OVERVIEW

We are the largest cooking wine producer 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. The following table outlines the key milestones in the history of our Company and the Lao Heng He brand.

1851–1861	Lao Yuan Da Jiang Yuan (老元大醬園) established
1915	Panama — Pacific International Exposition Gold Award (巴拿馬世界博覽會金獎) for condiment products
1929	West Lake Exposition Gold Award (西湖博覽會金獎) for rose fermented bean curd
1930	Lao Heng He ("老恒和") brand established
May 2000	Lao Heng He restructured into a joint-stock cooperative enterprise
June 2005	Purchase of Lao Heng He by our ultimate Controlling Shareholder
2010	Began streamlining product line and concentrating on cooking wine products
2012	Consumers' Favorite and Safest Condiment Brand of 2012 (2012消費者最喜愛、最放心調味品品牌)
2013	National Flagship Enterprise in Agricultural Industrialization (農業產業化國家重點龍頭企業)

CORPORATE AND BUSINESS DEVELOPMENT HISTORY

Early History and Restructuring from SOE into Joint-Stock Cooperative Enterprise

Our brand, "Lao Heng He" ("老恒和"), can be traced back to Lao Yuan Da Jiang Yuan (老元大醬園), which was established during the reign of Chinese Emperor Xianfeng (咸豐帝) (1851 A.D.–1861 A.D.) in the Qing dynasty as a brewing enterprise focused on the manufacturing and sale of condiment products. Lao Yuan Da Jiang Yuan had a number of fermentation starter recipes used to produce soy sauce, fermented bean curd, pickled vegetables and other fermented products. It won the Gold Award at the Panama — Pacific International Exposition, a world fair hosted by San Francisco, California in the United States in 1915 for its sauces and pickled vegetables, and at the West Lake Exposition, a world fair hosted by Hangzhou City in 1929 for its rose fermented bean curd. In 1930, it changed its name into "Lao Heng He Brewing Enterprise" ("老恒和醬園"), to reflect "Heng" ("恒") and "He" ("和") in the enterprise training motto, meaning "persistence" and "harmony", respectively. The ancestor family of our ultimate Controlling Shareholder, Mr. Chen, including Messrs. CHEN Guofu (陳果夫) and CHEN Lifu (陳立夫), was a major shareholder of the Lao Heng He business in its early days. In 1951, two years after the founding of the PRC, Lao Heng He Brewing Enterprise was registered with the Huzhou City government as a private partnership and renamed into Lao Heng He Xing Ji Brewing Factory (老恒和興記醬園釀造工廠). It became a joint state-private operative enterprise under the name of Joint State-Private Operative Hu Zhou Lao Heng He Brewing Factory (公私合營湖州老恒和釀造廠) in 1957, and was restructured into a state-owned enterprise named Huzhou Brewing Factory (湖州釀造廠) in 1966. In 1988, Huzhou Brewing Factory restored its proud heritage by reinstating "Lao Heng He" ("老恒和") into its name. It was renamed as Huzhou Lao Heng He Brewing Factory (湖州老恒和釀造廠).

On May 23, 2000, the Enterprise Restructuring and Reform Deepening Office of Huzhou Government (湖州市企業結構調整和深化改革領導小組辦公室) approved the restructuring of Huzhou Lao Heng He Brewing Factory into a joint-stock cooperative enterprise. Immediately upon completion of the restructuring, the shareholders of Huzhou Lao Heng He Brewing Factory (湖州老恒和釀造廠) consisted of 110 employee-shareholders as well as Huzhou Commercial Group Corporation (湖州市商業集團公司), a state-owned enterprise. The registered capital of Huzhou Lao Heng He Brewing Factory then was RMB889,000. Such registered capital was fully paid, as to 3.15% by Huzhou Commercial Group Corporation and as to 96.85% by the then employee-shareholders.

Purchase by Our Ultimate Controlling Shareholder

Our ultimate Controlling Shareholder and Zhong Wei

In 1995, Mr. Chen established Huzhou Zhong Wei Brewing Factory (湖州中味釀造廠), a manufacturer of pickled vegetables, soy sauce and other fermented condiment products and the predecessor of Zhong Wei. In 2006, it changed its name to the current form, namely Zhejiang Zhong Wei Brewing Co., Ltd. (浙江中味釀造有限公司). Zhong Wei and its brand have received a number of awards in recent years, including National Flagship Enterprise in Agricultural Industrialization (農業產業化國家重點龍頭企業) in 2010, China's Best Ten Condiment Producer (中國調味品製造業十強企業) in 2010 and Famous Brand in Zhejiang Province (浙江省著名商標) in 2011. With a nationwide brand recognition and an established sales force, Zhong Wei's revenues totaled RMB111.2 million in 2010 and RMB121.1 million in 2011, respectively, with a net profit of RMB3.0 million in 2010 and RMB5.5 million in 2011, respectively. Due to the segregation of Lao Heng He's business from that of Zhong Wei as elaborated below, Zhong Wei's revenue decreased to RMB33.6 million with a net loss of RMB11.1 million in 2012.

