the China Wine Association, Yellow Rice Wine Branch, (i) there are no applicable industry or regulatory standards on the proportion of vintage base wine; and (ii) through the process of blending base wine of different Wine Years, it is possible to achieve similar scent and aroma given the base used is naturally-brewed yellow wine without adding alcohol, notwithstanding the change in proportion of mixer base wine and vintage base wine.

### **Our Controlling Shareholder and Development of Our Business Model**

Our ultimate Controlling Shareholder is Mr. CHEN Weizhong. Immediately following the completion of the Global Offering (but excluding any Shares which may be allotted and issued or sold pursuant to the exercise of the Over-allotment Option), Mr. Chen will be interested in approximately 55.63% of the post offering enlarged issued share capital of our Company and hence will continue to be the Controlling Shareholder of our Company.

Historically, Mr. Chen controlled two condiment businesses, namely Zhong Wei and our Group. In December 2012, Zhong Wei was disposed of to an independent third party. Zhong Wei was established by Mr. Chen in 1995 as a manufacturer of pickled vegetables, soy sauce and other fermented products. Mr. Chen had developed a procurement platform and distribution network for Zhong Wei. Following Mr. Chen's acquisition of our predecessor entity, Lao Heng He Brewing Factory in 2005, Mr. Chen set out to restore his family heritage with the "Lao Heng He" business and to transform the fortunes of the then ailing business. He did so by initially focusing Lao Heng He on manufacturing, while leveraging on Zhong Wei's procurement platform and distribution network. As a result, Mr. Chen implemented certain distribution and procurement arrangements between us and Zhong Wei which existed during the Track Record Period.

Substantially all of our products were distributed by Zhong Wei in 2010. Since the end of 2010, as we built up our own sales and marketing department and established our own distribution network, we began selling products directly to distributors nationwide rather than to Zhong Wei and as a result, sales to Zhong Wei as a proportion of total sales declined significantly from 94.5% in 2010 to 41.4% in 2011, and further to 1.5% in 2012.

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Moreover, we purchased a majority of our raw materials, including rice and packaging materials, from Zhong Wei in 2010 in order to take advantage of Zhong Wei's ability to secure a stable and quality supply of such raw materials. As our operations became more established, we began increasingly purchasing our raw materials directly from third party suppliers. Our purchases of raw materials from Zhong Wei, as a percentage of our total purchases of raw materials, decreased from 79.1% in 2011 to 5.5% in 2012.

After the disposal of Zhong Wei to an independent third party in December 2012, we ceased to purchase raw materials from Zhong Wei, while we continued to sell a small percentage of our products to Zhong Wei on an arm's-length basis. Our sales to Zhong Wei, as a percentage of our total sales, was 0.2% in the eight months ended August 31, 2013. In addition, we continued to purchase certain popular Zhong Wei branded paste and pickled vegetable products from Zhong Wei to supplement our product offering and such procurement from Zhong Wei represented 3.8% of our total procurement in the eight months ended August 31, 2013. For details of our historical relationship with Zhong Wei, see "Business — The Development of Our Business Model".

### **Our Distribution Network**

We have established an extensive distribution network in China that enables our products to effectively reach consumers nationwide. We primarily rely on the established sales and distribution network of distributors to distribute our products across China, complemented by direct sales. We had over 200 distributors throughout China as of the Latest Practicable Date, covering 30 provinces, centrally administered-municipalities and autonomous regions.

We have implemented a multi-category distributor system to manage distribution of our products since 2011. Based on their distribution scale and capabilities, we classify our distributors into Categories A (the highest), B, C and D (the lowest). We primarily rely on our Category A distributors, who generally employ the most extensive distribution networks and sales channels covering one or more provinces, for distributing our products. The aggregate sales attributable to our Category A distributors constituted 74.2% and 83.3% of our revenue in 2012 and the eight months ended August 31, 2013, respectively. As of the Latest Practicable Date, we had six Category A distributors. In addition, we continue to enhance our distributor structure by reducing the number of Category D distributors located in regions that are already covered by higher-category distributors and focus on supporting and managing these higher-category distributors.

