This section contains information, forecasts and statistics relating to the economy in the PRC and the industry in which we operate. We believe that the sources of the information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading in any material respect. We have derived such information and data partly from publicly available government and official sources as well as a report we commissioned from Euromonitor, an independent third party, which have not been independently verified by us, the Sole Global Coordinator, the Sole Sponsor, the Underwriters, nor any of their or our directors, affiliates, advisers or any other parties involved in the Global Offering. The information that appears in this section prepared by Euromonitor reflects estimates of market conditions based on samples, and is prepared primarily as a market research tool. References to Euromonitor should not be considered as the opinion of Euromonitor as to the value of any security or the advisability of investing in the Offer Shares. Furthermore, the information provided by the PRC Government sources may not be consistent with the information compiled within or outside China by third parties. Neither we nor Euromonitor makes any representation as to the correctness or accuracy of government or official information contained in this prospectus. Accordingly, such information should not be unduly relied upon.

EUROMONITOR REPORT

We commissioned Euromonitor to conduct an analysis of the condiment and cooking wine market in the PRC and prepare the Euromonitor Report at a combined fee of RMB237,864. The Euromonitor Report includes information on the condiment and cooking wine market in the PRC such as production value, production volume, sales value, sales volume, market share of leading players, and the outlook of the condiment and cooking wine market in the PRC, which have been quoted in this prospectus.

This Euromonitor Report includes research estimates from publicly available secondary sources and trade interview analysis of the opinions and perspectives of leading industry players. The Euromonitor Report only covers wine products positioned as cooking wine, i.e., wine products labeled as cooking wine or claimed to contain at least salt as seasoning, and does not include drinking wine used for cooking in some instances.

Established in 1972, Euromonitor is a global research organization with over 500 full-time staff and field-based analysts in over 80 countries worldwide, researching and tracking fast-moving consumer goods, industrial, service and B2B markets.

Euromonitor's independent analysis was undertaken through primary and secondary research obtained from various sources. Primary research includes discussions on, and interviews with leading industry participants and industry experts, such as the China Condiment Industry Association and the China Alcohol Drinks Association, major competitors and key distributors. Secondary research involves gathering, refining and confirming information from multiple and relevant published data sources. Projected market size by production value, production volume, retail sales value and retail sales volume was obtained based on a comprehensive and in-depth review over the historical market development, and a cross check with established government or industry figures or trade interviews, where possible.

Euromonitor made the following major assumptions about China's economy in the preparation of the Euromonitor Report:

- The macroeconomic environment in China remains stable from 2013 to 2017;
- Disposable income per capita continues to grow from 2013 to 2017; and
- There is no dramatic change in consumption habits from 2013 to 2017.

Our Directors confirm that there were no adverse changes in the market information since the date of the Euromonitor Report which may qualify, contradict or have an impact on the information in this section.

OVERVIEW OF THE PRC ECONOMY

Strong Economic Growth

The PRC is the second largest economy in the world and one of the fastest growing in terms of GDP. The economy of the PRC has grown rapidly since economic reforms and opening up policies were introduced in the early 1980s. Over the past thirty years, booming exports, investment and domestic consumption have driven the PRC's rapid GDP growth. From 2008 to 2011, according to National Bureau of Statistics of China, the PRC's nominal GDP grew from RMB31.4 trillion to RMB47.3 trillion and its per capita GDP grew from RMB23,708 to RMB35,181, representing a CAGR of approximately 14.6% and 14.1%, respectively.

