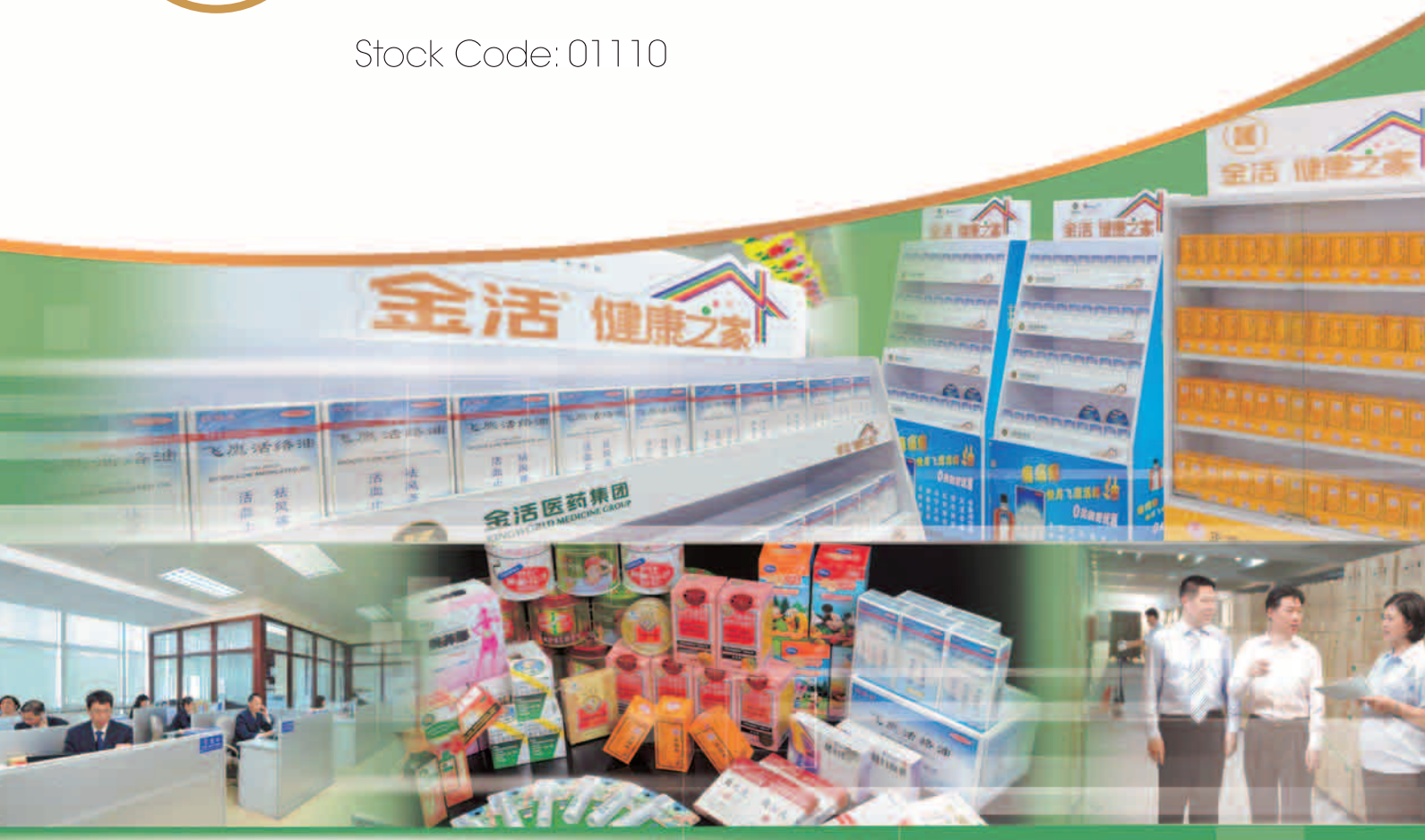
Kingworld Medicines Group Limited
金活醫藥集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 01110



PUBLIC OFFER AND PLACING

Sole Sponsor

國泰君安國際 GUOTAI JUNAN INTERNATIONAL

Guotai Junan Capital Limited

Sole Global Coordinator, Bookrunner and Lead Manager

國泰君安國際 GUOTAI JUNAN INTERNATIONAL

Guotai Junan Securities (Hong Kong) Limited

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

Kingworld Medicines Group Limited
金活醫藥集團有限公司

(Incorporated in the Cayman Islands with limited liability)

PUBLIC OFFER AND PLACING

Number of Offer Shares under the Share Offer	**:**	**150,000,000 Shares (subject to the Over-allotment Option)**
Number of Public Offer Shares	**:**	**15,000,000 Shares (subject to adjustment)**
Number of Placing Shares	**:**	**135,000,000 Shares (subject to adjustment and the Over-allotment Option)**
Offer Price	**:**	**not more than HK$1.60 per Offer Share (payable in full in Hong Kong dollars on application plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, subject to refund)**
Nominal value	**:**	**HK$0.10 per Share**
Stock code	**:**	**01110**

Sole Sponsor

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Capital Limited

Sole Global Coordinator, Bookrunner and Lead Manager

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Securities (Hong Kong) Limited

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies and available for inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement among the Company and the Sole Global Coordinator (on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or before Thursday, 18 November 2010 and, in any event, not later than Tuesday, 23 November 2010. The Offer Price will be not more than HK$1.60 per Offer Share and is currently expected to be not less than HK$1.33 per Offer Share unless otherwise announced. Investors applying for Public Offer Shares are required to pay, on application, the maximum Offer Price of HK$1.60 for each Public Offer Share together with brokerage of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005%, subject to refund.

The Sole Global Coordinator, on behalf of the Underwriters, and with the consent of the Company, may reduce the number of Offer Shares and/or the indicative Offer Price range stated in this prospectus (which is HK$1.33 to HK$1.60 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, a notice of the reduction in the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Public Offer. If applications for Public Offer Shares have been submitted prior to the last day for lodging applications under the Public Offer, then even if the number of Offer Shares and/or the indicative Offer Price range is/are so reduced, such applications cannot be subsequently withdrawn. If, for whatever reason, the Company and the Sole Global Coordinator (on behalf of the Underwriters) are not able to agree on the Offer Price, the Share Offer will not proceed and will lapse.

The obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) by notice to the Company in writing upon the occurrence of any of the events set out in the paragraph headed "Grounds for termination" under the section headed "Underwriting" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on Thursday, 25 November 2010, being the day on which dealings in the Shares on the Stock Exchange first commence. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, unless the Offer Shares are registered under the U.S. Securities Act, or an exemption from the registration requirements of the U.S. Securities Act is available. The Offer Shares are being offered, sold or delivered to non-U.S. persons outside the United States in offshore transactions pursuant to Regulation S.

12 November 2010

2010[(Note 1)]

Latest time to complete electronic applications under **HK eIPO White Form** service through the designated website at **www.hkeipo.hk** [(Note 2)] ..... 11:30 a.m. on Wednesday, 17 November

Latest time to lodge **WHITE** and **YELLOW** Application Forms and to give **Electronic Application Instructions** to HKSCC[(Note 3)] ..... 12:00 noon on Wednesday, 17 November

Application lists open [(Note 4)] ..... 11:45 a.m. on Wednesday, 17 November

Latest time to complete payment of **HK eIPO White Form** application by effecting internet banking transfer(s) or PPS payment transfer(s) ..... 12:00 noon on Wednesday, 17 November

Application lists close [(Note 4)] ..... 12:00 noon on Wednesday, 17 November

Price Determination Date [(Note 5)] ..... Thursday, 18 November

Announcement of:

- the Offer Price;
- the indication of level of interest in the Placing; and
- the results of applications and the basis of allocation of the Public Offer Shares

to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on the website of the Stock Exchange at **www.hkexnews.hk** and on the website of the Company at **www.kingworld.com.cn** on or before ..... Wednesday, 24 November

Results of allocation in the Public Offer will be available at **www.tricor.com.hk/ipo/result** with a "search by ID" function ..... Wednesday, 24 November

Despatch of e-refund payment instructions/refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications on or before [(Note 6)] ..... Wednesday, 24 November

Despatch of the share certificates in respect of wholly or partially successful applications on or before [(Note 7)] ..... Wednesday, 24 November

Dealing in the Shares on the Stock Exchange to commence on ..... Thursday, 25 November

Notes:

1. All times refer to Hong Kong local time. Details of the structure of the Share Offer, including its conditions are set out in the section headed "Structure and conditions of the Share Offer".

2. You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

3. Applicants who apply for the Offer Shares by giving **Electronic Application Instructions** to HKSCC should refer to "How to Apply for Public Offer Shares — How to apply by giving Electronic Application Instructions to HKSCC".

4. If there is a "black" rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wendesday, 17 November 2010, the application lists of the Public Offer will not open and close on that day. Particulars of the arrangements are set out in the paragraph headed "Effect of bad weather on the opening of the application lists" in the section headed "How to apply for the Public Offer Shares" in this prospectus.

5. If, for any reason, the Offer Price is not agreed between the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or prior to Thursday, 18 November 2010 or such other date as may be agreed amongst the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) but in any event not later than 12:00 noon on Tuesday, 23 November 2010, the Share Offer will not proceed. In such event, the Company will issue an announcement to be published in the South China Morning Post in English and the Hong Kong Economic Times in Chinese.

6. E-refund payment instructions or refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price as finally determined is less than HK$1.60 payable on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate the refund cheque.

7. Share certificates will only become valid certificates of title if the Share Offer has become unconditional in all respects and the Underwriting Agreements have not been terminated in accordance with their respective terms, the latest time for which is expected to be around 8:00 a.m. on the Listing Date.

   Applicants who apply on **white** Application Forms for 1,000,000 Public Offer Shares or more and indicate in their Application Forms that they wish to collect share certificates and/or refund cheques (if any) in person from the Company's share registrar in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong, may do so in person from 9:00 a.m. to 1:00 p.m. on the date notified by the Company in the newspapers, which is expected to be on or before Wednesday, 24 November, 2010. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations which opt for personal collection may do so through their authorised representatives bearing letters of authorisation from the corporations duly stamped with the company's chop. Identification documents and (where applicable) authorisation documents acceptable to Tricor Investor Services Limited must be produced at the time of collection of share certificates and/or refund cheques (if any). Details are set out under the paragraph headed "Despatch/collection of share certificate, e-auto refund payment instructions and refund cheques" in the section headed "How to apply for the Public Offer Shares" in this prospectus.

Applicants who apply on **yellow** Application Forms for 1,000,000 Public Offer Shares or more and indicate in their Application Forms that they wish to collect refund cheques (if any) in person may do so but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or Investor Participant stock accounts. The procedures for collection of refund cheques (if any) for applicants who apply on **yellow** Application Forms are the same as those for applicants who apply on **white** Application Forms.

Uncollected share certificates and/or refund cheques (if any) will be despatched by ordinary post at the applicants' own risk to the address specified in the related Application Forms promptly after the expiry of the time of their collection. Further information is set out in the paragraph headed "Despatch/collection of share certificate, e-auto refund payment instructions and refund cheques" in the section headed "How to apply for the Public Offer Shares" in this prospectus.

For details of the structure of the Share Offer, including its conditions, please see the section headed "Structure and conditions of the Share Offer" in this prospectus.

It is important that prospective investors of the Offer Shares should note that the Sole Global Coordinator (for itself and on behalf of the Underwriters) is entitled to terminate the Underwriting Agreements by notice in writing to the Company upon the occurrence of any of the events set forth under "Grounds for termination" in the paragraph headed "Underwriting arrangements and expenses" in the section headed "Underwriting" in this prospectus at any time up to 8:00 a.m. on the Listing Date. Such events include, without limitation, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lockout. It is important that prospective investors should refer to the section headed "Underwriting" in this prospectus for further details.

You should rely only on the information contained in this prospectus and the related Application Forms to make your investment decision. The Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus and the related Application Forms. Any information or representation not made in this prospectus and the related Application Forms must not be relied upon by you as having been authorised by the Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, their respective directors or affiliates of any of them or any other person or parties involved in the Share Offer.

CONTENTS

You should rely only on the information contained in this prospectus and the related Application Forms, to make your investment decisions. The Company has not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by the Company, the Sole Sponsor, the Sole Global Coordinator, any of the Underwriters, any of their directors, officers, employees, agents, representatives or affiliates, or any other person or party involved in the Share Offer.