In setting our pricing policy, we take into account current market trends, production costs, consumers' acceptable price range, the target consumer groups, our competitors' prices and the economic condition of the relevant regions. We provide guidelines on suggested retail prices to retailers, which is consistent with market practice in the food and condiment industry in China. Before retail sales of our products commence, our distributors are required to submit retail prices stipulated by retailers for such products for our approval and we are entitled to impose penalties on distributors who fail to enforce our pricing policies. We typically grant credit terms ranging from 30 to 90 days to our Category A and B distributors, whereas prepayment is generally required for orders placed by our Category C and D distributors.

We also sell a small percentage of products directly to retailers mainly in markets where our distributors currently do not have a presence or due to our historical business relationship with certain supermarkets and hypermarkets.

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The table below sets out the revenue attributed to the sales of our products by sales made through our distributors and direct sales for the periods indicated:

	For the year ended December 31,						For the eight months ended August 31,			
	2010		2011		2012		2012		2013	
	RMB'000	% of total sales of goods	RMB'000	% of total sales of goods	RMB'000	% of total sales of goods	RMB'000	% of total sales of goods	RMB'000	% of total sales of goods
	(unaudited)									
Sales to Zhong Wei	30,749	94.5	45,333	41.4	4,931	1.5	3,873	2.1	606	0.2
Sales to third parties:										
Wholesale distribution	—	—	63,758	58.2	320,163	94.9	176,364	93.6	312,387	96.7
Direct sales	1,790	5.5	401	0.4	12,031	3.6	8,090	4.3	9,869	3.1
Subtotal	1,790	5.5	64,159	58.6	332,194	98.5	184,454	97.9	322,256	99.8
<b>Total</b>	<b>32,539</b>	<b>100.0</b>	<b>109,492</b>	<b>100.0</b>	<b>337,125</b>	<b>100.0</b>	<b>188,327</b>	<b>100.0</b>	<b>322,862</b>	<b>100.0</b>

### Bill Financing

During the Track Record Period, our operating subsidiary, Lao Heng He, and Zhong Wei entered into certain bill financing arrangements on the basis of sales and purchase contracts with sales amounts greater than the actual transaction amounts between our Group and Zhong Wei. Upon receiving advice that such bill financing activities were not in strict compliance with relevant PRC laws and regulations, we implemented policies and training steps to ensure that any bill financing activities will not take place again, and have since August 2012 ceased to conduct bill financing activities. Please refer to “Business — Legal Proceedings and Compliance — Bill Financing” for further details.

### SUMMARY CONSOLIDATED FINANCIAL INFORMATION

You should read the summary consolidated financial statements set forth below in conjunction with our consolidated financial information included in the Accountants’ Report set out in Appendix I, together with the accompanying notes, which have been prepared in accordance with IFRS.

The following is a summary of our consolidated financial information for the periods and as of the dates indicated, extracted from the Accountants’ Report set out in Appendix I to this prospectus. Results for interim periods are not indicative of results for the full year.

### Summary Consolidated Income Statements

	For the year ended December 31,						For the eight months ended August 31,			
	2010		2011		2012		2012		2013	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Revenue	36,297	100.0	109,492	100.0	337,125	100.0	188,327	100.0	322,862	100.0
Gross profit	13,387	36.9	46,242	42.2	192,899	57.2	107,557	57.1	192,612	59.7
Profit before tax	8,421	23.2	27,674	25.3	135,449	40.2	76,691	40.7	129,094	40.0
Profit for the year	6,282	17.3	20,214	18.5	98,438	29.2	55,775	29.6	95,996	29.7
<i>Attributable to:</i>										
Owners of the Company	6,282	17.3	20,214	18.5	98,438	29.2	55,775	29.6	95,996	29.7

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### Summary Consolidated Statements of Financial Position