Purchase of Lao Heng He

To further expand his condiment business and to restore his family heritage with the Lao Heng He business, on June 1, 2005, Mr. Chen entered into a purchase agreement with Huzhou Lao Heng He Brewing Factory, pursuant to which Mr. Chen acquired all the equity interests in Huzhou Lao Heng He Brewing Factory and reincorporated it as a limited liability company under PRC laws. As part of the agreement, Mr. Chen paid a total of RMB4,173,527 as consideration, of which (i) RMB2,456,559 was used to offset the net liabilities of Huzhou Lao Heng He Brewing Factory, and (ii) RMB1,716,968 was cash payouts to the shareholders. Such consideration also included RMB84,000 paid to Huzhou Commercial Group Corporation for its equity interests, which was state-owned and the transfer of which required governmental approval. The transfer of such state-owned equity interests was approved on June 3, 2005 by the State-owned Assets Supervision and Administration Commission of Huzhou Government (湖州市人民政府國有資產監督管理委員會) and subsequently completed and settled in compliance with all applicable laws and regulations.

To facilitate Mr. Chen's purchase of Huzhou Lao Heng He Brewing Factory, as Mr. Chen did not have sufficient cash on hand at that time, Ms. HO Ping Tanya (何平), a longtime business acquaintance of Mr. Chen, extended him a loan of RMB2.6 million for a 25.41% equity interest pursuant to an agreement entered into in June 2005. Mr. Chen paid the remaining consideration of RMB1,573,527 for the purchase of Huzhou Lao Heng He Brewing Factory with his personal funds out of dividends and distributions he received as the majority shareholder of Zhong Wei.

Pursuant to a loan repayment agreement entered into between Mr. Chen and Ms. HO Ping Tanya in July 2012, Mr. Chen and Ms. HO Ping Tanya confirmed the prospective settlement of the RMB2.6 million loan in the form of a 25.8214% equity interests in our Group. The original percentage of Ms. HO Ping Tanya's ownership agreed in 2005 was 25.41%, which was based on a combination of factors, including the fact that Huzhou Lao Heng He Brewing Factory was an ailing business at the time of the acquisition, and that its net assets value was approximately RMB11.3 million as of December 31, 2004, based on the valuation report provided by Huzhou Hengsheng Asset Appraisal Company (湖州恒生資產評估公司). Ms. Ho's percentage ownership was adjusted to 25.8214% in 2012 to take into account approximately RMB900,000 in customer trade receivables owed to Huzhou Lao Heng He Brewing Factory, which amount was included as part of its net asset value as of December 31, 2004, that subsequently became uncollectible.

After the purchase of Huzhou Lao Heng He Brewing Factory, Mr. Chen reincorporated it into Lao Heng He, a limited liability company under PRC laws with a registered capital of RMB880,000, of which RMB680,000 and RMB200,000 were respectively contributed by Mr. Chen and Ms. XING Liyu (邢利玉), wife of Mr. Chen. Upon completion of the foregoing, Lao Heng He was held as to 77.27% by Mr. Chen and as to 22.73% by Ms. XING Liyu.

Increase in Registered Capital

In September 2008, to support Lao Heng He's business expansion, Mr. Chen and Ms. XING Liyu increased the registered capital of Lao Heng He from RMB880,000 to RMB10 million. As part of the increase in registered capital, Mr. Chen contributed RMB8.32 million in cash, and Ms. XING Liyu contributed RMB800,000 in cash, as a result of which Lao Heng He was held as to 90% by Mr. Chen and as to 10% by Ms. XING Liyu.

Increasing Focus on Cooking Wine Business

After Mr. Chen became the owner of both Zhong Wei and Lao Heng He, it became apparent that two businesses offered distinctive products: Zhong Wei's products were produced based on the pickled and preservation process, while Lao Heng He's products were produced based on a natural fermentation process. The products of Zhong Wei and Lao Heng He had very different food safety risk profiles and Mr. Chen decided to keep the two businesses separate rather than merge them into one company. Therefore, to better focus our resources and segregate the business of Lao Heng He from that of Zhong Wei, in July 2010, we established Huzhou Lao Heng He Wine to specialize in the manufacturing of cooking wine. Upon incorporation, Huzhou Lao Heng He Wine was 100% held by Lao Heng He, with an initial registered capital of RMB10 million. Shortly thereafter, Mr. Chen acquired 10% of the equity interests in Huzhou Lao Heng He Wine from Lao Heng He for a consideration of RMB1 million. In March 2011, Mr. Chen transferred his equity interests in Huzhou Lao Heng He Wine to Zhong Wei for a consideration of RMB1 million. Upon completion of the foregoing transfer, Huzhou Lao Heng He Wine was held as to 90% by Lao Heng He and as to 10% by Zhong Wei.