Page

Expected timetable i

Summary 1

Definitions 23

Forward-looking statements 43

Risk factors 44

Waivers from compliance with the Listing Rules 68

Information about this prospectus and the Share Offer 70

Directors and parties involved in the Share Offer 76

Corporate information 79

Industry overview 81

Regulatory overview 99

History and development 131

Business 140

Connected transactions 228

Directors, senior management and staff 250

Share capital 261

Relationship with Controlling Shareholders 264

Persons having notifiable interests under the SFO 278

Financial information 285

Future plans and use of proceeds 343

CONTENTS

Page

Underwriting 345

Structure and conditions of the Share Offer 351

How to apply for Public Offer Shares 359

Appendix I — Accountants' report I-1

Appendix II — Unaudited pro forma financial information II-1

Appendix III — Property valuation III-1

Appendix IV — Summary of the constitution of the Company and Cayman Islands Company Law IV-1

Appendix V — Statutory and general information V-1

Appendix VI — Documents delivered to the Registrar of Companies and available for inspection VI-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this 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 out in the section headed "Risk factors" of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

The Group is principally engaged in the distribution of branded imported pharmaceutical and healthcare products in the PRC. During the Track Record Period, a substantial proportion of the Group's revenue was derived from the sale of Nin Jiom Pei Pa Koa, which is a product manufactured by Nin Jiom Medicine and supplied directly by Great Pleasure. During the Track Record Period, the Group's turnover generated from the sales of Nin Jiom Pei Pa Koa was approximately RMB353.8 million, RMB357.1 million, RMB373.7 million and RMB229.2 million respectively, representing approximately 67.1%, 66.6%, 67.1% and 73.0% of the Group's total turnover respectively. The Group is not the sole and exclusive distributor of Nin Jiom Pei Pa Koa in the PRC. To the best of the Directors' knowledge, as at the Latest Practicable Date, there were three regional distributors, namely, SZ Kingworld, Guangdong Minglin and Zhuhai Jinming, distributing the Nin Jiom Product Series in the PRC without any overlapping regions. To the best of the Directors' knowledge, since 1997 and up to the Latest Practicable Date, the Directors were not aware of other regional distributors distributing the Nin Jiom Product Series in the PRC, apart from the above three regional distributors.

According to the Top 100 Importers of Pharmaceutical and Healthcare Products Report published by CCCMHPIE which was based on the statistics provided by the PRC Customs, SZ Kingworld ranked 76th among the importers of pharmaceutical and healthcare products in the PRC based on an imported value of USD47.3 million in 2009, as compared to the average imported value of approximately USD292.8 million amongst the top 10 importers and the total imported value of USD9.53 billion of the top 100 importers in 2009. As at the Latest Practicable Date, the Group managed a portfolio of 49 products including 12 pharmaceutical products, seven healthcare products, 28 general foodstuffs and two medical products which are manufactured in Japan, Canada, Hong Kong, Taiwan, Thailand and the PRC and sourced from 13 different Suppliers. The products distributed by the Group can be grouped under seven different functional categories, namely cough and phlegm relieving, gastrointestinal, vitamin, orthopedics, cardiovascular, influenza and others.

The turnover by each of the products which the Group distributed and the corresponding amount as a percentage of the Group's total turnover during the Track Record Period are set out below:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Pharmaceutical products										
Nin Jiom Pei Pa Koa	353,775	67.1	357,121	66.6	373,720	67.1	186,728	67.9	229,196	73.0
Taiko Seirogan	53,755	10.2	61,623	11.5	42,325	7.6	26,002	9.4	11,034	3.5
Flying Eagle Wood Lok Medicated Oil	4,345	0.8	10,130	1.9	28,591	5.1	10,388	3.8	12,587	4.0
Imada Red Flower Oil	28,259	5.4	28,573	5.3	26,131	4.7	12,289	4.5	4,363	1.4
Mentholatum Product Range*(Note 1)*	37,026	7.0	20,432	3.8	27,519	4.9	16,611	6.0	15,201	4.8
Kyushin Pill	7,886	1.5	16,918	3.2	1,202	0.2	1,159	0.4	9,921	3.2
Kingworld Product Range 1*(Note 3)*	3,810	0.7	221	0.1	2,879	0.5	740	0.3	2,384	0.8
Min Tong Chisionhom	580	0.1	128	—	549	0.1	484	0.2	101	—
Fengbao Jianfu Capsule	833	0.1	312	0.1	1,329	0.2	23	—	—	—
Healthcare products, foodstuffs and medical product										
Nin Jiom Herbal Candy	12,692	2.4	14,266	2.6	22,387	4.0	8,276	3.0	16,741	5.3
Kawai Product Range	23,910	4.5	25,842	4.8	29,127	5.2	11,893	4.3	10,442	3.3
Kingworld Product Range 2*(Note 3)*	366	0.1	—	—	216	—	19	—	164	0.1
Other products*(Note 2)*	361	0.1	980	0.1	992	0.4	545	0.2	1,855	0.6
Gross sales	527,598	100.0	536,546	100.0	556,967	100.0	275,157	100.0	313,989	100.0
Less: Sales tax	(271)		(525)		(550)		(362)		(279)	
Net sales	527,327		536,021		556,417		274,795		313,710	

Notes:

1. SZ Kingworld has not distributed the Mentholatum Eye Drop Range since 1 January 2010.

2. Other products include Golden 100 Disney Range, Bifina Probiotic Capsule, Jamieson Product Range and DIA Instant Cooling Gel Sheet. Golden 100 Disney Range, Bifina Probiotic Capsule and Jamieson Product Range are under the category of general foodstuffs distributed by the Group. DIA Instant Cooling Gel Sheet and Mentholatum Fever Patch Range are medical products.

3. Kingworld Product Range 1 includes Kingworld Gan Mao Qing Capsule and Kingworld Gen-seng Capsule. Kingworld Product Range 2 includes Kingworld American Ginseng Capsule and Kingworld American Ginseng Tablets.

Over years of development, the Group adhered to its tradition of only distributing reputable products, many of which are established brand names including Nin Jiom Pei Pa Koa (京都念慈菴蜜煉川貝枇杷膏), Taiko Seirogan (喇叭牌正露丸), Kawai Product Range (可愛的肝油丸系列), Flying Eagle Wood Lok Medicated Oil (飛鷹活絡油), Kyushin Pill (救心丸) and Mentholatum Product Range (曼秀雷敦系列). Amongst these brands, "Nin Jiom" was awarded with the Chinese Well-known Mark under the fifth category by the PRC Trademark Office in 2006.

Nin Jiom Product Series

Nin Jiom Pei Pa Koa was introduced to the Group by Mr. Zhao as he was of the view that there was a potential market for such product in the PRC. Mr. Zhao took the initiative to negotiate with Nin Jiom Medicine through normal commercial channels and successfully secured the distribution rights of Nin Jiom Pei Pa Koa for SZ Kingworld in 1997.

Authorisation for the distribution of Nin Jiom Product Series

In June 1997, SZ Kingworld and Guangdong Minglin were appointed as the distributors of Nin Jiom Pei Pa Koa in their respective regions in the PRC market by Nin Jiom Medicine and Great Pleasure. There were no overlapping regions between SZ Kingworld and Guangdong Minglin, except for the Guangdong province, where both were appointed as distributors. In July 2002, Nin Jiom Medicine appointed SZ Kingworld as the distributor of Nin Jiom Herbal Candy in certain regions in the PRC. In order to avoid competition for distribution of the Nin Jiom Product Series in the Guangdong province, Nin Jiom Medicine introduced Guangdong Minglin to SZ Kingworld and after negotiation among SZ Kingworld, Guangdong Minglin, Great Pleasure and Nin Jiom Medicine, a jointly controlled entity in the name of Zhuhai Jinming was jointly established by SZ Kingworld and Guangdong Minglin in 2004 for the distribution of the Nin Jiom Product Series in the Guangdong province. Since then, to the best of the Directors' knowledge, there has been no geographical overlap of authorised sales regions among SZ Kingworld, Zhuhai Jinming and Guangdong Minglin.

Distribution agreements for Nin Jiom Pei Pa Koa and Nin Jiom Herbal Candy

In April 2010, the non-exclusive Distribution Agreement was entered into among Nin Jiom Medicine, Great Pleasure, SZ Kingworld and HK Kingworld, pursuant to which SZ Kingworld was appointed as regional distributor of the Nin Jiom Pei Pa Koa in 14 regions in the PRC for a term of three years. Details of the terms of the Distribution Agreement are set out in the sub-section headed "Business Model" in the "Business" section of this prospectus. In November 2010, the non-exclusive Herbal Candy Distribution Agreement was entered into among Nin Jiom Medicine, China Capital, SZ Kingworld and HK Kingworld, pursuant to which SZ Kingworld was appointed as regional distributor of Nin Jiom Herbal Candy in 14 regions in the PRC.

Revenue generated from the Nin Jiom Product Series

According to the Speedroad Report, the Group's sales of Nin Jiom Pei Pa Koa during the Track Record Period accounted for approximately 42.6%, 41.1%, 42.8% and 42.6% of the total turnover of Nin Jiom Pei Pa Koa in the PRC market for the three financial years ended 31 December 2009 and the six months ended 30 June 2010 respectively.

The Group's gross profit attributable to Nin Jiom Pei Pa Koa for the three financial year ended 31 December 2009 and six months ended 30 June 2010 accounted for 71.0%, 63.2%, 54.3% and 57.0% of the Group's gross profit respectively.

Products of Nin Jiom Medicine

According to the website of Nin Jiom Medicine, its products are categorized into three series, namely, pei pa koa, herbal candy and traditional Chinese medicine granules. The table below shows the number of products in each of these series and the series to which the products distributed by the Group belong:

	Category of products as shown on the website of Nin Jiom Medicine	Number of products as shown on the website of Nin Jiom Medicine	Products which the Group distributes
1.	Pei pa koa	Three different kinds of packaging	Bottle sizes of 300ml, 150ml and 75ml
2.	Herbal candy	Three flavors with two different kinds of packaging	One flavor in 20g and 45g
3.	Traditional Chinese medicine granules	Four kinds for flu, cough, cold and health enhancement	—

Details of the specific specifications of the Nin Jiom Product Series which the Group distributes are set out under the sub-section headed "Brands and Products" of the "Business" section of this prospectus. As confirmed by Nin Jiom Medicine, Nin Jiom Pei Pa Koa is the principal product of Nin Jiom Medicine and Nin Jiom Medicine has declined to confirm the number of products it produces and sells to its distributors and the number of distributors it engages to distribute its various products.

Relationship among Nin Jiom Medicine, Great Pleasure, China Capital, Guangdong Minglin and the Group

Nin Jiom Medicine, Great Pleasure and China Capital are Independent Third Parties. According to the latest public search records, Nin Jiom Medicine, Great Pleasure and China Capital have two common shareholders whose interests in Nin Jiom Medicine, Great Pleasure and/or China Capital, as the case may be, are held through their shareholdings in certain companies and two common directors. For details, please refer to the sub-section headed "Distribution of Nin Jiom Product Series" under the "Business" section in this prospectus.

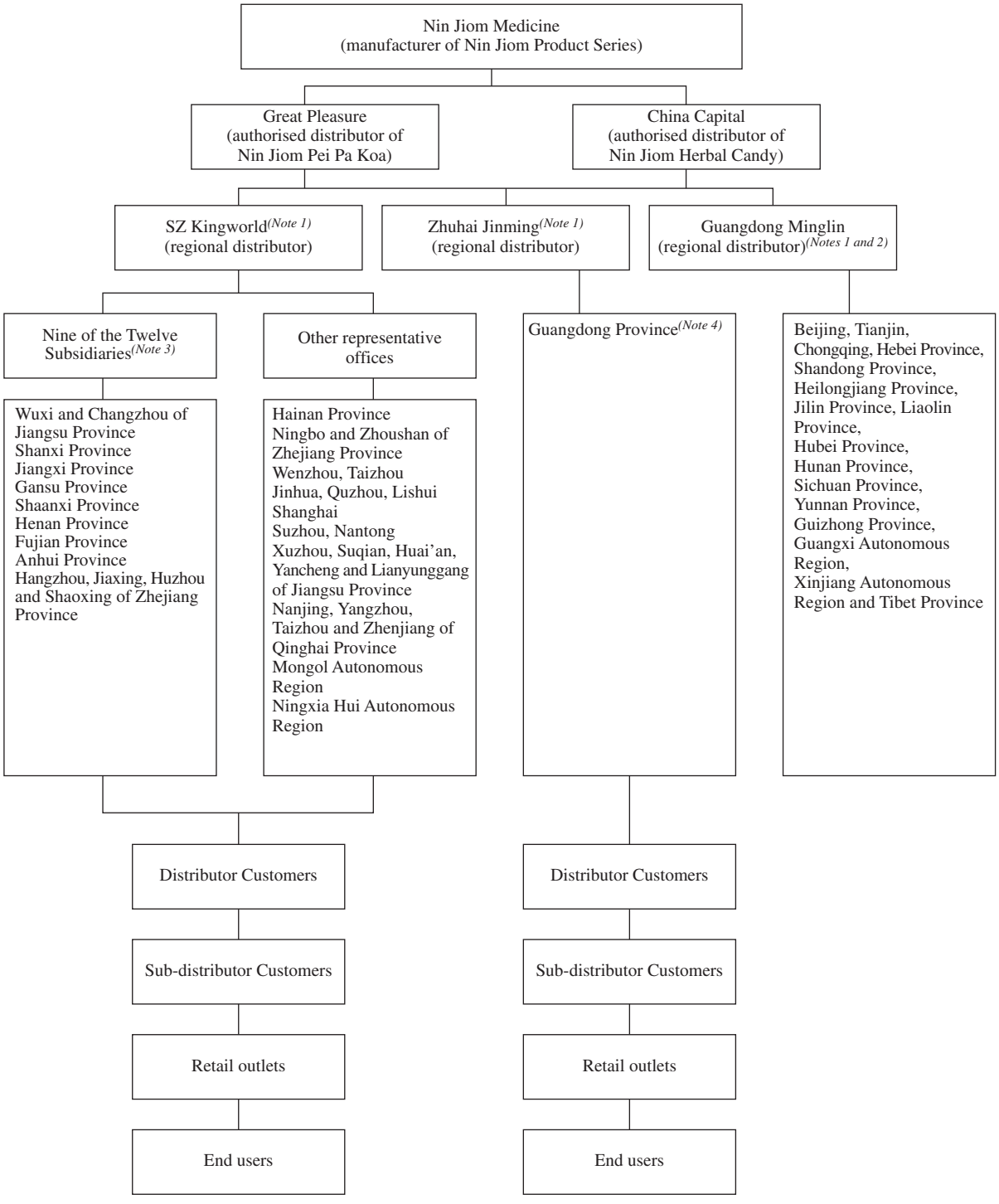
Supply of Nin Jiom Product Series

The Group relies on Great Pleasure and China Capital for the supply of the Nin Jiom Pei Pa Koa and Nin Jiom Herbal Candy respectively. Nin Jiom Medicine has authorised Great Pleasure and China Capital to distribute the Nin Jiom Product Series to the regional distributors in the PRC. The Group does not source the Nin Jiom Product Series directly from Nin Jiom Medicine but from these two authorised distributors. The Group does not have the right to choose whether to source the products directly from the manufacturers or their authorised agents. As such, SZ Kingworld sources Nin Jiom Pei Pa Kao directly from Great Pleasure and Nin Jiom Herbal Candy directly from China Capital.