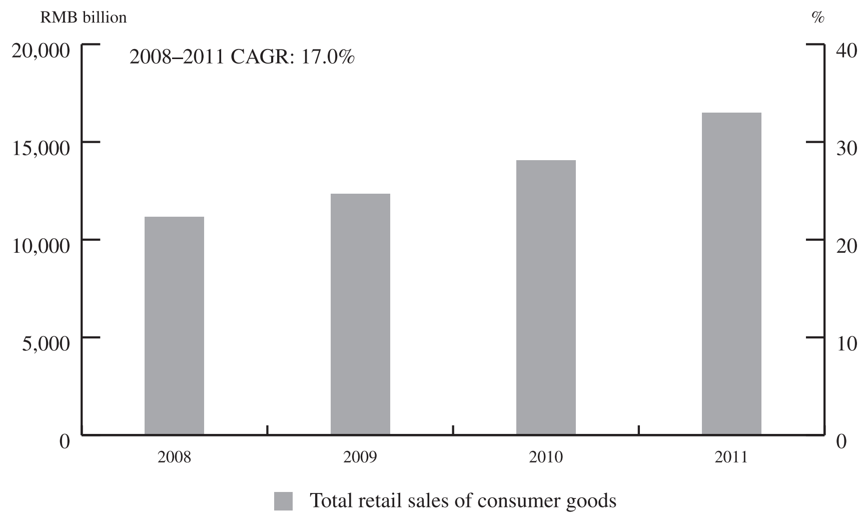
Growing Urbanization and Increasing Spending Power

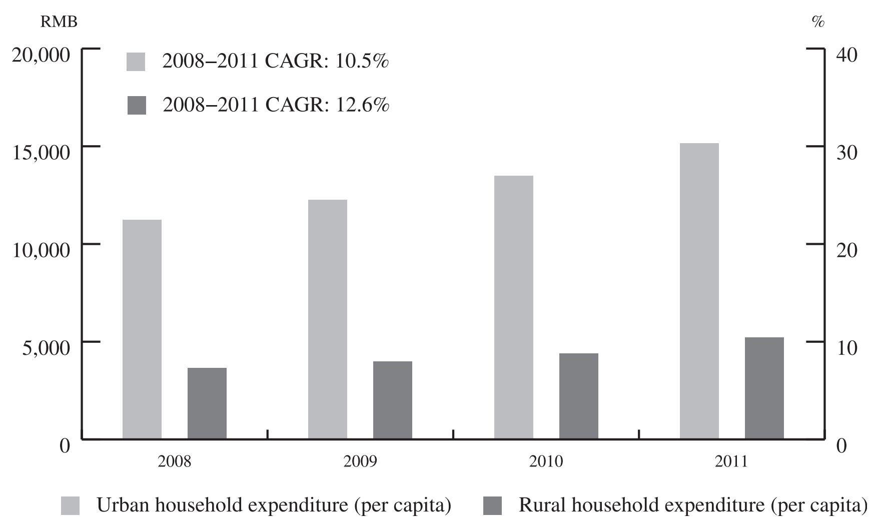
Industrialization and economic growth in the PRC have resulted in growing urbanization through the migration of rural populations to urban areas and the development of towns into cities. According to the National Bureau of Statistics of China, the urban population as a percentage of the total population increased from 47.0% as of the end of 2008 to 52.6% as of the end of 2012, and is projected to continue to increase at least over the next decade.

Growth in the economy and the proportion of urban residents are associated with improvements in living standards and increases in spending levels in the PRC. According to the National Bureau of Statistics of China, per capita annual disposable income of urban households in the PRC has increased from RMB15,781 in 2008 to RMB24,565 in 2012, representing a CAGR of 11.7%. During the same period of time, per capita annual net income of rural households increased from RMB4,761 in 2008 to RMB7,917 in 2012, representing a CAGR of 13.6%.

Strong Consumer Spending Growth

Rising disposable income and rapid urbanization have coincided with an increase in consumer spending in the PRC. According to the National Bureau of Statistics of China, total retail sales of consumer goods in the PRC increased from RMB11.5 trillion in 2008 to RMB18.4 trillion in 2011, representing a CAGR of 17.0%. Per capita consumption expenditure of urban households increased from RMB11,243 in 2008 to RMB15,161 in 2011, and per capita consumption of rural households increased from RMB3,661 to RMB5,221, representing a CAGR of 10.5% and 12.6%, respectively. The following charts show the growth of total retail sales of consumer goods in the PRC and per capita consumption expenditure of urban households and rural households from 2008 to 2011.