In July 2010, to further expand our business, Lao Heng He and Mr. Chen, then shareholders of Huzhou Lao Heng He Wine, resolved to increase the registered capital of Huzhou Lao Heng He Wine from RMB10 million to RMB38 million, with Lao Heng He contributing an initial amount of RMB10 million. Lao Heng He and Zhong Wei, then shareholders of Huzhou Lao Heng He Wine in July 2012, completed this capital increase with Lao Heng He contributing RMB11.7 million in the form of land use rights and an additional RMB3.5 million in cash; and Zhong Wei contributing RMB2.8 million in cash. The shareholding structure of Huzhou Lao Heng He Wine remained unchanged upon completion of the foregoing capital increase.

Leveraging Zhong Wei's Capabilities

Since acquiring our Group's business in 2005, Mr. Chen had sought to rebuild the century-old brand of "Lao Heng He" ("老恒和") and expand our business by capitalizing on Zhong Wei's established condiment business. This effort is primarily reflected in the leveraging of Zhong Wei's distribution network and its procurement capabilities. As our Group's business became more established, however, we increasingly sold our products and procured raw materials directly to and from third parties.

Sales through Zhong Wei's Distribution Network

Zhong Wei's condiment product distribution network was well-established, and consisted of a large number of distributors and direct customers, such as supermarket and hypermarket chains, across China. As a result, our products were sold to Zhong Wei first, which then resold to its distributors. In late 2010, as our distribution network became more established, we began selling products directly to those third party distributors rather than to Zhong Wei. After a transitional period, by 2012, substantially all of our products were sold directly to third party distributors rather than to Zhong Wei. See "Business — The Development of Our Business Model".

The following table sets forth, by product line, sales of finished products to Zhong Wei as a percentage of our total sales of finished products for the years indicated.

	For the year ended December 31,		
	2010	**2011**	**2012**
Cooking wine	88.2%	32.6%	0.8%
Soy sauce	100.0%	75.8%	7.9%
Vinegar	100.0%	50.9%	3.0%
Others	100.0%	21.1%	2.0%

For the eight months ended August 31, 2013, the total sales of finished products to Zhong Wei represented only 0.2% of our total sales of finished products.

Procurement from Zhong Wei

Because Zhong Wei was a National Flagship Enterprise in Agricultural Industrialization (農業產業化國家重點龍頭企業), it had access to a larger number of third party raw material suppliers and enjoyed a more stable supply of rice (which is the largest component of our raw material supply) than we did, and as a result, during the Track Record Period and particularly in 2011, most of our rice purchases were made from Zhong Wei. As our business became more successful, we increasingly purchased from third party suppliers directly. In addition, to supplement our product offering, we purchased Zhong Wei's popular paste and pickled vegetable products during the Track Record Period. As a result, procurement (i.e. raw materials, semi-finished goods, finished products and packaging materials) from Zhong Wei represented 29.9%, 41.4%, 8.5% and 3.8% of our total procurement in 2010, 2011, 2012, and for the eight months ended August 31, 2013, respectively.

For more information on the impact of our transactions with Zhong Wei during the Track Record Period on our historical financial information, see "Financial Information — Financial Impact of Separation from Zhong Wei".

Soy Sauce Processing Service to Zhong Wei

As the main manufacturing platform of the condiments business of Zhong Wei and Lao Heng He then, we also provided soy sauce processing services to Zhong Wei in 2009 and 2010. At the time, Zhong Wei offered a range of condiment products under the "Zhong Wei" brand and its major products were pickled vegetables. As soy sauce only constituted a small part of Zhong Wei's business, its soy sauce production capacity was minimal. In order to fulfill orders that exceeded Zhong Wei's minimal soy sauce production capacity, Zhong Wei engaged external soy sauce production plants to process soy sauce products. Historically, Zhong Wei engaged not only Lao Heng He, but also independent third parties, such as Fuyang Jiuzhen Food Co., Ltd. (阜陽九珍食品有限公司) and Tianhaoyuan Brewery (Jiangsu) Co., Ltd. (天浩圓釀造(江蘇)有限公司) which are based in Anhui Province and Jiangsu Province respectively, to provide such soy sauce processing services.