To the best of the Directors' knowledge, as at the Latest Practicable Date, there were three regional distributors, namely, SZ Kingworld, Guangdong Minglin and Zhuhai Jinming, distributing the Nin Jiom Product Series in the PRC without any overlapping regions. To the best of the Directors' knowledge, since 1997 and up to the Latest Practicable Date, the Directors were not aware of other regional distributors distributing the Nin Jiom Product Series in the PRC, apart from the above three regional distributors. To the best of the Directors' knowledge, other than these three regional distributors, Nin Jiom Medicine, Great Pleasure and China Capital were not and currently are not engaged in the direct distribution of Nin Jiom Product Series in the PRC.

Distribution of Nin Jiom Product Series

The following diagram sets out the distribution flow of the Nin Jiom Product Series:



Notes:

1. To the best of the Directors' knowledge, as at the Latest Practicable Date, there were three regional distributors, namely, SZ Kingworld, Guangdong Minglin and Zhuhai Jinming, distributing the Nin Jiom Product Series in the PRC without any

overlapping regions. To the best of the Directors' knowledge, since 1997 and up to the Latest Practicable Date, the Directors were not aware of other regional distributors distributing the Nin Jiom Product Series in the PRC, apart from the above three regional distributors. To the best of the Directors' knowledge, other than the three regional distributors, Nin Jiom Medicine, Great Pleasure and China Capital had not engaged in the direct distribution of Nin Jiom Product Series in the PRC.

2. Other than Guangdong Minglin's interests in Zhuhai Jinming, SZ Kingworld and Guangdong Minglin are independent in terms of their shareholders, directors and senior management. There is no public information showing the distribution structure of Guangdong Minglin.

3. Nine of the Twelve Subsidiaries are Wuxi Consultancy, Taiyuan Consultancy, Nanchang Consultancy, Lanzhou Consultancy, Xi'an Consultancy, Zhengzhou Consultancy, Fuzhou Consultancy, Hefei Consultancy and Hangzhou Consultancy.

4. Prior to 2004, SZ Kingworld and Guangdong Minglin distributed Nin Jiom Pei Pa Koa in Guangdong Province on a several basis.

The Group's operation in relation to Nin Jiom Product Series

SZ Kingworld has been engaging in the pharmaceutical business for 14 years and has been assisting Nin Jiom Medicine in obtaining the Pharmaceutical Product Registration Certificate and relevant permits in relation to Nin Jiom Product Series. Over the past years, SZ Kingworld had established a sales network covering various kinds of customers in different regions in the PRC for distributing the healthcare and pharmaceutical products. Accordingly, Nin Jiom Medicine and Great Pleasure can take advantage of the established sales network of SZ Kingworld by engaging SZ Kingworld as one of the distributors and it is not necessary for Nin Jiom Medicine and Great Pleasure to incur costs and deploy human resources to develop their own sales network in the PRC.

SZ Kingworld does not bear any of the promotional expenses in relation to the distribution of Nin Jiom Pei Pa Koa but it is responsible for part of the promotional expenses for the distribution of Nin Jiom Herbal Candy. Details of breakdown of the relevant advertising expenses are set out in sub-section headed "Facilitation of sales of products" under the "Business" section of this prospectus. According to the Speedroad Report, the sales of Nin Jiom Pei Pa Koa, a cough and phlegm relieving product manufactured by Nin Jiom Medicine, amounted to approximately RMB1.03 billion, which accounted for approximately 24.09% of the proprietary Chinese medical Cough Relieving Products market in the PRC in 2009. According to the Speedroad Report, as of June 2010, there were four licensed imported proprietary Chinese medical Cough Relieving Products in the PRC OTC market, and amongst those, Nin Jiom Pei Pa Koa was the leading product with over 95% share of the market for imported proprietary Chinese medical Cough Relieving Products in the PRC. Nin Jiom Pei Pa Koa was also the Group's all-time best-seller during the Track Record Period.

Distribution network of the Group

Since the commencement of its business in September 1996, the Group has established an extensive distribution network in the PRC, which as at the Latest Practicable Date, consisted of approximately 190 Distributor Customers having a network of approximately 400 Sub-distributor Customers, which are not direct customers of the Group, and approximately 1,500 Product Display Booths at the retail outlets in the PRC. It is estimated that the current distribution network of the Group covers a total number of more than 17,000 retail outlets throughout the PRC. The Group only distributes products directly to the Distributor Customers and will monitor their performances by making monthly visits and reviewing reports on the distribution flow and inventory levels of the Distributor Customers to ensure their compliance with the distribution agreements. Other than the aforesaid, the Distributor Customers operate independently from the Group. The Group has no control over the retail outlets (other than for the setting up of the Product Display Booths, details of which are set out in the sub-section headed "Product Display Booth Scheme" under the "Business" section in this prospectus) and the Sub-distributor Customers (other than those who had entered into tripartite distribution agreements with SZ Kingworld and the Distributor Customers, details of which are set out in the sub-section headed "Agreements with the Sub-distributor Customers" under the "Business" section in this prospectus).

The agreements between the Group and the Distributor Customers generally include, among other things, the following terms:

1. **Credit term**

   A credit period generally ranged from 30 to 90 days (except for Flying Eagle Wood Lok Medicated Oil where a 12-month credit period is offered) is offered to the Distributor Customers.

2. **Sales rebate**

   When 70% or above of the annual sales target is reached by a Distributor Customer, a cash rebate, which is calculated based on a percentage scale in proportion to the total annual sales amount for each product sold by the Distributor Customer, may be offered to such Distributor Customer. The amount of cash rebate paid to customers amounted to RMB13.0 million, RMB13.0 million, RMB12.8 million and RMB9.8 million for each of the three financial years ended 31 December 2009 and six months ended 30 June 2010 respectively. The cash rebate paid to the Distributor Customers in respect of an individual product distributed by the Group ranged from (i) the highest of 8%, 3.2%, 3.2% and 5% of the total annual sales amount for such product sold by the Distributor Customers respectively; and (ii) the lowest of 1%, 1%, 1% and 1% of the total sales amount for such product sold by the Distributor Customers respectively during the Track Record Period. As at the Latest Practicable Date, sales rebate was offered on all products distributed by the Group.

The amount of sales rebate paid to largest recipient of sales rebate for each of the three financial years ended 31 December 2009 and six months ended 30 June 2010 amounted to approximately RMB0.91 million, RMB0.65 million, RMB0.76 million and RMB0.69 million, representing approximately 7.06%, 4.99%, 5.92% and 7.06% of the Group's total sales rebate, and 0.17%, 0.12%, 0.14%, and 0.22% of the Group's turnover, and 3.11%, 1.89%, 2.04% and 6.50% of the Group's net profit for the same period respectively.

The aggregate amount of sales rebate paid to the top five recipients of sales rebates for each of the three financial years ended 31 December 2009 and six months ended 30 June 2010 amounted to approximately RMB2.79 million, RMB2.40 million, RMB2.29 million and RMB1.79 million, representing approximately 21.64%, 18.42%, 17.84% and 18.30% of the Group's total sales rebate, and 0.53%, 0.45%, 0.41% and 0.57% of the Group's turnover, and 9.54%, 6.98%, 6.15% and 16.87% of the Group's net profit for the same period respectively.

The sales rebate paid by the Group to the largest Distributor Customer for each of the three financial years ended 31 December 2009 and six months ended 30 June 2010 amounted to approximately RMB62,353, nil, RMB287,247 and RMB418,623, representing approximately 0.01%, 0%, 0.05% and 0.13% of the Group's turnover, and 0.21%, 0%, 0.77% and 3.94% of the Group's net profit for the same period respectively.

The aggregate sales rebate paid by the Group to the top five Distributor Customers for each of the three financial years ended 31 December 2009 and six months ended 30 June 2010 amounted to approximately RMB2.67 million, RMB716,782, RMB906,637 and RMB1.62 million, representing approximately 0.51%, 0.13%, 0.16% and 0.52% of the Group's turnover, and 9.15%, 2.08%, 2.43% and 15.28% of the Group's net profit for the same period respectively.

The Directors confirm that there was no undue reliance on any of the Distributor Customers in relation to sales rebate paid during the Track Record Period.

3. **Pricing**

Pursuant to the Distribution Agreement and the Herbal Candy Distribution Agreement, pricing of the Nin Jiom Product Series distributed by the Group to its Distributor Customers is determined by Nin Jiom Medicine, Great Pleasure and/or China Capital.

Other than the Nin Jiom Product Series, pricing of the products distributed by the Group is determined based on arm's length negotiations with the Suppliers and Distributors Customers, subject to relevant price control regulations under PRC law.

4. **Sales Region**

The agreements between the Group and the Distributor Customers would specify the regions where the products are to be distributed.

5. **Product return policy**

The Distributor Customers may return products that are damaged, with incomplete packaging or inconsistent with the specifications as set out in the purchase order subject to the decision of SZ Kingworld.

6. **Exclusivity**

The agreements between the Group and the Distributor Customers do not contain provisions on exclusive distribution rights for such customers.

The revenue contributed by the top five Distributor Customers accounted for 19.8%, 24.3%, 23.0% and 17.6% of the Group's turnover respectively during the Track Record Period. Details of Distributor Customers, Sub-distributor Customers and the Product Display Booths are set out in the "Business" section of this prospectus.

Management of the Group's distribution network by market segmentation

For more effective management and co-ordination, the Group has strategically devised a management hierarchy across the PRC market by dividing it into 34 Regions, each overseen by one of the Twelve Subsidiaries or a regional representative office. Details of the roles and responsibilities of the Twelve Subsidiaries and the regional representative offices are set out in the sub-section headed "Segmentation of distribution network" under the "Business" section of this prospectus. As at the Latest Practicable Date, SZ Kingworld had a total of 378 staff, 308 of whom were deployed to perform sales and marketing work in the 34 Regions.

Each year the Group issues an Annual Sales Guideline and other seasonal marketing strategies. The Group's experienced managerial team, including sales directors and product managers, are responsible for co-ordinating the frontline sales and marketing team to meet the annual sales target. Moreover, the Group also seeks to broaden the portfolio of products it distributes through sourcing of new products by its international sourcing department from the international markets.

Products distributed by the Group

Other than entering into the Distribution Agreement in respect of Nin Jiom Pei Pa Koa, the Group has also entered into a number of distribution agreements with various Suppliers for the distribution of products including Nin Jiom Herbal Candy, Taiko Seirogan, Kawai Product Range, Eagle Flying Wood Lok Medicated Oil, Imada Red Flower Oil, Min Tong Chisionhon Granules, Fenbao Jianfu Capsule, Mentholatum Product Range, Kingworld Product Range, DIA Instant Cooling Get Sheet, Jamieson Product Range and Mentholatum Fever Patch Range. The term of these distribution agreements ranges from one year to five years.

Prior to entering into the Herbal Candy Distribution Agreement, SZ Kingworld and Nin Jiom Medicine had entered into an authorisation letter for the distribution of Nin Jiom Herbal Candy. With respect to Kyushin Pill, the Group also entered into an authorisation letter dated 29 August 2008 with Tai San, the exclusive agent of Kyushin Pill in the PRC, pursuant to which the Group has the distribution right to distribute Kyushin Pill in the PRC for a term of three years. The Group has no exclusive distribution right for Kyushin Pill.

Details of the distribution agreements, authorisation letter and purchase order entered into between the Group and its Suppliers are disclosed in the sub-section headed "Overview" in the "Business" section in the prospectus.

For the three years ended 31 December 2009 and six months ended 30 June 2010, the products (excluding Nin Jiom Pei Pa Koa) distributed by the Group contributed to approximately 32.9%, 33.5%, 32.9% and 27% of the Group's turnover for the same period respectively. For the six months ended 30 June 2010, each of the products (excluding Nin Jiom Pei Pa Koa) distributed by the Group contributed to less than 5.4% of the Group's turnover for the same period.

Renewal of expired/expiring distribution rights and registration certificates

Although the Group has experienced delays in renewing the distribution rights and registration certificates, the Group did not encounter any refusals of renewal of such distribution rights and registration certificates during the Track Record Period.