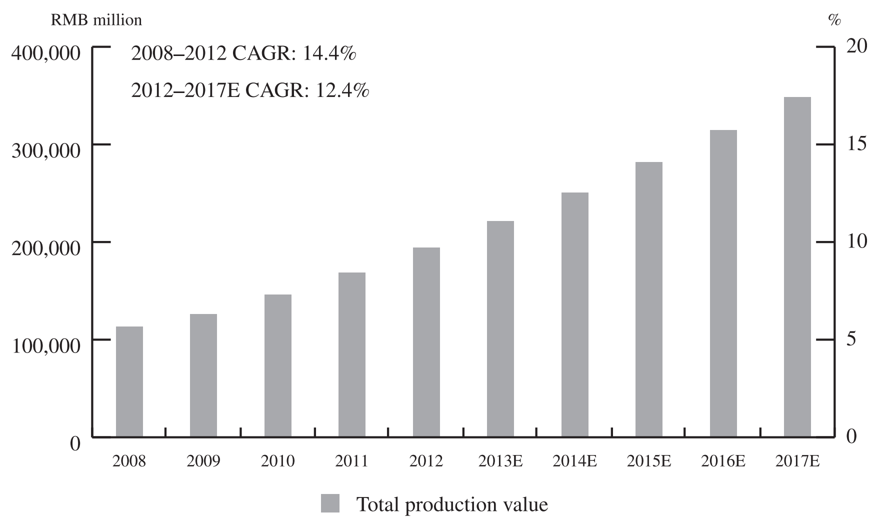


Source: National Bureau of Statistics of China

THE PRC CONDIMENT MARKET

Condiment products are widely used in food preparation to impart a particular flavor and aroma, or enhance the flavor of a dish. Key condiment products include cooking wine, soy sauce, vinegar and MSG.

The PRC condiment industry is primarily driven by the size and growth of the PRC population, rising demand for products with health and wellness attributes and increasing popularity of regional cuisines outside of their originated regions. According to the Euromonitor Report, total production value of the PRC condiment market has increased rapidly in recent years at a CAGR of 14.4% from 2008 to 2012 and is expected to grow at a CAGR of 12.4% between 2012 and 2017. The following chart illustrates the market size of the PRC condiment products for the period indicated.