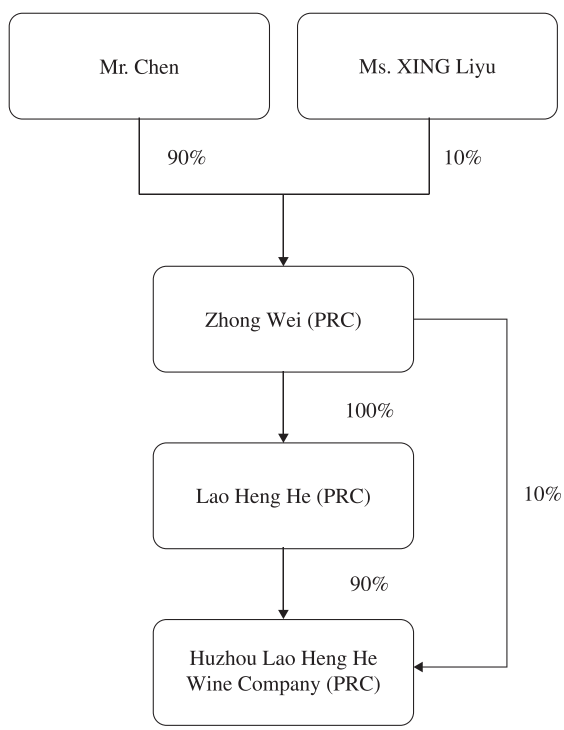
Lao Heng He's soy sauce production capacity had gradually ramped up in late 2008. When Zhong Wei's soy sauce processing agreement with Tianhaoyuan Brewery (Jiangsu) Co., Ltd. (天浩圓釀造(江蘇)有限公司) ended in February 2009, Zhong Wei requested Lao Heng He, which had only then started to have excess soy sauce production capacity, to provide soy sauce processing services. Lao Heng He did not provide similar services to other third parties because its excess production capacity was only sufficient to meet Zhong Wei's requirements as it also manufactured and sold soy sauce products under its own "Lao Heng He" brand.

In late 2010, Zhong Wei suspended the production of "Zhong Wei" brand soy sauce products as Mr. Chen gradually built up the "Lao Heng He" brand, which was positioned at the high end market compared to the "Zhong Wei" brand. Mr. Chen did not consider it commercially sensible for his condiments business to promote two different soy sauce brands at the same time, and decided to focus on the high end soy sauce market which was facing increased demand by consumers. At the same time, we made a strategic decision to focus its resources on the manufacturing and sale of cooking wine and to offer a limited range of condiments products under the "Lao Heng He" brand (including soy sauce products) to supplement its cooking wine offering. In light of this shift in strategic focus, we ceased processing soy sauce products for Zhong Wei and utilized all of our soy sauce production capacity for the manufacturing of soy sauce products under our own brand. See also "Financial Information — Description of Certain Income Statement Items — Revenue".

Contemplated Listing of Zhong Wei

In 2010, Mr. Chen began contemplating a potential public listing of Zhong Wei (including the Lao Heng He business) in the PRC. Given Mr. Chen had owned and managed Zhong Wei for a longer period of time, and that Zhong Wei had established supply and sales channels, Mr. Chen decided to use Zhong Wei as the holding company and listing vehicle of the potential public listing in the PRC. In view of the historical connected transactions between Zhong Wei and Lao Heng He, and Mr. Chen's understanding of the strict regulatory regime against connected transactions and potential competing businesses, Lao Heng He had to be included in the listing plan, even though Mr. Chen had kept Zhong Wei and Lao Heng He separate in terms of both legal ownership and legal entities. Accordingly, Mr. Chen decided to transfer his and his wife's ownership of Lao Heng He to Zhong Wei. In December 2010, Mr. Chen and Ms. XING Liyu transferred their equity interests in Lao Heng He to Zhong Wei for nominal consideration. Upon completion of these transfers, Lao Heng He was 100% held by Zhong Wei. In addition, in March 2012, Lao Heng He transferred its trademarks to Zhong Wei also for nominal consideration.

Set out below is the shareholding structure of Lao Heng He and Zhong Wei immediately prior to the Reorganization.



REORGANIZATION

Decision to List Lao Heng He and Divest Zhong Wei

In the spring of 2012, Mr. Chen learned from various media reports that the CSRC had a significant backlog of applications for listing on the A-share markets and expected the vetting and approval process for any listing of Zhong Wei in the PRC to be lengthy as well as uncertain. Accordingly, Mr. Chen abandoned plans to list Zhong Wei in the PRC, decided to revert Lao Heng He's ownership back to himself, and started planning to list Lao Heng He alone on the Stock Exchange of Hong Kong. At the time of such decision, the preparatory work for the listing of Zhong Wei was only at an initial stage, and no sponsor or underwriter in connection with the listing had yet been retained.