OBJECTIVE AND STRATEGIES

The principal objective of the Group is to increase the sales and market share in the distribution of branded pharmaceutical and healthcare products and general foodstuffs in the PRC. To achieve this, the Directors intend to apply the following strategies:

- maintaining and increasing the market share of the existing products;
- prospects of new products;
- continued expansion of the Group's distribution network;
- consolidation of Distributor Customers and/or Sub-distributor Customers; and
- active exploration of new markets.

COMPETITIVE STRENGTHS

Over the years, the Directors believe that the Group has established its reputation in the pharmaceutical and healthcare products distribution sector in the PRC. The Directors also consider that the Company has established a competitive foothold with a well-established customer base where a majority of them have a wide distribution network in the PRC.

The Directors consider that the Group possesses the following competitive strengths:

- well-established distribution network and strong sales and marketing team;
- product portfolio with well-known brands;
- SZ Kingworld has growth potential for the distribution of pharmaceutical and healthcare products;
- proven historical business relationships with key Suppliers and customers; and
- well-educated workforce.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following table summarises the Group's combined income statements, combined statements of comprehensive income for the three financial years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2010 and combined balance sheet as at 31 December, 2007, 2008, 2009 and 30 June 2010. The figures are extracted from the accountants' report set out in Appendix I to this prospectus.

Combined income statements

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover *(Note 1)*	527,327	536,021	556,417	274,795	313,710
Cost of sales	(431,022)	(406,630)	(435,764)	(221,969)	(250,357)
Gross profit	96,305	129,391	120,653	52,826	63,353
Valuation (loss)/gain on investment property	—	(1,891)	600	—	—
Other revenue *(Note 2)*	3,591	7,220	6,786	4,509	3,738
Other net income *(Note 3)*	9,068	10,978	7,143	3,305	33
Selling and distribution costs	(51,748)	(62,357)	(58,378)	(33,991)	(37,485)
Administrative expenses	(12,688)	(21,330)	(20,441)	(10,274)	(11,605)
Profit from operations	44,528	62,011	56,363	16,375	18,034
Finance costs	(8,958)	(16,570)	(9,610)	(6,067)	(3,568)
Profit before taxation	35,570	45,441	46,753	10,308	14,466
Income tax	(6,335)	(11,044)	(9,509)	(1,747)	(3,854)
Profit for the year/period	29,235	34,397	37,244	8,561	10,612
Attributable to:					
Equity shareholder of the Company	29,235	34,397	37,244	8,561	10,612
Dividends	—	47,700	26,400	—	5,637
Earnings per share *(RMB)* *(Note 4)*					
Basic and diluted	6.50 cents	7.64 cents	8.28 cents	1.90 cents	2.36 cents

Notes:

1. The Directors consider that the key revenue drivers for the financial year ended 2009 include (i) the launching of the Product Display Booth Scheme in May 2009 and (ii) the provision of the special 12-month credit term for Flying Eagle Wood Lok Medicated Oil, resulting in an increased sales of the product from RMB10.1 million in 2008 to RMB28.6 million in 2009.

2. Other revenue primarily consists of interest income on financial assets not at fair value through profit or loss, commission income and rental income.

3. Other net income primarily consists of net realised and unrealised gain on forward foreign exchange contracts and net foreign exchange gain. Such forward foreign exchange contracts have been entered into by the Group with certain banks in the PRC for the purpose of managing the risks in relation to future exchange rate movements.

4. The calculation of basic earnings per share was based on the net profit attributable to equity holders of the Company for the three financial years ended 31 December 2009 and the six months ended 30 June 2010 and on the assumption that 450,000,000 shares in issue or to be issued as at the date of this prospectus and pursuant to the Capitalisation Issue occurred on the first day of the Track Record Period.

Gross profit margin analysis

Gross profit margin for each of the three financial years ended 31 December 2009 and the six months ended 30 June 2010 was 18.3%, 24.1%, 21.7% and 20.2%. The increase in the Group's gross profit margin from 18.3% in 2007 to 24.1% in 2008 was mainly due to the increase in sales for higher profit margin products such as Flying Eagle Wood Lok Medicated Oil and decrease in sales quantity of lower margin products such as eye-drop medicines. The drop in the Group's gross profit margin from 24.1% in 2008 to 21.7% in 2009 and 20.2% in the six months ended 30 June 2010 was mainly due to the increase in average unit cost of Nin Jiom Pei Pa Koa products by 10.3% which could not be fully passed on to customers by correspondingly increasing the selling price of the Nin Jiom Pei Pa Koa.

Combined statements of comprehensive income

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Profit for the year	29,235	34,397	37,244	8,561	10,612
Other comprehensive income for the year/period					
Exchange differences on translation of financial statements of foreign subsidiaries	8	78	(152)	(412)	106
	8	78	(152)	(412)	106
Total comprehensive income for the year/period	29,243	34,475	37,092	8,149	10,718

Combined balance sheets

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	4,406	3,451	3,633	3,434
Investment property	—	45,400	46,000	46,000
Prepaid lease payments	—	—	7,502	7,380
	4,406	48,851	57,135	56,814
Current assets				
Inventories	99,136	98,620	75,862	35,041
Trade and other receivables	278,404	265,746	178,513	170,422
Pledged bank deposits	69,049	103,396	246,619	197,537
Cash and cash equivalents	48,444	31,240	83,562	49,433
	495,033	499,002	584,556	452,433
Current liabilities				
Trade and other payables	177,930	164,729	172,882	113,852
Bank loans	187,333	159,595	246,606	195,766
Current taxation	2,016	3,414	4,637	2,896
	367,279	327,738	424,125	311,514
Net current assets	127,754	171,264	160,431	139,919
Total assets less current liabilities	132,160	220,115	217,566	196,733
Non-current liabilities				
Bank loans	—	100,000	60,000	60,000
Deferred tax liabilities	—	1,180	1,538	2,024
	—	101,180	61,538	62,024
NET ASSETS	132,160	118,935	156,028	134,709
CAPITAL AND RESERVES				
Share capital	—	—	1	1
Reserves	43,160	29,935	156,027	134,708
Shareholders' equity loans	89,000	89,000	—	—
TOTAL EQUITY	132,160	118,935	156,028	134,709

REASONS FOR THE OFFER AND USE OF PROCEEDS

Based on an indicative Offer Price of HK$1.465 per Offer Share (being the mid-point of the indicative Offer Price range between HK$1.33 per Offer Share and HK$1.60 per Offer Share), the gross proceeds from the Share Offer, assuming the Over-allotment Option is not exercised, are estimated to be approximately HK$219.8 million. The net proceeds from the Share Offer (after deducting the underwriting fees and estimated expenses payable in connection with the Public Offer) assuming that the Over-allotment Option is not exercised, are estimated to be approximately HK$197 million.

The Directors presently intend to apply the net proceeds from the Share Offer of approximately HK$197 million in the following manner:

- HK$118.2 million or approximately 60% of the net proceeds from the Share Offer to expand and improve the coverage of the Group's distribution network in the PRC by acquiring up to three distribution businesses with the following criteria: each distribution business having (i) a business presence in the eastern provinces and/or southern provinces in the PRC; (ii) a proven record of sales turnover of approximately RMB40 million to 100 million in 2009; (iii) an established distribution network covering sub-distribution customers and retail outlets such as pharmacies, supermarkets and clinics; and (iv) good credit terms with financial institutions. As at the Latest Practicable Date, the Company had not identified any targets in relation to the potential acquisition of distribution businesses.

- HK$39.4 million or approximately 20% of the net proceeds from the Share Offer to upgrade the transportation and delivery services to customers by constructing the first phase of its own delivery centre in Shenzhen equipped with standard GSP qualifications. The construction of the delivery centre is currently planned to be divided into three phases and the estimated size of the delivery centre is approximately 25,000 square metres. The second and third phases will be funded by internal resources of the Group.

- HK$19.7 million or approximately 10% of the net proceeds from the Share Offer to further expand the Product Display Booth Scheme by increasing approximately 3,000 Product Display Booths in approximately 3,000 retail outlets, such as pharmacies, supermarkets, clinics and chain stores in Guangdong, Fujian, Jiangxi, Hunan, Hubei, Beijing and other provinces in the PRC during the period between 2010 and 2011.

- the remaining balance of HK$19.7 million or approximately 10% of the net proceeds from the Share Offer to be used as additional general working capital of the Group.

In order to implement the Group's development plan, the Directors estimated that the Group may have to recruit 196 new staff, of whom (i) two personnel will be assigned to each of the three distribution businesses to be acquired; (ii) 150 personnel will be assigned to the Product Display Booths in various retail outlets; and (iii) 40 personnel will be assigned to the delivery centre upon its establishment.

In the event that the Offer Price is fixed at HK$1.60 per Offer Share, being the highest end of the indicative Offer Price range, and assuming that the Over-allotment Option is not exercised, the net proceeds from the Share Offer will be increased by approximately HK$19.7 million to approximately HK$216.7 million. The Directors intend to apply such additional amount of HK$19.7 million for the above purposes on a pro-rata basis. In the event that the Offer Price is fixed at HK$1.33 per Offer Share, being the lower end of the indicative Offer Price range, and assuming that the Over-allotment Option is not exercised, the net proceed from the Share Offer will be reduced by approximately HK$19.8 million to approximately HK$177.2 million. In such circumstances, the net proceeds from the Share Offer allocated to general working capital will be reduced.

If the Over-allotment Option is exercised in full, based on the Offer Price of HK$1.465 per Offer Shares (being the mid-point of the indicative Offer Price range of between HK$1.33 per Offer Share and HK$1.60 per Offer Share), the net proceeds from the Share Offer will be increased by approximately HK$33.14 million. The Directors intend to apply such additional proceeds for the above purposes on a pro-rata basis.

To the extent that any part of the net proceeds from the Share Offer are not immediately required for the above purposes and permitted by PRC laws and regulations, it is the present intention of the Directors that such net proceeds will be deposited in interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong and/or the PRC.

DIVIDEND POLICY

Dividend of approximately RMB47.7 million was paid for the year ended 31 December 2008. In January 2010, dividend amounting to RMB26.4 million was paid for the year ended 31 December 2009. Another dividend of approximately RMB5.6 million was paid for the six months ended 30 June 2010.

After completion of the Share Offer, the Company may distribute dividends as the Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of the Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to the Shareholders' approval. The Board will review the dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- financial results of the Company;
- shareholders' interest;
- general business conditions, strategies and future expansion needs;
- the Company's capital requirements;

- the payment of cash dividends to the Company by its subsidiaries;
- possible effects on the liquidity and financial position of the Company; and
- other factors the Board may deem relevant.

Dividends may be paid only out of the Company's distributable profits as permitted under the relevant laws. The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

The Directors currently intend that not less than 50% of the Company's profit after taxation may be distributed as dividends for the applicable financial year subject to the approval of the Board after considering the above factors and by the then Shareholders. Such intention does not amount to any guarantee or representation or indication that the Company must or will declare and pay dividend in such manner or declare and pay any dividend at all.

STATISTICS OF THE SHARE OFFER

	Based on an Offer Price of HK$1.33 per Offer Share	**Based on an Offer Price of HK$1.60 per Offer Share**
Market capitalisation *(Note 1)*	798 million	960 million
Unaudited pro forma adjusted net tangible asset value per Share *(Note 2)*	0.55	0.62

Notes:

1. The calculation of the market capitalisation is based on the assumption that the Over-allotment Option is not exercised and 600,000,000 Shares expected to be in issue immediately following completion of the Share Offer and the Capitalisation Issue without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme.

2. The unaudited pro forma adjusted net tangible asset value per Share has been arrived at after the adjustments referred to in the section headed "Financial Information" in this prospectus, and on the basis of 600,000,000 Shares expected to be in issue immediately following completion of the Share Offer and the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme. This calculation assumes respective Offer Price of HK$1.33 and HK$1.60 and that the Over-allotment Option is not exercised.