	As of December 31,			As of August 31,
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Assets</b>				
Current assets	108,404	244,684	322,814	434,486
Non-current assets	17,775	49,879	155,383	189,097
Total assets	<u>126,179</u>	<u>294,563</u>	<u>478,197</u>	<u>623,583</u>
<b>Liabilities</b>				
Current liabilities	104,363	253,176	325,628	394,216
Non-current liabilities	6,358	5,715	19,459	11,259
Total liabilities	<u>110,721</u>	<u>258,891</u>	<u>345,087</u>	<u>405,475</u>
<b>Equity</b>				
Equity attributable to owners of the Company	15,458	35,672	133,110	218,108
Total equity	<u>15,458</u>	<u>35,672</u>	<u>133,110</u>	<u>218,108</u>
Total liabilities and equity	<u>126,179</u>	<u>294,563</u>	<u>478,197</u>	<u>623,583</u>

### Summary Consolidated Cash Flow Statements

	As of and for the year ended December 31,			As of and for the eight months ended August 31,	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Net cash flow from/(used in) operating activities	21,818	12,829	59,710	27,065	(53,267)
Net cash flow from/(used in) investing activities	(37,836)	(54,885)	(165,794)	(86,330)	49,266
Net cash flow from financing activities	16,130	65,588	83,785	53,544	41,993
Cash and cash equivalents at beginning of year	886	998	24,530	10,430	2,231
Effect of foreign exchange rate changes, net	—	—	—	—	2
Cash and cash equivalents at end of year	<u>998</u>	<u>24,530</u>	<u>2,231</u>	<u>4,709</u>	<u>40,225</u>

### Our Financial Track Record

We have achieved rapid growth in revenue and profit during the Track Record Period. In 2010, 2011 and 2012, we recorded a total revenue of RMB36.3 million, RMB109.5 million and RMB337.1 million, respectively, and net profit of RMB6.3 million, RMB20.2 million and RMB98.4 million, respectively. For the eight months ended August 31, 2012 and 2013, we recorded a total revenue of RMB188.3 million and RMB322.9 million, respectively, and net profit of RMB55.8 million and RMB96.0 million, respectively.



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### *Revenue*

The significant revenue growth achieved by the Group from RMB36.3 million in 2010 to RMB337.1 million in 2012 and from RMB188.3 million for the eight months ended August 31, 2012 to RMB322.9 million for the same period in 2013 primarily reflected increases in sales volume and average selling price of our principal products. The increase in sales volume of our principal products during the Track Record Period primarily reflected an increase in demand for our products, which we believe in turn reflected factors such as:

- (i) increasing recognition of our brand, particularly since the launch of our advertising campaign on China Central Television in 2011;
- (ii) growing consumer consciousness of food safety and preference for naturally-brewed cooking wine products which we introduced into the market;
- (iii) continued enhancement of our distribution network and deepening of market penetration by developing, supporting and managing our higher-category distributors; and
- (iv) rising disposable income level in the PRC.

In addition, the increase in sales volume of our principal products from 2011 to 2012 also reflected an increase in supply of our products as a result of a significant increase in our bottling capacity following the commencement of production of our new bottling line in 2011.

The increase in the average selling price of our cooking wine products during the Track Record Period primarily reflected a combination of:

- (i) increased percentage of sales directly to our distributors, which were generally priced higher than sales to Zhong Wei;
- (ii) increased percentage of sales attributable to premium and high-end products; and
- (iii) price increases in all product lines in response to increasing demand.

### *Gross and Net Profit*

The increase in our net profit during the Track Record Period was primarily due to increases in our revenue and our gross margin. Our gross profit margin increased from 36.9% in 2010 to 42.2% in 2011 to 57.2% in 2012, and from 57.1% in the eight months ended August 31, 2012 to 59.7% in the eight months ended August 31, 2013, primarily reflecting a combination of:

- (i) our strategic decision to concentrate our resources on cooking wine products and accordingly, an increase in the percentage of sales derived from cooking wine products, which generally had higher gross margins than our other products;
- (ii) an increase in the percentage of sales derived from premium and other higher-end cooking wine products as we gradually focused our product development efforts on such products, which generally bore higher margins than our lower-end cooking wine products; and
- (iii) an increase in the percentage of sales directly to distributors, which bore higher margins than sales to Zhong Wei.