Mr. Chen's decision to revert Lao Heng He's ownership back to himself and list Lao Heng He's business alone took into account the following factors:

- Zhong Wei and Lao Heng He had always been kept under separate legal entities;
- Lao Heng He had successfully built up its own procurement and distribution capabilities and its business grew rapidly under Mr. Chen's leadership since late 2010 when the strategic decision was made to focus on cooking wine products;
- Lao Heng He's cooking wine business was believed to be in an attractive market segment and present great growth opportunities, whereas Zhong Wei's pickled vegetables business had been growing at a slower pace;
- Lao Heng He's manufacturing processes of cooking wine were more standardized and automated than those of Zhong Wei's pickled vegetables, which can be more susceptible to quality and consistency issues (since a key step in the pickling process is the exposure of pickled vegetables to open air, a step that subjects the vegetables to the harmful bacteria and foreign substances in the air and is not easily replaced by machinery, whereas the aging process of fermentation occurs in sealed earthen jars, hence eliminating these uncertainties); and
- Zhong Wei had significant receivables from Mr. Chen and companies invested by Mr. Chen for property development, and it was not appropriate to list in Hong Kong without settling such receivables.

Accordingly, we began undertaking the Reorganization in anticipation of the Global Offering, which consisted of the following principal steps.

Transfer of Lao Heng He from Zhong Wei to Our Ultimate Controlling Shareholder

In June 2012, Zhong Wei transferred to Mr. Chen and Ms. XING Liyu, respectively, 95% and 5% of the equity interests in Lao Heng He, for a consideration of RMB9.5 million and RMB500,000, respectively, which was based on the registered capital of Lao Heng He. In addition, Zhong Wei granted Lao Heng He exclusive licenses to use the trademarks that were previously transferred by Lao Heng He, for nominal consideration.

Purchase of Zhong Wei's Principal Assets through Merger

In October 2012, Lao Heng He purchased through a merger by absorption under the PRC Company Law (中華人民共和國公司法), Huzhou Wu Xing Wu Cheng Wine Company (湖州吳興烏程酒業有限公司), a spin-off company from Zhong Wei and 100% held by Mr. Chen, whose assets were mainly comprised of manufacturing facilities, production equipment, land use rights and office building, with the subsequently increased registered capital of Lao Heng He as consideration paid to Mr. Chen, the sole shareholder of Huzhou Wu Xing Wu Cheng Wine Company. As a result of the merger, Lao Heng He's registered capital increased from RMB10 million to RMB11 million, with Mr. Chen and Ms. XING Liyu holding 95.45% and 4.55% of its equity interests, respectively.

Sale of Zhong Wei to Independent Third Party

Following Mr. Chen's decision in mid-2012 to list Lao Heng He instead of Zhong Wei, he began planning for the sale of Zhong Wei for the following reasons:

- As discussed above, Zhong Wei had significant receivables from Mr. Chen and companies invested by Mr. Chen for property development projects, and further investments were expected to be made on some of these projects before any gains would be realized;
- Zhong Wei's pickled vegetables business was of less promising prospects and involved less standardized and automated manufacturing processes compared to Lao Heng He's cooking wine business; and
- The increasing responsibility associated with being a board and management member of a public company became more prominent on Mr. Chen's mind as the preparation of the Global Offering went on to more advanced stage, and he wished to focus on managing Lao Heng He's business.

On December 25, 2012, Mr. Chen and Ms. XING Liyu, together holding 100% of Zhong Wei, agreed to transfer all of their equity interests in Zhong Wei to an independent third party. The considerations paid to Mr. Chen and Ms. XING Liyu were RMB8,973,000 and RMB1,027,000, respectively, for their corresponding equity interests in Zhong Wei. The third party purchaser of Zhong Wei had been an investor in construction materials and condiment products distribution businesses. As far as the Directors were aware of, his considerations for making the purchase included the following, among others:

- Zhong Wei had a well-recognized brand in the condiment business that took years to build and the purchaser could capitalize on it to increase sales and develop other products, particularly in light of his experience in the condiment distribution business;
- Zhong Wei had two plots of land, one in Anji, Zhejiang Province and the other in Yilong, Sichuan Province, which may be further developed into real estate properties, and the purchaser had access to financing to develop such land; and
- The cancellation of Zhong Wei's receivables from Mr. Chen and companies invested by Mr. Chen for property development projects.

Taking into account these principal factors, the parties arrived at a total purchase price of RMB10 million after arm's-length negotiations. The sale of Zhong Wei was subsequently completed in compliance with all applicable laws and regulations.