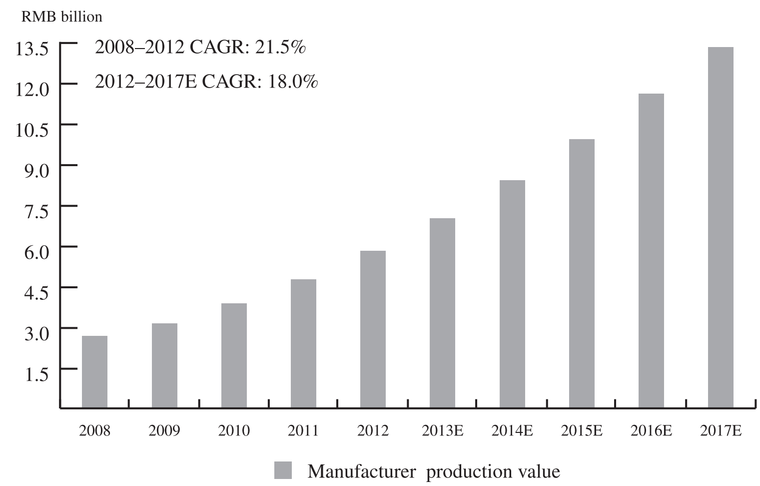


Source: Euromonitor Report

THE PRC COOKING WINE MARKET

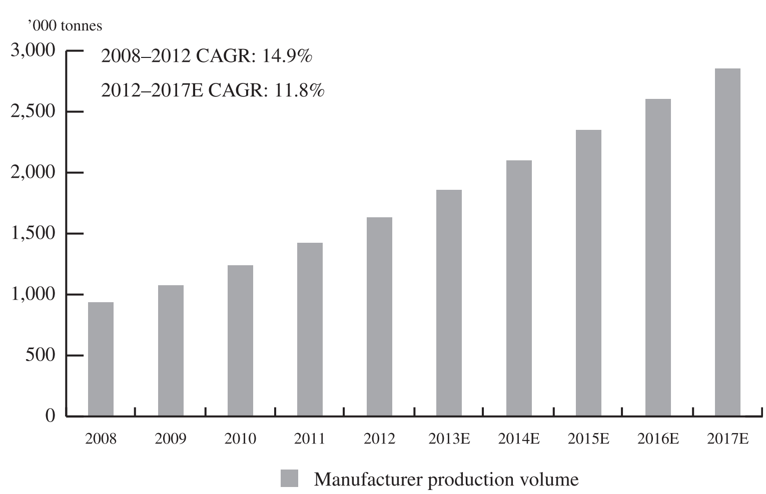
Market Overview

Cooking wine is one of the most commonly used condiments in Chinese cuisines, and is used widely in preparing a broad array of dishes to deliver richer flavors and dissolve meat and fish odors. According to the Euromonitor Report, between 2008 and 2012, the PRC cooking wine market grew at a CAGR of 21.5% in terms of production value, and reached RMB5.8 billion in 2012. The PRC cooking wine market, in terms of production value, is expected to grow at a CAGR of 18.0% from 2012 to 2017 and reach RMB13.3 billion in 2017.



Source: Euromonitor Report

In terms of production volume, the PRC cooking wine market grew at a CAGR of 14.9% from 2008 to 2012 and is expected to grow at a CAGR of 11.8% between 2012 and 2017, reaching approximately 2.9 million tonnes by 2017, according to the Euromonitor Report.

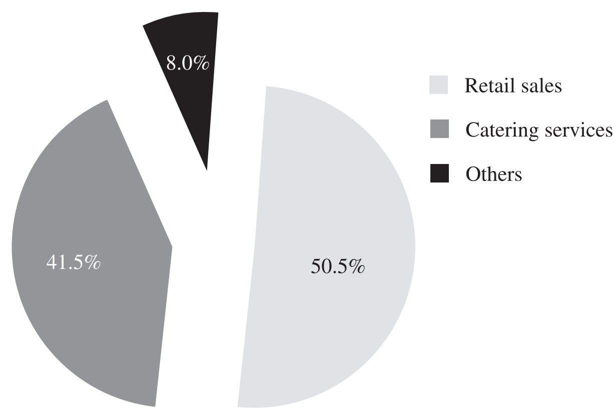


Source: Euromonitor Report

Historically, the PRC cooking wine produced had been consumed in the domestic market and there is minimal over-supply in the PRC cooking wine market.