RISK FACTORS

The Directors consider that the Group's operations, industry and Share Offer involve certain risks, a summary of which is set forth in the section headed "Risk factors" in this prospectus. These risks can be classified as follows:

Risks relating to the business of the Group

- Risk relating to Nin Jiom Pei Pa Koa
- Reliance on other major Suppliers
- Violation of laws and regulations by contracted Suppliers
- The Group may incur losses resulting from product liability claims as the quality of the products distributed by the Group is not under its control
- Any failure to introduce new products, and any failure to gain market acceptance of the new products distributed by the Group, could have an adverse effect on its business
- The Group's efforts to expand into new markets may not be successful
- There is no assurance that the Group will be able to successfully implement its business plans
- Possible failure to integrate future acquired businesses successfully into the existing operations of the Group
- Seasonality of demand for Nin Jiom Pei Pa Koa and Taiko Seirogan
- The Group may be susceptible to, among other things, product liability claims and payment of compensation of the products in relation to their representation of attributes or intended effects
- The Group's marketing and promotional activities are critical to the success of the products which the Group distributes
- Violation of PRC advertising laws by the Group
- Product counterfeiting and/or parallel importing may occur
- The Group has limited control over its distribution network
- The Group may not be able to accurately monitor the inventory level of its customers
- Customers do not give long-term purchase commitments

- The Group may experience delays in collecting trade and bills receivables from customers
- Reliance on independent delivery agents
- Difficulties encountered by the Group in expanding its distribution network
- Uncertainty in obtaining external financing and significant level of borrowing of the Group
- The Group's information technology system failure or breakdown may cause interruptions to its business
- Loss or withdrawal of licences, permits and all other necessary approvals for the Group to operate
- The Group may not be able to pass the increase in purchase price of the major products which the Group distributes to the Distributor Customers
- Insurance coverage may not be sufficient to cover the risks relating to the Group's operations
- Reliance on the experience of the key executives and management personnel
- Any change in the Group's tax treatment could have a material adverse effect on the results of its operations
- Dividends payable from the Company's PRC subsidiaries may become subject to withholding taxes under the PRC tax laws
- The Company is a holding company that relies on dividend payments from its subsidiaries for funding
- Wrongdoings by employees of the Group and by other third parties

Risks relating to the industry

- Change in price control policy in the PRC may restrict the freedom for setting the prices of certain products which the Group distributes
- Compliance with new regulations on supervision of product quality and safety imposed by the PRC Government
- Effect of the PRC healthcare reform on the PRC pharmaceutical industry
- The PRC pharmaceutical distribution industry is highly competitive

- Successful launch of competitive or substitutable lines to the products which the Group distributes may adversely affect the Group's profitability

- Disruptions in the global financial markets and the resulting governmental action in the PRC and in other parts of the world could have a material adverse impact on the Group's results of operations, financial condition and cash flow

- Rapid changes in the pharmaceutical industry may render the products distributed by the Group obsolete

Risks relating to conducting business in the PRC

- Regulatory requirements for the sale and distribution of pharmaceutical and healthcare products in the PRC

- The enforcement of the Labour Contract Law in the PRC may adversely affect the business of the Group

- Changes in the economic, political and regulatory environment in the PRC may adversely affect the business, operating results and financial condition of the Group

- Future outbreaks of contagious diseases in the PRC may have a material adverse effect on the Group's business, financial condition and results of operations

- Government control of currency and future movements in exchange rates may adversely affect the ability of the Group to remit dividends

- The PRC legal system is not fully developed and has inherent uncertainties that could limit the legal protections available to the Group

Risks relating to the Share Offer

- Liquidity and possible price volatility of the Shares

- The historical dividends of the Group should not be treated as an indication of the future dividend policy of the Group

- Future sale by the Controlling Shareholders of a substantial number of the Shares in the public market could materially and adversely affect the prevailing market price of the Shares

- Forward-looking statements involve uncertainty and risk

- The industry statistics contained in this prospectus are derived from various official sources and have not been independently verified

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:

"Annual Sales Guideline"	the internal annual sales guideline issued by the marketing department of SZ Kingworld at the beginning of each financial year
"Application Form(s)"	**WHITE** Application Form(s) and **YELLOW** Application Form(s) and **GREEN** Application Form(s), where the context so required, any of them, which is used in relation to the Public Offer
"Articles"	the articles of association adopted by the Company pursuant to the written resolutions passed by the Shareholders on 5 November 2010
"associate(s)"	has the meaning ascribed to it in the Listing Rules
"Beijing Consultancy"	北京市金活信息諮詢服務有限責任公司 (Beijing City Kingworld Information Consultancy Services Company Limited), a company established in the PRC and an indirect wholly-owned subsidiary of the Company located in Beijing, the PRC
"Bifina Probiotic Capsule"	a general foodstuff manufactured in Japan and supplied by Remeje
"BMI"	Business Monitor International Limited
"Board"	the board of directors of the Company
"BVI"	the British Virgin Islands
"BVI Kingworld"	Kingworld Medicine and Healthcare Group Limited (金活醫藥保健集團有限公司), formerly known as Kingworld Medicine Group Limited (金活醫藥集團有限公司), a limited company incorporated under the laws of BVI on 7 February 2005 and a direct wholly owned subsidiary of the Company
"Capitalisation Issue"	the issue of 449,991,320 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of the Company referred to under the paragraph headed "Written resolutions passed by the Shareholders" in the section headed "Further information about the Group" of Appendix V to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC

"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant(s)"	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"CCCMHPIE"	中國醫藥保健品進出口商會 (China Chamber of Commerce for Import and Export of Medicines and Health Products)
"Certificate of Approval"	中華人民共和國進出口企業資格證書 (the Certificate of Approval for Enterprises with Foreign Trade Rights in the PRC)
"China Capital"	China Capital Industries Limited (華健實業有限公司), a company incorporated in Hong Kong with limited liability and an Independent Third Party supplying Nin Jiom Herbal Candy to SZ Kingworld and Zhuhai Jinming. According to the latest public search records, China Capital, Nin Jiom Medicine and Great Pleasure have two common shareholders whose interests in Nin Jiom Medicine, Great Pleasure and/or China Capital, as the case may be, are held through their shareholdings in certain companies and two common directors while China Capital and Great Pleasure have three common directors and three common shareholders whose interests in Great Pleasure and China Capital, as the case may be, are held through their shareholdings in certain companies
"Companies Law"	the Companies Law (2010 Revision) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company"	Kingworld Medicines Group Limited (金活醫藥集團有限公司), a company incorporated in the Cayman Islands with limited liability on 10 July 2008 under the Companies Law
"connected person(s)" and "connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules

"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules, and in the context of the Company, means Golden Land, Mr. Zhao, Golden Morning and Ms. Chan
"Cough Relieving Product(s)"	medicinal product(s) for cough and phlegm relieving
"Deed of Non-Competition"	a deed of non-competition entered into by the Controlling Shareholders in favour of the Company dated 5 November 2010
"Despatch Date"	the despatch date for the share certificate(s) and refund cheque(s), which is currently expected to be on or before 24 November 2010
"DIA Instant Cooling Gel Sheet"	("大樹腳"即時退熱貼(8小時)), a medical product manufactured in Japan and registered in the PRC
"Director(s)"	the director(s) of the Company
"Disney"	Disney Enterprises, Inc., a corporation organized and existing under the laws of the State of Delaware, the USA, and an Independent Third Party
"Disney Licensed Product Range"	collectively, the Golden 100 Disney Range and the Golden A+ Disney Range
"Distribution Agreement"	the regional distribution agreement dated 22 April 2010 entered into among Nin Jiom Medicine, Great Pleasure, SZ Kingworld and HK Kingworld, pursuant to which SZ Kingworld was appointed as the regional distributor of Nin Jiom Pei Pa Koa in 14 regions in the PRC
"Distributor Customer"	sub-distributor which has a contractual relationship with SZ Kingworld for the purchase of the products distributed by the Group
"Dual-Specification"	a classification of pharmaceutical product which can be sold pursuant to the requirement as for either prescription or OTC pharmaceutical products
"Fengbao Jianfu Capsule"	(鳳寶牌健婦膠囊), a Dual-Specification pharmaceutical product manufactured in Hong Kong and imported from Yuen Tai
"EEIQB"	(出入境檢驗檢疫局) Entry-exit Inspection and Quarantine Bureau

"Electronic Application Instruction(s)"	instruction given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the Public Offer Shares
"ERP System"	enterprise resources planning system of SZ Kingworld, details of which are set out under "Computer software systems" of the sub-section headed "Intellectual Property Rights of the Group" under the section headed "Business" of this prospectus
"FISD"	中華人民共和國深圳出入境檢驗檢疫局食品檢驗監督處 (Food Inspection and Supervision Department, Shenzhen Entry-exit Inspection and Quarantine Bureau)
"Flying Eagle Wood Lok Medicated Oil"	(飛鷹活絡油), a prescription pharmaceutical product manufactured in Hong Kong and imported from Europharm Laboratories Company Limited (歐化藥業有限公司), a company incorporated in Hong Kong with limited liability and an Independent Third Party
"Flying Success"	Flying Success Investments Limited, a limited company incorporated under the laws of BVI and held as to 80% by Mr. Zhao and 20% by Ms. Chan. Flying Success is a connected person of the Company
"Fuzhou Consultancy"	福州金活企業信息諮詢服務有限公司 (Fuzhou City Kingworld Information Consultancy Services Company Limited), a company established in the PRC and an indirect wholly-owned subsidiary of the Company located in Fuzhou, Fujian Province, the PRC
"GDFA"	中華人民共和國廣東省食品藥品監督管理局 (Guangdong Food and Drug Administration, the PRC)
"GDIDC"	中華人民共和國廣東省食品藥品監督管理局廣東省藥品檢驗所 (Guangdong Institute for Drug Control, GDFA)
"Golden 100 Disney Range"	a range of chewable tablets being general foodstuffs manufactured and supplied by Sirio Pharma in the PRC
"Golden A+ Disney Range"	a range of dietary supplements being general foodstuffs manufactured and supplied by NBTY in USA and imported by SZ Kingworld
"Golden Land"	Golden Land International Limited (金國國際有限公司), a limited company incorporated under the laws of BVI on 27 May 2008 and wholly owned by Mr. Zhao. Golden Land is one of the Controlling Shareholders

"Golden Morning"	Golden Morning International Limited (金辰國際有限公司), a limited company incorporated under the laws of BVI on 27 May 2008 and wholly owned by Ms. Chan. Golden Morning is one of the Controlling Shareholders
"Great Pleasure"	Great Pleasure Company Limited (偉沂企業有限公司), a company incorporated in Hong Kong with limited liability and an Independent Third Party supplying Nin Jiom Pei Pa Koa to SZ Kingworld and Zhuhai Jinming. According to the latest public search records, Great Pleasure, Nin Jiom Medicine and China Capital have two common shareholders whose interests in Nin Jiom Medicine, Great Pleasure and/or China Capital, as the case may be, are held through their shareholdings in certain companies and two common directors while Great Pleasure and China Capital have three common directors and three common shareholders whose interests in Great Pleasure and China Capital, as the case may be, are held through their shareholdings in certain companies
"GREEN Application form(s)"	the application form(s) to be completed by the HK eIPO White Form Service Provider
"Group"	the Company and its subsidiaries or, where the context requires, in respect of the period before the Company becoming the holding company of its present subsidiaries, such subsidiaries or the businesses which have since been acquired or carried on by them or (as the case may be) their predecessors
"GSP" or "Good Supply Practices"	guidelines and regulations issued from time to time pursuant to the laws of the PRC on the Administration of Pharmaceuticals (中華人民共和國藥品管理法) to provide quality assurance and ensure that pharmaceutical distribution enterprises distribute pharmaceutical products in compliance with the guidelines and regulations
"GSP Certificate"	中華人民共和國藥品經營質量管理規範認證證書 (Certificate for Good Supply Practice), issued by SFDA or its affiliates pursuant to the laws of the PRC on the Administration of Pharmaceuticals, which is mandatory for the operation of the business of distribution of pharmaceutical products in the PRC
"Guangdong Minglin"	廣東明林藥業有限公司 (Guangdong Minglin Medicine Company Limited), a company established in the PRC with limited liability which holds 50% equity interest in Zhuhai Jinming. Guangdong Minglin's nature of business includes the distribution of pharmaceutical and healthcare products

Guangzhou Yuehai	廣州市粵海視覺設計有限公司 (Guangzhou Yuehai Visual Designing Limited), a company established in the PRC which is responsible for producing the plastic bottles for the Golden 100 Disney Range, and an Independent Third Party
"Guotai Junan Capital" or "Sole Sponsor"	Guotai Junan Capital Limited, a corporation licensed to conduct type 6 (advising on corporate finance) regulated activity under the SFO, acting as the sole sponsor to the Listing
"Guotai Junan Securities" or "Sole Global Coordinator"	Guotai Junan Securities (Hong Kong) Limited, a corporation licensed to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO, acting as the sole global coordinator, bookrunner and lead manager of the Share Offer
"Hangzhou Consultancy"	杭州金活信息諮詢服務有限公司 (Hangzhou City Kingworld Information Consultancy Services Company Limited), a company established in the PRC and an indirect wholly-owned subsidiary of the Company located in Hangzhou, Zhejiang Province, the PRC
"Hefei Consultancy"	合肥市金活信息諮詢服務有限責任公司 (Hefei City Kingworld Information Consultancy Services Company Limited), a company established in the PRC and an indirect wholly-owned subsidiary of the Company located in Hefei, Anhui Province, the PRC
"Herbal Candy Distribution Agreement"	the regional distribution agreement dated 3 November 2010 entered into among Nin Jiom Medicine, China Capital, SZ Kingworld and HK Kingworld, pursuant to which SZ Kingworld was appointed as the regional distributor of Nin Jiom Herbal Candy in 14 regions in the PRC
"HK eIPO White Form"	the application for the Public Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website at **www.hkeipo.hk**
HK eIPO White Form Service Provider	the HK eIPO White Form service provider designated by the Company, as specified on the designated website at **www.hkeipo.hk**
"HK Kingworld"	Kingworld Medicine Healthcare Limited (金活藥業健康發展有限公司), a limited company incorporated under the laws of Hong Kong on 14 May 2008 and an indirect wholly-owned subsidiary of the Company
"HKFRS"	Hong Kong Financial Reporting Standards