Shareholding Restructuring of Huzhou Lao Heng He Wine

On December 3, 2012, Zhong Wei transferred its 10% equity interests in Huzhou Lao Heng He Wine to Lao Heng He for a consideration of RMB3.8 million, which was based on the registered capital of Huzhou Lao Heng He Wine. Upon completion of the foregoing transaction, Huzhou Lao Heng He Wine became a wholly-owned subsidiary of Lao Heng He. In addition, on March 22, 2013, Zhong Wei transferred the trademarks that it previously received from Lao Heng He to Huzhou Lao Heng He Wine for nominal consideration. Such trademarks transfer is currently under the routine review of the Trademark Office and as of the Latest Practicable Date, our Company was not aware of any challenge or impediment to such transfer and, as advised by our PRC Legal Advisers, there is very little likelihood that such transfer would fail to complete. Since there is no specific provision in the PRC Trademark Law and other relevant regulations on the time limit for the Trademark Office to complete the review of the application for trademark transfer, the completion date of the transfer primarily depends on the review process of the Trademark Office and subjects to the transfer date announced by the Trademark Office. As advised by our PRC Legal Advisers, the transfer process of registered trademark will typically be completed within six to ten months from the acceptance date of the application by the Trademark Office.

Establishing Offshore Holding Companies

On December 4, 2012, our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with an authorized share capital of US$50,000, divided into 100,000,000 shares with a par value of US$0.0005. Upon establishment, our Company allotted and issued 10,000,000 shares. Mr. Chen subscribed for 74.18% of our shares through his wholly-owned vehicle incorporated in the British Virgin Islands. The remaining 25.82% of our shares was allotted and issued to another vehicle incorporated in the British Virgin Islands and wholly-owned by Ms. HO Ping Tanya, to settle the loan she extended to Mr. Chen back in 2005 for the purpose of acquiring Huzhou Lao Heng He Brewing Factory.

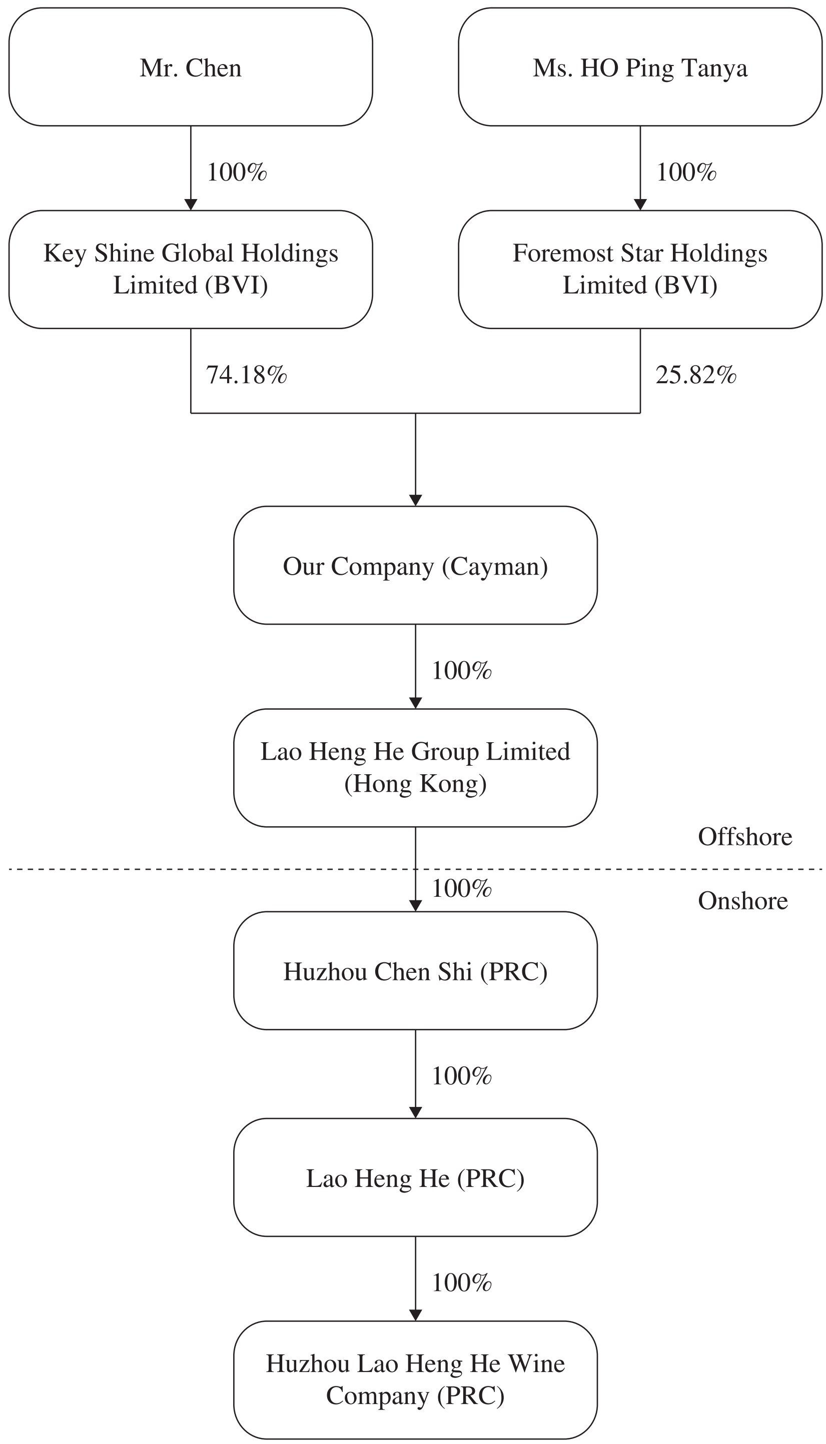
On December 13, 2012, we also established Lao Heng He Group Limited under the laws of Hong Kong as a wholly-owned subsidiary of our Company.