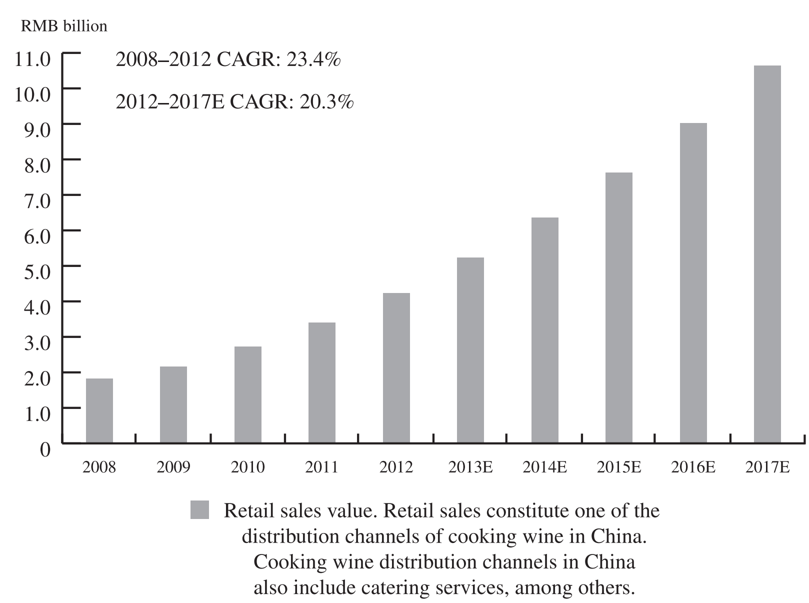
Major distribution channels of cooking wine in China include retail sales and catering services. In 2012, 50.5% and 41.5% of cooking wine in China in terms of volume was distributed via retail sales and catering service channels, respectively, with the remaining 8.0% distributed via other channels such as food manufacturing and exports. The total sales volume of cooking wine in the PRC could be derived from dividing the retail sales volume of cooking wine in 2012 in the PRC by 50.5%, which was 1.6 million tonnes and equals approximately to the production volume in 2012. Leading cooking wine brands tend to concentrate on retail sales channels as households generally demand higher value cooking wine products and are more brand sensitive.

Cooking wine sales volume breakdown by distribution channel in China in 2012



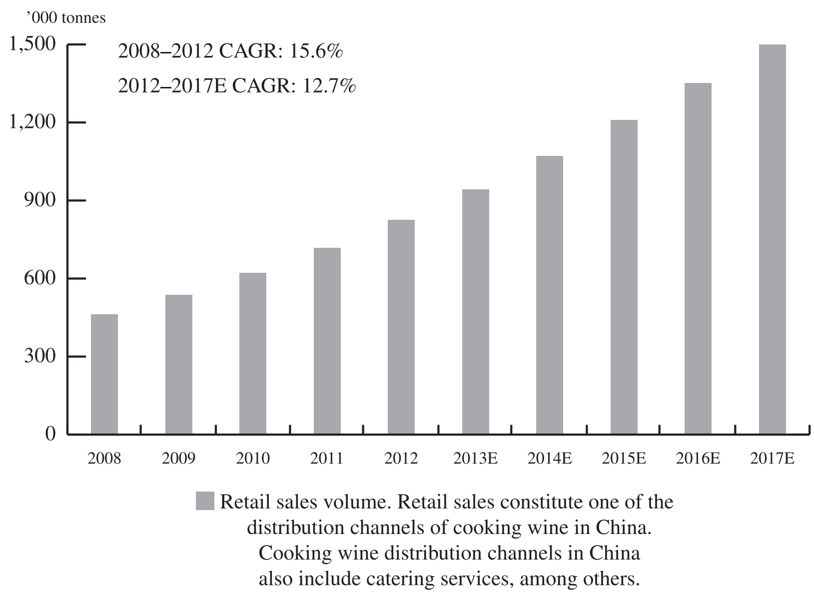
Source: Euromonitor Report

The historical retail sales value of the total PRC cooking wine market grew at a CAGR of 23.4% from 2008 to 2012, according to the Euromonitor Report. As one of the fastest growing segments in the overall PRC condiment market, the PRC cooking wine market, in terms of retail sales value, is expected to grow at a CAGR of 20.3% from 2012 to 2017 and reach approximately RMB10.6 billion by 2017, according to the Euromonitor Report.



Source: Euromonitor Report

In terms of retail sales volume, the PRC cooking wine market grew at a CAGR of 15.6% from 2008 to 2012 and is expected to grow at a CAGR of 12.7% between 2012 and 2017, reaching approximately 1.5 million tonnes by 2017, according to the Euromonitor Report.