"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	The Hong Kong Special Administrative Region of the PRC
"Hong Kong dollar(s)" or "HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Imada Golden Dragon Oil"	a prescription pharmaceutical product manufactured in Hong Kong and imported from Luen Wah. It ceased to be distributed by SZ Kingworld in December 2005
"Imada Product Range"	all products under the brand name of "Imada" which are and/or were distributed by the Group
"Imada Red Flower Oil"	(依馬打正紅花油) a prescription pharmaceutical product distributed by the Group
"Imada Seasons Safe Oil"	a prescription pharmaceutical product manufactured in Hong Kong and imported from Luen Wah. It ceased to be distributed by SZ Kingworld in October 2007
"Import Drugs Approval Notice"	(進口藥品批件), a one-off permit granted by the SFDA for the importation of pharmaceutical product(s) into the PRC during the re-registration of the (i) Imported Drug Registration Certificate or (ii) Pharmaceutical Product Registration Certificate of pharmaceutical product(s). Each Import Drugs Approval Notice is only valid for a specific period, for a specific quantity and may only be issued not more than twice after expiry of the relevant import registration certificate of such pharmaceutical product(s)
"Imported Drug Registration Certificate"	(進口藥品註冊證), a registration certificate issued and approved by the SFDA for the importation of pharmaceutical product produced by a foreign manufacturer into the PRC with a valid period of five years
"IMS Health"	IMS Health Incorporated, a corporation organized and existing under the laws of the State of Connecticut, the USA, which is market intelligence to the pharmaceutical and healthcare industries
"Independent Third Party" or "Independent Third Parties"	person(s) or company(ies) who or which is/are not connected with any of the Directors, chief executive of the Company and the substantial shareholder(s) (has the meaning ascribed to it under the Listing Rules) of the Company

"Jamieson Product Range"	products under the brand name of "Jamieson" which are distributed by the Group and imported from Nanjing IDS
"Jinbaoli"	Guangdong Jinbaoli Medicine Company Limited (廣東金保利醫藥有限公司), a company incorporated under the laws of the PRC on 10 November 2006 and an Independent Third Party as at the Latest Practicable Date
"Jiuzhou Customs"	中華人民共和國九洲海關 (Jiuzhou Customs House, the PRC)
"Jiuzhou EEIQB"	中華人民共和國珠海出入境檢驗檢疫局九洲辦事處 (Jiuzhou Entry-exit Inspection and Quarantine Bureau, the PRC)
"Kamcorp"	Kamcorp Limited (金國有限公司), a company incorporated under the laws of Hong Kong and held as to 55% by Mr. Zhao and 45% by Ms. Chan. Kamcorp is a connected person of the Company
"Kawai Product Range"	(可愛的肝油丸系列), all products under the brand name of "Kawai" which are distributed by the Group and imported from Tai San
"King Gibson Hong Kong"	King Gibson International Development Co., Limited (肯吉遜國際發展有限公司), a company incorporated under the laws of Hong Kong and wholly-owned by Ms. Chan. King Gibson Hong Kong is a connected person of the Company
"King Gibson PRC"	深圳市金活吉遜高爾夫用品有限公司 (Shenzhen King Gibson Golf Company Limited), a company established under the laws of the PRC held as to 90% by Ms. Chan and 10% by Mr. Chan Weixiong. King Gibson PRC is a connected person of the Company
"Kingkok International Enterprises"	Kingkok International Enterprises Limited (金國國際企業有限公司), a company incorporated under the laws of Hong Kong and wholly-owned by Kingkok Investment Holdings. Kingkok International Enterprises is a connected person of the Company
"Kingkok Investment Holdings"	Kingkok Investment Holdings Limited (金國投資控股有限公司), a company incorporated under the laws of BVI and held as to 80% by Mr. Zhao and 20% by Ms. Chan. Kingkok Investment Holdings is a connected person of the Company
"Kingworld Bright Future"	Kingworld Bright Future Company Limited (金活美好未來發展有限公司), a company incorporated under the laws of BVI on 16 June 2009 and wholly-owned by Mr. Zhao. Kingworld Bright Future is a connected person of the Company

"Kingworld Department Store Property Management"	深圳市金世界百貨物業管理有限公司 (Shenzhen Kingworld Department Store Property Management Company Limited), a company established in the PRC and held as to 50% by Ms. Chan, 45% by Ms. Huang and 5% by Mr. Chan Weixiong. Kingworld Department Store Property Management is a connected person of the Company
"Kingworld Medicine"	Kingworld Medicine (Hong Kong) Company Limited (金活醫藥(香港)有限公司), a company incorporated under the laws of Hong Kong and held as to 80% by Mr. Zhao and 20% by Ms. Chan. Kingworld Medicine is a connected person of the Company
"Kingworld Product Range"	all products under the brand name of "Kingworld" which are manufactured and supplied by SZ Kingworld Lifeshine and distributed by the Group
"Kyushin Pill"	(救心丸) a prescription pharmaceutical product manufactured in Japan and imported from Tai San
"Lanzhou Consultancy"	蘭州市金活信息諮詢服務有限責任公司 (Lanzhou City Kingworld Information Consultancy Services Company Limited), a company established in the PRC and an indirect wholly-owned subsidiary of the Company located in Lanzhou, Gansu Province, the PRC
"Latest Practicable Date"	8 November 2010, being the latest practicable date for ascertaining certain information in this prospectus prior to its publication
"Licensed Material (as licensed to HK Kingworld)"	the representations of such characters and depictions of such characters and such still scenes and accompanying design elements as may be designated by TWDC (Asia Pacific) from (i) Disney/Pixar's Toy Story and Toy Story 2; (ii) Disney standard characters (i.e. Mickey Mouse, Minnie Mouse, Donald Duck, Daisy Duck, Pluto and Goofy) and related secondary Standard Characters; (iii) Winnie The Pooh characters (i.e. Winnie The Pooh, Piglet, Rabbit, Eeyore, Tigger, Owl, Gopher, Kanga and Roo) in the style designed by Disney; and (iv) Disney Princess characters (i.e. Snow White, Cinderella, Sleeping Beauty, Jasmine, Belle, Ariel, Pocahontas, Mulan), which are licensed to HK Kingworld pursuant to the license agreement between TWDC (Asia Pacific) and HK Kingworld dated 1 August 2008

"Licensed Material (as licensed to SZ Kingworld)"	consists of such depictions of characters and still scenes and accompanying design elements as designated by TWDC (Shanghai) from (i) Disney's standard characters (i.e. Mickey Mouse, Minnie Mouse, Donald Duck, Daisy Duck, Goofy and Pluto); (ii) Disney's "Winnie The Pooh" series with any Winnie The Pooh characters including Winnie The Pooh (Disney), Tigger, Eeyore, Kanga, Roo, Rabbit, Piglet, Hunny Pot and Owl in the style designed by Disney; (iii) Disney Princess series; (iv) characters from Disney/Pixar's Toy Story and Toy Story 2; and (v) the trademark "迪士尼" and "Disney", which are licensed to SZ Kingworld in the license agreement between TWDC (Shanghai) and SZ Kingworld dated 1st October 2007 and subject to any special restrictions as to usage as may be identified by TWDC (Shanghai)
"Licensed Materials"	Licensed Material (as licensed to SZ Kingworld) and Licensed Material (as licensed to HK Kingworld)
"Listing"	the listing of the Shares on the Stock Exchange
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Date"	the date of commencement of trading of the Shares on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Luen Wah"	Luen Wah (H.K.) Medicine Limited (香港聯華藥業有限公司), a company incorporated in Hong Kong with limited liability, the manufacturer of the Imada Product Range prior to 2010 and an Independent Third Party
"Macao"	The Macao Special Administrative Region of the PRC
"Main Board"	the stock market operated by the Stock Exchange which excludes the Growth Enterprise Market of the Stock Exchange and the options market
"Memorandum"	the memorandum of association adopted by the Company pursuant to the written resolutions passed by the Shareholders on 5 November 2010
"Mentholatum Eye Drop Range"	the four eye drop products under the brand name of "Mentholatum", which SZ Kingworld has ceased to distribute since 1 January 2010 and details of which are disclosed in the sub-section headed "Brands and Products" in the "Business" section of this prospectus

"Mentholatum Fever Patch Range"	(曼秀雷敦樂兒退熱貼系列), the fever patch for adults and kids under the brand name of "Mentholatum" which are supplied by Mentholatum (China) Pharmaceuticals Company Limited (曼秀雷敦(中國)藥業有限公司) and distributed by the Group
"Mentholatum Product Range"	(曼秀雷敦系列), all products under the brand name of "Mentholatum" which are and/or were supplied by Mentholatum (China) Pharmaceuticals Company Limited (曼秀雷敦(中國)藥業有限公司) and distributed by the Group
"Min Tong Chisionhon Granules"	(明通治傷風顆粒), an OTC (A)/a Dual-Specification pharmaceutical product manufactured in Taiwan and imported from Pearl Shining
"Ministry of Health"	中華人民共和國衛生部 (the Ministry of Health of the PRC Government)
"Morning Gold"	Morning Gold Medicine Company Limited (金辰醫藥有限公司), a limited liability company incorporated under the laws of Hong Kong and held as to 51% and 49% by Mr. Zhao and Ms. Chan respectively. Morning Gold is a connected person of the Company
"Mr. Chan Weixiong"	Chan Weixiong (陳偉雄), a brother of Ms. Chan, holding 5% equity interest in Kingworld Department Store Property Management and 10% equity interest in King Gibson PRC
"Mr. Chan Zhanxiong"	Chan Zhanxiong (陳展雄), a brother of Ms. Chan and had held 80% equity interest in Jinbaoli until 15 January 2008
"Mr. Zhao"	Zhao Li Sheng (趙利生), the chairman, an executive Director and co-founder of the Company, chairman and co-founder of SZ Kingworld and the sole shareholder of Golden Land
"Ms. Chan"	Chan Lok San (陳樂燊), an executive Director and co-founder of the Company, vice president and co-founder of SZ Kingworld and the sole shareholder of Golden Morning
"Ms. Huang"	Huang Lanjiao (黃蘭嬌), mother of Mr. Zhao, holding 5% equity interest in SZ Kingworld from September 2002 to April 2006
"Nanchang Consultancy"	南昌市金活信息諮詢服務有限責任公司 (Nanchang City Kingworld Information Consultancy Services Company Limited), a company established in the PRC and an indirect wholly-owned subsidiary of the Company located in Nanchang, Jiangxi Province, the PRC

"Nanjiang IDS"	Nanjing IDS Marketing Co. Ltd. (南京利豐英和商貿有限公司), a company incorporated in the PRC and an Independent Third Party
"Nanning Consultancy"	南寧市金活商務服務有限公司 (Nanning City Kingworld Business Services Company Limited), a company established in the PRC and an indirect wholly-owned subsidiary of the Company located in Nanning, Guangxi Province, the PRC
"NBTY"	Nature's Bounty, Inc., a corporation organized and existing under the laws of the State of Delaware, the USA, and an Independent Third Party
"Nin Jiom Herbal Candy"	(京都念慈菴枇杷糖), a healthcare product manufactured in Thailand and imported from China Capital
"Nin Jiom Medicine"	Nin Jiom Medicine Manufactory (Hong Kong) Limited (京都念慈菴總廠有限公司), a company incorporated in Hong Kong with limited liability, the manufacturer of the Nin Jiom Pei Pa Koa and an Independent Third Party. According to the latest public search records, Nin Jiom Medicine, Great Pleasure and China Capital have two common shareholders whose interests in Nin Jiom Medicine, Great Pleasure and/or China Capital, as the case may be, are held through their shareholdings in certain companies and two common directors
"Nin Jiom Pei Pa Koa"	(京都念慈菴蜜煉川貝枇杷膏), a Cough Relieving Product manufactured in Hong Kong by Nin Jiom Medicine
"Nin Jiom Product Series"	Nin Jiom Pei Pa Koa and Nin Jiom Herbal Candy
"OEM"	original equipment manufacturer, which refers to a company that manufactures products, in whole or in part, in accordance with specifications of the customer and such products are marketed and sold under the customer's brand name
"Offer Price"	the final price for each Offer Share (exclusive of brokerage fee, SFC transaction levy and the Stock Exchange trading fee payable thereon) of not more than HK$1.60 per Offer Share and is expected to be not less than HK$1.33 per Offer Share at which the Offer Shares are to be offered for subscription pursuant to the Share Offer
"Offer Shares"	the Public Offer Shares and the Placing Shares

"OTC"	over the counter, a classification of pharmaceutical product which can be obtained without any doctors prescriptions. In the PRC, OTC products are further classified into "OTC (A)" and "OTC (B)", details of which are set out in the section headed "Regulatory overview" of this prospectus
"Over-allotment Option"	the option to be granted by the Company to the Sole Global Coordinator, pursuant to which the Company is required to allot and issue up to an aggregate of 22,500,000 Shares (representing in aggregate 15% of the number of Shares initially being offered under the Share Offer) at the Offer Price to, among other things, cover over-allocations in the Placing, details of which are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus
"Over-allotment Shares"	up to an aggregate of 22,500,000 Shares to be issued pursuant to the exercise of the Over-allotment Option, representing approximately 15% of the number of Shares initially available under Share Offer
"Pearl Shining"	Pearl Shining Co., of which Cheng Lok Yam, Ella, the sister-in-law of Ms. Chan, is the sole proprietor. Thus, Pearl Shining is a connected person of the Company
"Pharmaceutical Product Registration Certificate"	(醫藥產品註冊證), a registration certificate issued and approved by the SFDA for the importation of pharmaceutical product produced by a manufacturer in Hong Kong, Macao or Taiwan into the PRC with a valid period of five years
"Placing"	the conditional placing of the Placing Shares by the Sole Global Coordinator on behalf of the Company at the Offer Price with professional, institutional or other investors as described in the section headed "Structure and conditions of the Share Offer" of this prospectus
"Placing Shares"	the 135,000,000 Offer Shares initially being offered at the Offer Price for subscription under the Placing subject to reallocation and the Over-allotment Option as described in the section headed "Structure and conditions of the Share Offer" of this prospectus
"Placing Underwriting Agreement"	the conditional underwriting agreement to be entered into among the Company, the executive Directors, the Covenantors, the Sole Sponsor and the Sole Global Coordinator in relation to the underwriting of the Placing by the Sole Global Coordinator