Establishing Onshore WOFE and Its Acquisition of Lao Heng He

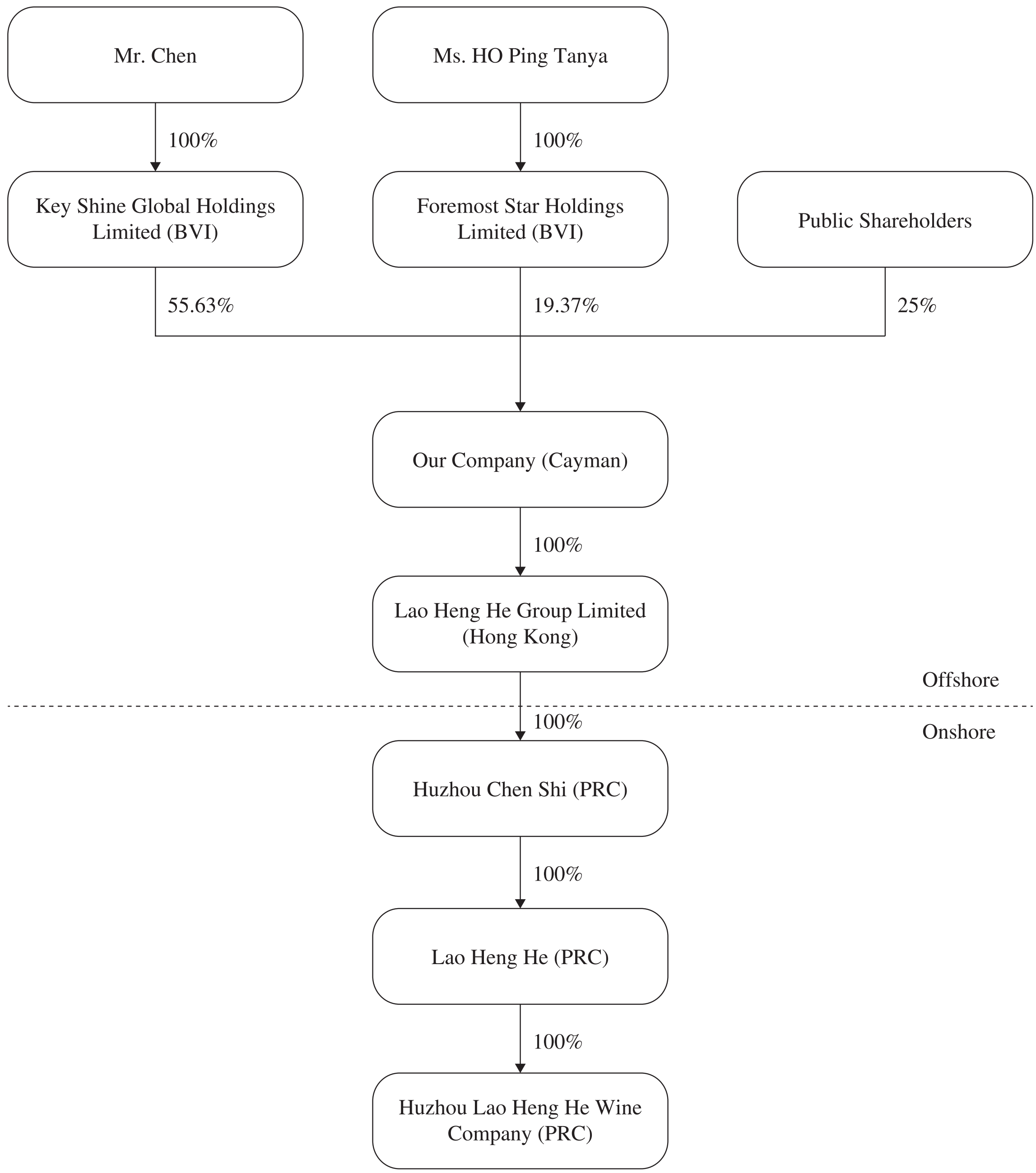
On February 5, 2013, we established Huzhou Chen Shi Tian Niang Management Consulting Co., Ltd. (湖州陳氏天釀管理諮詢有限公司) (Huzhou Chen Shi), a wholly foreign-owned enterprise under PRC laws with a registered capital of HK$500,000. Upon incorporation, Huzhou Chen Shi was 100% held by Lao Heng He Group Limited. On March 15, 2013, Mr. Chen and Ms. XING Liyu transferred all of their equity interests in Lao Heng He to Huzhou Chen Shi, for a consideration of RMB10.5 million and RMB500,000, respectively. Upon completion of the foregoing transactions, Lao Heng He became a wholly-owned subsidiary of Huzhou Chen Shi and consequently, 100% beneficially owned by our Company.