Source: Euromonitor Report

The above charts related to the production volume and retail sales volume as disclosed on pages 58 and 60 in this prospectus cannot be compared directly to determine whether there is an over or under-supply in the PRC cooking wine market.

Cooking Wine Manufacturing Methods in China

According to the applicable industrial standards in China, cooking wine products can be manufactured in one of the following three methods: (i) using naturally-brewed rice wine as base; (ii) using alcohol as base; and (iii) using a mixture of alcohol and naturally-brewed rice wine as base. Cooking wine produced by the means of (ii) and (iii) is referred to as chemically-produced cooking wine, which generally contains preservatives, plasticizer, glacial acetic acid and other artificial flavorings. The higher the proportion of naturally-brewed rice wine, the better the quality of the cooking wine and as such the order in terms of quality is (i) followed by (iii) and finally (ii). Naturally-brewed cooking wine products manufactured by the means of (i) are rich in nutrients, such as vitamins, minerals, trace elements and a variety of amino acids, including eight essential amino acids that cannot be synthesized by human body and must be obtained from daily diet. Naturally-brewed cooking wine products are generally priced at a premium compared with chemically-produced cooking wine products.

With China's growing levels of consciousness on health and food safety as well as rising disposable income and consumption growth, naturally-brewed cooking wine products are expected to gain more popularity and experience higher growth rate compared to other cooking wine products. According to the Euromonitor Report, we were the only one among the top three cooking wine producers in China in terms of retail sales value in 2012 that manufactures cooking wine products using exclusively naturally-brewing method.

Market Price of Rice

Rice constitutes the primary raw material for the production of naturally-brewed cooking wine products. According to Euromonitor, given the abundance of rice suppliers in the domestic market, rice supplies are generally available. Further, the Chinese government pays great attention to the improvement of agricultural technology to increase the quantity as well as the quality of rice. According to the National Bureau of Statistics of China, the price of rice in the PRC in general has been on a rising trend since 2008. The producers' price index for rice (which equals to the product of price of rice in a given year divided by price of rice in the previous year and multiplied by 100, reflecting fluctuations in the price at which rice producers directly sell rice) as of December 31, 2008, 2009, 2010, 2011 and 2012 was 106.6, 105.2, 112.8, 113.3 and 104.1, respectively. The chart below sets forth the producers' price index for rice for the period from 2008 to 2012.

Source: National Bureau of Statistics of China

Market Price of Naturally-Brewed Rice Wine

According to China Wine Association, Yellow Rice Wine Branch, in 2008 and 2009, the rice wine market, especially the market for long-aged rice wine, in China was still illiquid. The total annual trading volume of rice wine in China in 2008 and 2009 was approximately 2 billion liters, in which Shaoxing City, the most well-known and prominent production base for rice wine, accounted for approximately 400 million liters and Zhejiang Province (excluding Shaoxing City) accounted for approximately 600 million liters. Trading prices of rice wine were mostly determined by the brand and scale of the relevant producers. The rice wine products of certain famous retail brands in Shaoxing City could be sold at a premium to other rice wine products, and the prices vary depending on the brand and product positioning. Rice wine produced by other producers was normally traded at approximately RMB0.44 to 0.89 per liter.

According to China Wine Association, the long-aged rice wine was not traded at a significant premium to newly-produced rice wine in 2008 and 2009 due to the following reasons: (a) long-aged rice wine is rarely used for direct consumption like Chinese Baijiu as its taste deteriorates with age despite its increasing aroma, and as a result, it was primarily used as base wine to produce final rice wine products; (b) before the concept of long-aged rice wine was widely advertised, long-aged rice wine was regarded merely as a type of base wine, and the purchase price for base wine was generally determined based on the historical cost of production and storage plus a reasonable profit; and (c) in 2008 and 2009, a number of small rice wine producers experienced serious operational difficulties as a result of the financial crisis, and the transaction prices of rice wine, which had been determined based on the historical cost of production (which included significant lower historical raw material costs), storage costs plus a reasonable profit, were under pressure from increasing supply.