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### NET CURRENT ASSETS/LIABILITIES

We had net current assets of RMB4.0 million as of December 31, 2010, net current liabilities of RMB8.5 million as of December 31, 2011, RMB2.8 million as of December 31, 2012 and net current assets of RMB40.3 million as of August 31, 2013. An important contributing factor for our net current liabilities in 2011 and 2012 was the increases in our interest-bearing bank borrowings during the Track Record Period. Since we began focusing our business on cooking wine products in late 2010, we have increased bank borrowings primarily to purchase rice, which is the principal raw material for our cooking wine products, and storage facilities such as earthen jars. The increased inventory of rice enabled us to increase the production of base wine, which helped us (i) meet the increase in demand for our cooking wine products; (ii) focus on higher end cooking wine products, which generally required more vintage base wine; and (iii) offset risks of future increases in the price of rice. Our net current liabilities during the Track Record Period were also attributable to an increase in our tax payable, which in turn was attributable to an increase in our profit before tax.

### INVENTORY

Our inventory is categorized into raw materials, work-in-progress for our products and finished products. Our raw materials and finished products as a percentage of inventory are relatively low, comprising only 11.1% and 9.5% of our inventory in total as of December 31, 2012 and August 31, 2013, respectively. A significant majority of our inventory is work-in-progress, consisting of primarily base wine stored in earthen jars for our cooking wine products. Our inventory turnover days were 271, 246, 226 and 343 in 2010, 2011, 2012 and primarily for the eight months ended August 31, 2013, respectively. The relatively long inventory turnover days reflect our business model, in particular the production process of base wine. As part of our business strategy, we have actively sought to accumulate stock of base wine in anticipation of higher sales, as well as a higher percentage of vintage wine to produce premium cooking wine to differentiate from their competitors. Our Directors believe our inventory turnover days are in line with the industry norm.

### RECENT DEVELOPMENT

Based on our unaudited management accounts, we continued to experience stable growth during the eleven months ended November 30, 2013. Our revenue and gross profit for the eleven months ended November 30, 2013 were RMB488.3 million and RMB285.8 million, respectively.

Our listing expenses mainly comprise of underwriting commission in addition to professional fees paid to legal advisors and the reporting accountant for their services rendered in relation to the Listing and Global Offering. We incurred listing fees and expenses in the Track Record Period in the amount of approximately RMB11.4 million, of which RMB2.4 million was capitalized as prepayment and RMB9.0 million was charged to our profit and loss accounts. We expect that out of the remaining RMB36.3 million fees and expenses to be incurred (including commission expenses calculated based on an Offer Price of HK\$6.05 per Share, being the mid-point of the indicative Offer Price range), approximately RMB25.8 million will be capitalized, and approximately RMB10.5 million is to be fully charged to our profit and loss accounts in 2013.

The Directors confirm that there has been no material adverse change in our financial or trading position or prospects of our Company since August 31, 2013, which was the last balance sheet date of our latest audited financial results as set out in the Accountants' Report in Appendix I up to the date of this prospectus. As far as we are aware, there was no material change in the general conditions in the PRC condiment market that had affected or would affect our business operations or financial conditions materially and adversely.

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## SUMMARY

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### PROFIT ESTIMATE

For the purpose of illustrating the effect of the Global Offering as if it had taken place on January 1, 2013, our unaudited pro forma estimated earnings per Share for the year ended December 31, 2013 has been prepared on the bases of the notes set out below. This unaudited pro forma estimated earnings per Share has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of our financial results for the year ended December 31, 2013 or for any future period.