"PRC" or "China"	the People's Republic of China, excluding Taiwan, Hong Kong and Macao
"PRC Customs"	中華人民共和國海關總署, (General Adminstration of Customs of the People's Republic of China)
"PRC EIT Law"	中華人民共和國企業所得税法 (PRC Enterprise Income Tax Law), which came into force on 1 January 2008
"PRC GAAP"	General Accepted Accounting Principles in the PRC
"PRC Government"	the Central People's Government of the PRC
"PRC Lawyer"	北京市海問律師事務所 (Haiwen & Partners), the PRC legal adviser to the Company
"PRC Trademark Office"	中華人民共和國國家工商行政管理總局商標局 (Trademark Office, State Administration for Industry and Commerce, the PRC)
"Price Determination Agreement"	the agreement to be entered into between the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) at or around the Price Determination Date to record the Offer Price
"Price Determination Date"	the date, expected to be on or around 18 November 2010 (Hong Kong time), when the Offer Price is determined and in any event not later than 23 November 2010
"Price Determination Time"	the time, expected to be at or before 5:00 p.m. on 18 November 2010 at which the Offer Price is determined and in any event not later than 12:00 noon on 23 November 2010
"Product Display Booth"	free-standing product display dump bin(s) for the display of Taiko Seirogan and Flying Eagle Wood Lok Medicated Oil under the name of "Kingworld Healthy Family" (金活健康之家)
"Product Display Booth Scheme"	the setting up of Product Display Booths in retail outlets in the PRC by SZ Kingworld
"Public Offer"	the conditional offer of the Public Offer Shares by the Company for subscription by members of the public in Hong Kong for cash at the Offer Price, payable in full on application, and subject to the terms and conditions described in this prospectus and in the Application Forms, as further described in the paragraph headed "The Public Offer" under the section headed "Structure and conditions of the Share Offer" of this prospectus

"Public Offer Shares"	the 15,000,000 Offer Shares initially offered at the Offer Price for subscription under the Public Offer subject to reallocation as described in the section headed "Structure and conditions of the Share Offer" of this prospectus
"Public Offer Underwriters"	the underwriters of the Public Offer listed in the section headed "Underwriting — Public Offer Underwriters" in this prospectus"
"Public Offer Underwriting Agreement"	the conditional underwriting agreement dated 11 November 2010 entered into among the Company, the executive Directors, the Covenantors, the Sole Sponsor, the Sole Global Coordinator and the Public Offer Underwriters in relation to the underwriting of the Public Offer by the Public Offer Underwriters
"Region(s)"	a particular region(s) of the PRC market within the distribution network of SZ Kingworld, details of which are set out in the sub-section headed "Distribution Network" under the section headed "Business" of this prospectus
"Remeje"	日美健藥品(中國)有限公司 (Remeje Pharmaceutical (China) Company Limited), a company established in the PRC, the Supplier of Bifina Probiotic Capsule, and an Independent Third Party
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Reorganisation"	the reorganisation of the Group effected in preparation of the listing of the Company on the Stock Exchange and as more particularly described in "The Reorganisation" in Appendix V to this prospectus
"Sales Regions 1, 2 and 3"	the three respective sales regions covered by SZ Kingworld's distribution network, details of which are set out in the section headed "Business — Distribution network" in this prospectus
"SFC"	The Securities and Futures Commission of Hong Kong
"SFDA"	中華人民共和國國家食品藥品監督管理局 (State Food and Drug Administration, the PRC)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

"SH Industry"	上海金活實業有限公司 (Shanghai Kingworld Industry Company Limited), a company established in the PRC with limited liability and held as to 90% and 10% by SZ Industry and Ms. Chan, respectively. SH Industry is a connected person of the Company
Shantou Ruichi	汕頭市瑞馳印務有限公司 (Shantou Ruichi Printing Company Limited), a company established in the PRC which is responsible for producing the labels for the Golden 100 Disney Range, and an Independent Third Party
Shantou Yuehui	汕頭市粵輝醫藥包裝材料廠有限公司 (Shantou Yuehui Medicine Packing Material Factory Company Limited), a company established in the PRC which is responsible for producing the paper boxes for the Golden 100 Disney Range, and an Independent Third Party
"Share Offer"	the Placing and the Public Offer
"Share Option Scheme"	the share option scheme conditionally adopted by the Company by written resolutions of the Shareholders passed on 5 November 2010, the principal terms of which are summarised in the paragraph headed "Share Option Scheme" in Appendix V of this prospectus
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	share(s) of HK$0.10 each in the share capital of the Company
"Shenzhen Yongxiang"	深圳市永祥醫藥有限公司 (Shenzhen Yongxiang Medicine Co. Ltd), a strategic investor having 5% equity interest in SZ Kingworld at the time of the establishment of SZ Kingworld on 19 April 1996. The beneficial owners of Shenzhen Yongxiang are Independent Third Parties and its nature of business includes the distribution of pharmaceuticals
"Sirio Pharma"	廣東仙樂製藥有限公司 (Sirio Pharma Company Limited), a company established in the PRC, holder of a Food Hygiene Licence (食品衞生許可證) which is valid until 25 September 2011, and an Independent Third Party
"Speedroad"	Speedroad Medical Information Company Limited, a limited private company incorporated under the laws of the PRC in 2004, and an Independent Third Party
"Speedroad Report"	PRC Pharmaceutical Products Market Competitiveness Report dated 12 July 2010 by Speedroad
"sq.m."	square metres

"Stock Borrowing Agreement"	the stock borrowing agreement to be entered into among Mr. Zhao, Ms. Chan and the Sole Global Coordinator, pursuant to which the Sole Global Coordinator may borrow up to 22,500,000 Shares to cover any over allocation in the Placing
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Sub-distributor Customer"	sub-distributor which has a contractual relationship with the Distributor Customer and/or SZ Kingworld for the purchase of the products distributed by the Group
"subsidiary(ies)"	has the meaning ascribed thereto in section 2 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it in the Listing Rules
"Superbrand"	an award presented by the Hong Kong Superbrands Council
"Supplier(s)"	include manufacturer(s), authorised distributor(s) and/or authorised agent(s) (as the case may be)
"SZ Industry"	深圳市金活實業有限公司 (Shenzhen Kingworld Industry Company Limited), a limited liability company established in the PRC which is wholly-owned by Kingkok International Enterprises. SZ Industry is a connected person of the Company
"SZ Kingworld"	深圳市金活醫藥有限公司 (Shenzhen Kingworld Medicine Company Limited), a company established in the PRC with limited liability on 19 April 1996 and an indirect wholly-owned subsidiary of the Company
"SZ Kingworld Lifeshine"	深圳金活利生藥業有限公司 (Shenzhen Kingworld Lifeshine Pharmaceutical Company Limited), a company established in the PRC with limited liability which is a direct wholly-owned subsidiary of Morning Gold and the manufacturer of the Kingworld Product Range and Imada Red Flower Oil. SZ Kingworld Lifeshine is a connected person of the Company
"SZ Warehouse"	a warehouse located in 301A, 302B, 401A and 402B of Xinyi Logistics Complex Building, Shabeili, Longdong, Longgang District, Shenzhen, Guangdong, the PRC which is operated and managed by SZ Kingworld
"SZDA"	中華人民共和國廣東省食品藥品監督管理局深圳市藥品監督管理局 (Shenzhen Drug Administration, GDFA)

"Tai San"	T. M. Lin Company Limited trading under the business name of Tai San Enterprise & Trading Co. (泰山企業貿易公司), a company incorporated under the laws of Hong Kong, being the Supplier of the Kawai Product Range and Kyushin Pill, and an Independent Third Party
"Taiko Seirogan"	(喇叭牌正露丸), an OTC (A) pharmaceutical product manufactured in Japan and imported from Etta Trading Company Limited (一德貿易有限公司), a company incorporated with limited liability in Hong Kong, and an Independent Third Party
"Taiyuan Consultancy"	太原市金活企業信息諮詢服務有限公司 (Taiyuan City Kingworld Information Consultancy Services Company Limited), a company established in the PRC and an indirect wholly-owned subsidiary of the Company located in Taiyuan, Shanxi Province, the PRC
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Termination Time"	8:00 a.m. on the Listing Date
"Track Record Period"	the period comprising the three financial years ended 31 December 2007, 31 December 2008, 31 December 2009 and the six months ended 30 June 2010
"TWDC (Asia Pacific)"	The Walt Disney Company (Asia Pacific) Limited (華特迪士尼(亞太區)有限公司), a company incorporated with limited liability in Hong Kong, and an Independent Third Party
"TWDC (Shanghai)"	The Walt Disney Company (Shanghai) Limited (華特迪士尼(上海)有限公司), a company established with limited liability in the PRC, and an Independent Third Party
"Twelve Subsidiaries"	Wuhan Consultancy, Beijing Consultancy, Wuxi Consultancy, Taiyuan Consultancy, Nanchang Consultancy, Lanzhou Consultancy, Xi'an Consultancy, Zhengzhou Consultancy, Fuzhou Consultancy, Hefei Consultancy, Hangzhou Consultancy and Nanning Consultancy
"Underwriters"	the Sole Global Coordinator and the Public Offer Underwriters
"Underwriting Agreements"	the Placing Underwriting Agreement and the Public Offer Underwriting Agreement
"USA" or "United States"	the United States of America

"USD"	United States dollar, the lawful currency of the USA
"U.S. Securities Act"	the Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, of the United States
"Wenjindu Customs"	中華人民共和國深圳文錦渡海關 (Wenjindu Customs House, Shenzhen Customs District, the PRC)
"Wenjindu EEIQB"	中華人民共和國深圳出入境檢驗檢疫局文錦渡出入境檢驗檢疫局 (Wenjindu Entry-exit Inspection and Quarantine Bureau, Shenzhen Entry-exit Inspection and Quarantine Bureau, the PRC)
"Wuhan Consultancy"	武漢市金活信息諮詢服務有限責任公司 (Wuhan City Kingworld Information Consultancy Services Company Limited), a company established in the PRC and an indirect wholly-owned subsidiary of the Company located in Wuhan, Hubei Province, the PRC
"Wuxi Consultancy"	無錫市金活信息諮詢服務有限責任公司 (Wuxi City Kingworld Information Consultancy Services Company Limited), a company established in the PRC and an indirect wholly-owned subsidiary of the Company located in Wuxi, Jiangsu Province, the PRC
"Xi'an Consultancy"	西安市金活信息諮詢服務有限責任公司 (Xi'an City Kingworld Information Consultancy Services Company Limited), a company established in the PRC and an indirect wholly-owned subsidiary of the Company located in Xi'an, Shaanxi Province, the PRC
"Xin Hua Peng"	深圳市新華鵬消毒劑有限公司, (Shenzhen Xin Hua Peng Sterilization Company Limited), a limited liability company incorporated in the PRC and held as to 95% and 5% by SZ Industry and an Independent Third Party, respectively. Xin Hua Peng is a connected person of the Company
"Yuen Tai"	Yuen Tai Pharmaceuticals Limited (遠大製藥廠有限公司), a limited company incorporated under the laws of Hong Kong, a direct wholly-owned subsidiary of Morning Gold and the manufacturer of the Fengbao Jianfu Capsule. Yuen Tai is a connected person of the Company
"ZH Warehouse"	a warehouse located at Level 1, Block B, Nanping Technology Industrial Park, 7 Pingxi San Lu, Zhuhai, Guangdong Province, the PRC which is operated and managed by Zhuhai Jinming

"ZHDA"	中華人民共和國廣東省食品藥品監督管理局珠海市食品藥品監督管理局) (Zhuhai Drug Administration, GDFA)
"Zhengzhou Consultancy"	鄭州市金活信息諮詢服務有限責任公司 (Zhengzhou City Kingworld Information Consultancy Services Company Limited), a company established in the PRC and an indirect wholly-owned subsidiary of the Company located in Zhengzhou, Henan Province, the PRC
"Zhuhai Jinming"	珠海市金明醫藥有限公司 (Zhuhai City Jinming Medicine Company Limited), a company established with limited liability in the PRC and held equally by SZ Kingworld and Guangdong Minglin
"%"	per cent
"‰"	per mill

The English versions of the Chinese names which are included in this prospectus are for identification purposes only and should not be regarded as the official English translation of such Chinese names or words unless stated otherwise. If there is any inconsistency, the Chinese names shall prevail.

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- the Group's business strategies and plan of operations;
- the amount and nature of, and potential for, future development of the Group's business;
- the Group's operations and business prospects, and the Group's Directors' expectations and estimates on the operations such as the receipt of sufficient inventories to meet the Group's distribution needs;
- the regulatory environment of the Group's industry in general;
- future development in the Group's industry; and
- the general economic trend and conditions of the PRC.

The words "anticipate", "believe", "consider", "could", "expect", "intend", "may", "plan", "seek", "will", "would", "with a view to" and similar expressions, and the negative of these words as they relate to the Group, are intended to identify a number of these forward-looking statements. These forward-looking statements reflecting the Directors' current views with respect to future events are not an assurance of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. One or more of these risks or uncertainties identified may materialise, whilst underlying assumptions on which the forward-looking statement are based may prove to be inaccurate.