According to China Wine Association, the price of long-aged rice wine has increased significantly since the speculations of rice wine started in late 2009. Since then, the content of long-aged rice wine started to be widely advertised and it became an investment tool in the same way as Shaoxing-produced branded long-aged rice wine and eventually led to the introduction of national public online trading market for rice wine in December 2011, which provides the public with updated pricing information on rice wine products. Currently, market prices of rice wine of similar vintage as our base wine are significantly higher than the carrying amount of our base wine.

Key Growth Drivers

According to the Euromonitor Report, the following dynamics have contributed to the rapid development of the PRC cooking wine market:

Increasing urban population and rising purchasing power

With the rapid growth of the PRC's economy and urban population, per capita disposable income of the Chinese population has continued to rise and is expected to keep rising going forward, providing consumers greater purchasing power for condiment products. Busier lifestyles as a result of urbanization encourage consumers to seek more convenient and diversified forms of condiment consumption.

With rising living standards, Chinese consumers have been gradually switching their dietary focus from rice and noodles to non-staple food such as poultry, fish and vegetables, which calls for increased demand and more consumption of condiment products including cooking wine. In addition, Chinese consumers' purchase decisions have become increasingly driven less by price, and more by brand awareness, product quality, and even packaging design and style. In particular, cooking wine products from a reputable brand are more easily recognized and are preferred by consumers.

Increasing health and food safety awareness

As a result of increasing consumer sophistication, health consciousness and food safety awareness in recent years, particularly following several high-profile food safety scandals, demand for branded cooking wine products with strict quality control and high quality standards has experienced strong growth. Demand for cooking wine products with healthy and natural concepts and nutritional value is also expected to increase. In particular, there has been an increasing market demand for naturally-brewed cooking wine which is free of blended alcohol, preservatives and artificial flavorings.

Gradual convergence of consumer tastes and demands

Due to the geographic divergence in consumer tastes, the PRC cooking wine market used to be highly fragmented caused by the different regional products that suit the respective regional demand. Driven by the robust population migration across China in the past decades, there is a trend of product homogeneity in the cooking wine market in China as differences in regional consumer preferences are greatly narrowed. Cooking wine produced from yellow rice wine which used to be primarily consumed by consumers in Yangtze River Delta region is now becoming more popular in other regions including the inland areas. The trend of convergence of consumer tastes and demands creates growth opportunities for cooking wine manufacturers, especially those with extensive distribution network and established relationship with seasoned distributors, to tap into the nationwide market.

Favorable governmental policy for the PRC agriculture industry and grain production

The PRC central, provincial and local governments have been implementing favorable policies for the development of the agriculture industry, including subsidizing grain production and developing an integrated national market for agricultural products. Such favorable policies create opportunities for a healthy and sustainable development of the cooking wine industry as the key raw materials for the manufacturing of cooking wine by natural brewing method are agriculture products, such as rice and wheat. The PRC central government has, since the 1990s, implemented measures subsidizing grain production, procurement and storage. Since 2004, a nationwide direct subsidy program for grain production has been implemented, supplemented by a nationwide grain production promotion program whereby the government subsidizes farmers who adopt high-yield crop strains. Governments at provincial and local levels have since then adopted and implemented subsidies in their respective jurisdictions. Pursuant to the Notice of the People's Government of Zhejiang Province regarding Grain Production and Sales in 2013 (浙江省人民政府關於切實抓好2013年糧食產銷工作的通知) issued in March 2013, the People's Government of Zhejiang Province, together with local governmental authorities, will continue to support and incentivize grain productions by, among other things, (i) providing direct subsidies to large-scale grain farmers, (ii) providing direct subsidies to farmers who cultivate high-yield or new varieties of crop strains, (iii) incentivizing grain farmers who sell rice to state-owned grain supplier centers, (iv) subsidizing grain farmers who purchase agricultural machineries, and (v) subsidizing state-owned grain supplier centers who source rice from grain farmers. The ability to access an extensive network of agriculture product suppliers also drives growth of the cooking wine market.