Estimated consolidated profit attributable to owners of the Company  
for the year ended December 31, 2013<sup>(1)(3)</sup> . . . . . not less than RMB152 million  
(approximately HK\$192 million)

Unaudited pro forma estimated earnings per Share  
for the year ended December 31, 2013<sup>(2)(3)</sup> . . . . . not less than RMB0.30  
(approximately HK\$0.38)

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*Notes:*

- (1) The bases on which the above profit estimate has been prepared are summarized in Part A of Appendix III to this prospectus. The Directors have prepared the estimated consolidated profit attributable to owners of the Company for the year ended December 31, 2013 based on the audited consolidated results for the eight months ended August 31, 2013, the unaudited consolidated results based on management accounts of our Group for the three months ended November 30, 2013 and an estimate of the consolidated results of our Group for the remaining one month ended December 31, 2013.
- (2) The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated consolidated results for the year ended December 31, 2013 attributable to owners of the Company, assuming that a total of 500,000,000 Shares had been in issued during the entire year. The calculation of the estimated earnings per Share does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option.
- (3) The estimated consolidated profit attributable to owners of the Company and the unaudited pro forma estimated earnings per Share are converted into HK\$ at the exchange rate of RMB0.7927 to HK\$1.00.

### OFFERING STATISTICS<sup>(1)</sup>

Offer size	:	Initially 25% of the enlarged share capital of the Company
Offering structure	:	10% Hong Kong Public Offering (subject to adjustment) and 90% International Offering (subject to adjustment and Over-allotment Option)
Over-allotment Option	:	Up to 15% of the number of Offer Shares initially available under the Global Offering
Offer Price per Share	:	HK\$4.95 to HK\$7.15 per Offer Share
Use of Proceeds (assuming an Offer Price of HK\$6.05 per Share, being the mid-point of the indicative Offer Price range)	:	Net proceeds to our Company from the offer of new Shares — HK\$694.5 million, after deduction of underwriting fees and commissions and estimated expenses in connection with the Global Offering: <ul style="list-style-type: none"><li>● approximately 50%, or HK\$347.2 million, allocated for the purchase of rice towards production of base wine, consisting of approximately 25%, or HK\$173.6 million, for each of 2014 and 2015;</li><li>● approximately 25%, or HK\$173.6 million, allocated for expansion of production facilities for our cooking wine products;</li></ul>

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## SUMMARY

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- approximately 10%, or HK\$69.5 million, allocated for the repayment of loans;
- approximately 5%, or HK\$34.7 million, will be used for continued expansion of our distribution network; and
- the remaining amount of approximately not more than 10%, or HK\$69.5 million, will be used for working capital and other general corporate purposes.

Please refer to “Future Plans and Use of Proceeds” for further details.

The above allocation of the 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 midpoint of the estimated offer price range.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments.

	<u>Based on an Offer Price of HK\$4.95 per share</u>	<u>Based on an Offer Price of HK\$7.15 per share</u>
Our Company’s capitalization upon completion of the Global Offering <sup>(2)</sup>	HK\$2,475 million	HK\$3,575 million
Unaudited pro forma adjusted net tangible asset per Share <sup>(3)</sup>	HK\$1.69	HK\$2.24

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*Notes:*

- (1) All statistics in this table are on the assumption that the Over-allotment Option is not exercised.
- (2) The calculation of market capitalization is based on 500,000,000 Shares expected to be issued immediately upon completion of Global Offering and the Capitalization Issue.
- (3) The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to in “Unaudited Pro Forma Financial Information” in Appendix II and on the basis of 500,000,000 Shares in issue at the respective offer price of HK\$4.95 and HK\$7.15 per Share immediately following completion of the Global Offering.

## DIVIDEND POLICY

We have not declared any dividends in the years ended December 31, 2010, 2011 and 2012. After completion of the Global Offering, our shareholders will be entitled to receive dividends declared by us. We currently expect that approximately 20% to 30% of our net profits will be recommended for distribution in each fiscal year, commencing from the fiscal year ended December 31, 2013. The payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and any other factors that our Directors deem relevant.

We can give no assurance that any dividends will be paid. You should consider the risk factors affecting our Group contained in “Risk Factors” and the cautionary notice regarding forward-looking statements contained in “Forward-looking Statements”.