CORPORATE AND SHAREHOLDING STRUCTURE

The following diagram illustrates our corporate and shareholding structure immediately prior to the Global Offering:



The diagram below illustrates our corporate and shareholding structure immediately after the Global Offering, assuming the Over-allotment Option is not exercised:



Compliance with PRC Laws

Circular No. 75

According to the Circular No. 75, PRC residents who establish or control offshore special purpose vehicles ("SPV") shall apply to the local branch of foreign exchange administration to register their overseas investments. Additionally, where a PRC resident contributes her assets or shareholding in a PRC enterprise into an offshore SPV, or engages in the shareholding alteration of an offshore SPV, with regard to the net interests she holds in such offshore SPV, she shall properly register or update her registration with the local branch of foreign exchange administration. Our PRC Legal Advisers are of the opinion that since Mr. Chen is a citizen of Republic of Guinea-Bissau(1) and Ms. HO Ping Tanya is a permanent resident of Hong Kong, they are not PRC residents under the Circular No. 75 and accordingly, they are not required to go through registration procedures under Circular 75 with respect to their overseas investments.

M&A Regulation

Pursuant to Article 40 of the M&A Rules, any offshore SPV established for capital financing purposes and controlled directly or indirectly by PRC persons, shall obtain MOFCOM approval prior to such offshore SPV acquiring any related entities or assets in PRC, as well as CSRC approval prior to the listing and trading of the securities of such offshore SPV on an overseas stock exchange.

As advised by our PRC Legal Advisers, as Mr. Chen is a citizen of the Republic of Guinea-Bissau, he is not a PRC domestic natural person as defined under the M&A Rules and the offshore companies established or controlled by him, including Key Shine Global Holdings Limited, Honworld Group Limited and Lao Heng He Group Limited, do not constitute the companies established or controlled by any domestic company, enterprise or natural person as provided in Article 11.1 of the M&A Rules. Therefore, the incorporation of Huzhou Chen Shi and its acquisition of Huzhou Lao Heng He was not a scheme to circumvent any laws, rules or regulations in the PRC, in particular the M&A Rules by way of investment in a PRC domestic company by a foreign-owned enterprise. Accordingly, pursuant to the provision of Article 52.3 of the Supplementary Provisions of the M&A Rules, where a foreign investor acquires a PRC domestic company by its PRC foreign-invested enterprise, the relevant provisions on domestic investment by foreign-invested enterprises apply. Therefore, Huzhou Chen Shi's acquisition of Huzhou Lao Heng He is governed by the Interim Provisions on Domestic Investment by Foreign-invested Enterprises. As our PRC Legal Adviser is of the view that the relevant M&A Rules are not applicable to us, they have advised us that it is not necessary to consult the relevant PRC government authorities in relation to the provisions of Article 11.1 of the M&A Rules.

Our PRC Legal Advisers have also confirmed that we have obtained all material approvals and permits required under PRC laws and regulations in connection with each stage of the Reorganization and the Global Offering.

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(1) Change in the nationality of Mr. Chen to the Republic of Guinea-Bissau is part of Mr. Chen's route to immigrate to Hong Kong. Earlier in 2012, Mr. Chen planned to immigrate to Hong Kong through investment. To qualify for admission under the Capital Investment Entrant Scheme launched by the Hong Kong Government, a Chinese national must first become a foreign national or obtain a permanent resident status in a foreign country. As planned, Mr. Chen's nationality had been changed to the Republic of Guinea-Bissau before applying to the Immigration Department of Hong Kong Government. On August 6, 2012, Mr. Chen obtained the Republic of Guinea-Bissau passport. In December 2012, Mr. Chen made an application to the Immigration Department of Hong Kong together with relevant documents. Mr. Chen's immigration application has received an approval in principle from the Immigration Department of Hong Kong as of the Latest Practicable Date.