Given the strong demand generated by the abovementioned growth drivers, as confirmed by Euromonitor, the PRC cooking wine market is not expected to experience any unreasonable or massive over-supply from 2013 to 2017.

COMPETITIVE LANDSCAPE OF COOKING WINE MARKET IN THE PRC

Market Fragmentation

As of December 31, 2012, there were over 1,000 cooking wine manufacturers in China, most of which are small- to medium-sized players who compete on a regional level. The PRC cooking wine industry is led by a small number of major players, with the rest of the market highly fragmented. In 2012, the top five manufacturers accounted for an aggregate of 28.1% and 14.0% of the total cooking wine market share in terms of retail sales value and retail sales volume, respectively. Leading players have been placing more emphasis on retail sales as they enjoy higher brand awareness among households and offer higher value cooking wine products. With more established distribution network and branding activities as well as higher-end product offerings, these leading players are expected to continue to benefit from the rising consumer demands in China for high quality cooking wine products.

According to the Euromonitor Report, we were the largest manufacturer of cooking wine products in the PRC by both retail sales value and retail sales volume in 2012. The following table sets forth detailed analysis of the top five cooking wine manufacturers in China by retail sales value and retail sales volume in 2012, respectively:

Rank	Company name	Market share in 2012 in terms of retail sales value	Market share in 2012 in terms of retail sales volume	Primary production method
		(%)	(%)	
1	Huzhou Lao Heng He Brewery Co., Ltd (湖州老恒和釀造有限公司)	13.8	5.8	Naturally-brewed
2	Beijing Wang Zhi He Food Group Co., Ltd (王致和集團)	6.4	3.6	Chemically-produced
3	Beijing Lao Cai Chen Food Co., Ltd (北京市老才臣食品有限公司)	4.3	2.4	Chemically-produced
4	Hengshun Vinegar-industry Co., Ltd (江蘇恆順醋業股份有限公司)	2.3	1.4	Chemically-produced
5	Chengdu Julong Food Co., Ltd (成都巨龍生物科技有限公司)	1.3	0.8	Naturally-brewed
Total		28.1	14.0	N/A

Source: Euromonitor

The market share data reported above have been determined via a fieldwork program consisting of desk research and trade interviews by Euromonitor. While audited data was available for some of the companies, they typically do not break the revenues into the relevant categories which were covered in this study. For these companies as well as those companies that are covered in the market share study but are not publicly listed, Euromonitor has assessed the markets share data based on estimates provided by various trade sources (i.e. not just the companies themselves) and sought a consensus on these estimates as much as possible. For avoidance of doubt, market share estimates as contained in the table above is based on views of interviewed trade sources and not views of Euromonitor.

Entry Barriers

As consumers have become more conscious of quality of consumable products, following various contamination and food safety scandals in recent years, competition in the PRC cooking wine industry is likely to shift from pricing to quality and brand reputation. There has been rising consumer demand for food products of higher quality and nutritional value, such as naturally-brewed cooking wine products, which require an abundant reserve of yellow rice wine as base. In particular, the large-scale production of our higher-end cooking wine products generally requires higher concentration level of long-aged vintage base wine in order to deliver the desirable scent, making it a relatively lengthy process to ramp up the business. As a result, it is generally more difficult for new market players to enter into the naturally-brewed cooking wine business. Furthermore, as the PRC government has tightened and is likely to continue to issue stringent food quality laws and regulations and strengthen its supervision and enforcement over environment protection, this is likely to create pressure on the part of small- to medium-sized cooking wine manufacturers in adhering to such stringent regulations. Other factors that may affect market players entering the PRC cooking wine market include brand awareness, production formula and distinctive recipe as well as establishment of distribution networks.