Subject to the requirements of the Listing Rules, the Directors do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way as expected, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in the Shares. You should pay particular attention to the fact that the Group conducts its principal operations in the PRC, the legal and regulatory environment of which may differ in some respects from that which prevails in other countries. The business, financial condition or results of operations of the Group could be materially adversely affected by any of these risks. The trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO THE BUSINESS OF THE GROUP

Risk relating to Nin Jiom Pei Pa Koa

During the Track Record Period, a substantial proportion of the Group's revenue was derived from the sale of Nin Jiom Pei Pa Koa, which is a product manufactured by Nin Jiom Medicine and supplied directly by Great Pleasure. During the Track Record Period, the Group's turnover generated from the sales of Nin Jiom Pei Pa Koa was approximately RMB353.8 million, RMB357.1 million, RMB373.7 million and RMB229.2 million respectively, representing approximately 67.1%, 66.6%, 67.1% and 73.0% of the Group's total turnover respectively. For the three financial years ended 31 December 2009 and the six months ended 30 June 2010, aggregate purchases made by the Group from Great Pleasure for Nin Jiom Pei Pa Koa amounted to approximately RMB283.7 million, RMB288.1 million, RMB302.0 million and RMB134.1 million, respectively, representing approximately 66.3%, 70.9%, 73.1% and 64.1% of the Group's total purchases for these respective periods. Consequently, the Group's profitability, performance and financial results rely on, among other things, the sale of Nin Jiom Pei Pa Koa, the continued and undisrupted supply from Great Pleasure of Nin Jiom Pei Pa Koa and the Group's regional distribution right granted by Nin Jiom Medicine and Great Pleasure on a continued basis, and the performance of the Distributor Customers and the Sub-Distributor Customers.

Pursuant to the Distribution Agreement dated 22 April 2010, SZ Kingworld was appointed as the regional distributor for the Nin Jiom Pei Pa Koa in certain regions in the PRC for a term of three years commencing from the date of the Distribution Agreement. Prior to entering into the Distribution Agreement, no written agreement has been entered into among Nin Jiom Medicine, Great Pleasure and SZ Kingworld. Given that the Group's performance relied upon the distribution of Nin Jiom Pei Pa Koa, the Group may not have the bargaining power vis-à-vis Nin Jiom Medicine and Great Pleasure to negotiate terms favorable to the Group. The selling prices of the Nin Jiom Pei Pa Koa to be distributed by the Group to the Distributor Customers and by the Distributor Customers to the Sub-distributor Customers are set by Nin Jiom Medicine and Great Pleasure and are subject to their regular review. In the event that Nin Jiom Medicine and Great Pleasure increase the selling prices offered to the Group and the Group is unable to pass on such higher purchase costs to Distributor Customers and/or Sub-Distributor Customers, by way of increasing sales or selling prices offered to the Distributor Customers or decreasing other costs in amounts sufficient to offset such higher purchase costs, the profitability, performance and financial results of the Group may be materially and adversely affected. During the Track Record Period, the purchase prices of Nin Jiom Pei Pa Koa was increased but SZ Kingworld was unable to increase the price of Nin Jiom Pei Pa Koa supplied to the Distributors Customers because Great Pleasure requested not to do so, which to the best of the

Directors' understanding, was due to the reason for (i) maintaining a reasonable profit margin for the Distributor Customers; (ii) preventing the disincentive of the Distributor Customers to purchase Nin Jiom Pei Pa Koa from the Group; (iii) providing incentive for them to remain as the Group's customers so as to maintaining the market share of Nin Jiom Pei Pa Koa in the PRC, and (iv) avoiding non-compliance of the government price ceiling of Nin Jiom Pei Pa Koa by the retailers. In addition, the retail prices of Nin Jiom Pei Pa Koa set by retailers are subject to the price-ceiling guideline set by the relevant PRC government authorities, such price-ceiling remained the same since its promulgation in 2003. In the event that (i) the retail prices of Nin Jiom Pei Pa Koa have reached the price-ceiling set by the relevant PRC government authorities; (ii) the relevant PRC government authorities reduce the price-ceiling of the retail prices of Nin Jiom Pei Pa Koa; and (iii) Nin Jiom Medicine and Great Pleasure correspondingly lower the selling prices of the Nin Jiom Pei Pa Koa to be sold by the Distributor Customers and/or the Sub-distributor Customers without offering a lower purchase price to the Group or lowering such purchase price to a lesser extent, the Group's profit margin may be reduced. Pursuant to the Distribution Agreement, SZ Kingworld is also required to guarantee an increase of not less than 5% of the annual sales volume of Nin Jiom Pei Pa Koa of the previous calendar year. Prior to the entering of the Distribution Agreement, SZ Kingworld was not required to guarantee, and did not achieve, such increase. Accordingly, there is no guarantee that the Group can achieve the increase of not less than 5% of the annual sales volume of Nin Jiom Pei Pa Koa of the previous calendar year, which may require the Group to overstock Nin Jiom Pei Pa Koa and/or may result in the termination of the Distribution Agreement by Great Pleasure and/or Nin Jiom Medicine. Nonetheless, such overstocking has not occurred prior to the date of the Distribution Agreement.

Whilst the Group is one of the three distributors of Nin Jiom Pei Pa Koa in the PRC, the Group is not appointed by Nin Jiom Medicine and Great Pleasure as its sole and exclusive distributor in respect of certain agreed regions. In other words, Nin Jiom Medicine and/or Great Pleasure may appoint other distributors to compete with the Group in the agreed regions in which the Group operates. To a more extreme extent, Nin Jiom Medicine and/or Great Pleasure may sell Nin Jiom Pei Pa Koa directly in the PRC without going through any distributors and sub-distributors. Detailed terms of the Distribution Agreement are set out in the section headed "Business" of this prospectus.

In the event that the Group is unable to continue to secure the regional distribution right of Nin Jiom Pei Pa Koa upon the expiry or early termination of the Distribution Agreement, its business performance and profitability may be materially and adversely affected.

Furthermore, the Directors believe that brand awareness of and consumer's loyalty towards Nin Jiom Pei Pa Koa are critical to the success of the Group's business. Any circumstances which adversely affect the market acceptance and brand image of Nin Jiom Pei Pa Koa could have a material adverse effect on the business of the Group.

Reliance on other major Suppliers

The Group is engaged in the distribution and marketing of pharmaceutical and healthcare products and general foodstuffs, which is dependent upon the stable supply of products from the Suppliers. The Group's Suppliers may change their existing sales or marketing strategy in respect of the products that are distributed by the Group, including but not limited to, selling the products

directly in the PRC market without utilising any third party distributors such as the Group, changing their export strategy, reducing their sales or production volume or increasing their stipulated selling prices which would then reduce the profit margin for the Group. The Group's distribution rights in relation to Nin Jiom Pei Pa Koa which accounted for over 67% of the Group's revenue for the year ended 31 December 2009 are due to expire in 2013 pursuant to the Distribution Agreement. In the event that any of the Group's Suppliers change their sales or marketing strategy or otherwise withdraw the distribution rights granted to SZ Kingworld or appoint other distributors to distribute its products in the markets in which the Group operates, the Group's business, results of operations and financial performance may be materially and adversely affected.

Whilst the Group has not encountered any material contractual dispute with any of its Suppliers during the Track Record Period, should any of the distribution agreements with the Group's Suppliers be terminated, the Group's business prospects and financial performance may be materially and adversely affected.

Violation of laws and regulations by contracted Suppliers

The Group does not own or operate any manufacturing facilities. It depends on a number of Suppliers in different jurisdictions for the supply of its pharmaceutical products, healthcare products and general foodstuff. The failure of Suppliers contracted by the Group to comply with any regulatory requirements in their respective jurisdictions, including such requirements against infringement of intellectual property rights of third parties under the laws of the PRC, may result in their failure to obtain the necessary certificates, permits and licenses required under the applicable laws to conduct their manufacturing or other business activities, which could, in turn affect the supply of pharmaceutical and healthcare products and general foodstuffs available to the Group. There are no assurances that the Group will be able to identify suitable Suppliers as replacement on a timely basis and in such event, its business, financial performance and operations may be materially adversely affected.

Pursuant to a public declaration dated 1 February 2010 issued by Luen Wah on its company website, Luen Wah announced that it has not agreed in writing with any PRC manufacturers for the production of Imada Red Flower Oil and for the use of the registered trademark of "Imada" in the PRC. As such, Luen Wah may take legal action against SZ Kingworld Lifeshine, the manufacturer, and the Group's current Supplier, of Imada Red Flower Oil, on the allegation that such production of Imada Red Flower Oil by SZ Kingworld Lifeshine infringes on the intellectual property rights of Luen Wah in relation to Imada Red Flower Oil. As advised by the PRC Lawyer, SZ Kingworld Lifeshine obtained the pharmaceutical production permit (藥品生產許可證) issued by GDFA on 1 January 2006 and the pharmaceutical registration approval (藥品注冊批件) issued by SFDA on 7 March 2006. As stated in the pharmaceutical registration approval, "Imada Red Flower Oil" is a common pharmaceutical name (藥品通用名稱). According to the PRC Lawyer, in accordance with the relevant PRC laws, the holder of a specific right to use a registered trademark (注冊商標專用權人) has no right to prohibit the proper use of a common name of the merchandise (本商品通用名稱) by any other person even though such common name forms part of the registered trademark. As such, Luen Wah being the holder of aspecific right to use the registered trademark of "Imada Red Flower Oil" in the PRC, has no right to prohibit the proper use of "Imada Red Flower Oil" as a common pharmaceutical name by any other person. As confirmed by the Directors, the Imada Red Flower Oil manufactured by

SZ Kingworld Lifeshine and distributed by the Group only bears the name of "Imada Red Flower Oil", which is a common pharmaceutical name as stated in the pharmaceutical registration approval. Moreover, as confirmed by the PRC Lawyer, SZ Kingworld Lifeshine has obtained the pharmaceutical production permit (藥品生產許可證) issued by GDFA on 1 January 2006 and the pharmaceutical registration approval (藥品注冊批件) issued by SFDA on 7 March 2006 and has complied with the relevant PRC rules and regulations for the manufacturing of Imada Red Flower Oil in the PRC. After obtaining the relevant permit and approval, SZ Kingworld Lifeshine commenced the manufacturing of Imada Red Flower Oil in August 2010.

If such proceeding is instituted by Luen Wah, it may result in the cessation of the manufacturing of Imada Red Flower Oil by SZ Kingworld Lifeshine; and this would adversely affect the supply of Imada Red Flower Oil to the Group and consequently, the relevant business of the Group in respect of the distribution of Imada Red Flower Oil. As at the Latest Practicable Date, SZ Kingworld Lifeshine had not received any allegation for infringement on the intellectual property rights of Luen Wah in relation to Imada Red Flower Oil. Upon consultation with the PRC Lawyer, the Directors are of the view that the production of Imada Red Flower Oil by SZ Kingworld Lifeshine and the distribution by the Group of Imada Red Flower Oil purchased from SZ Kingworld Lifeshine in the PRC are valid under the laws of the PRC. Nonetheless, the Directors and the PRC Lawyer are of the view that the Group may still face risk of claims in purchasing Imada Red Flower Oil from SZ Kingworld Lifeshine for resale purpose, which may have an impact on the Group's financial performance. Each of the annual caps for the purchase and distribution of Imada Red Flower Oil from SZ Kingworld Lifeshine is expected to be RMB11.5 million, RMB25.0 million and RMB32.6 million for the financial years ended 31 December 2010, 2011 and 2012 respectively, which represent 2.1%, 4.5% and 5.9% of the Group's 2009 revenue respectively. In any event, SZ Kingworld Lifeshine has undertaken to indemnify the Group for any loss and expenses incurred by the Group, including any costs of purchase and litigation expenses arising from such claims pursuant to a deed of undertaking and indemnity entered into by SZ Kingworld Lifeshine in favour of the Group.

The Group may incur losses resulting from product liability claims as the quality of the products distributed by the Group is not under its control

Standard quality inspection of the products imported into the PRC for distribution by the Group is normally carried out by the relevant PRC authorities upon arrival of the products in the PRC. As a distributor, the Group is not responsible for the quality control of the production of the products it distributes. The products may contain undesirable side effects or harm that are unknown to the Group. Any contamination, whether arising accidentally or resulting from any deliberate acts of third parties, will adversely affect the reputation of the products it distributes, the Group's corporate image as well as its sales volume. Any contamination in the raw materials or defects in the relevant manufacturing processes of the products could lead to undesirable effects on the end-users and may result not only in reduced sales but also lead to claims or potential litigation against the Group. Under existing PRC laws, where a defective product causes personal injury and damage to properties, a victim may seek compensation from the manufacturer or the seller of the product; where a seller commits faults which results in a defective product and causes personal injury and damage, the seller shall be liable for compensation. Where the responsibility lies with the manufacturer, the seller shall, after settling compensation, have the right to recover such compensation from the manufacturer, and vice versa. Even if the manufacturer is responsible, the Group cannot be assured that it will be able to recover

the relevant amounts, or at all. The Group did not have any product liability claims made against it during the Track Record Period. As at the Latest Practicable Date, the Group, through the Twelve Subsidiaries and the representative offices' regular visits with the Distributor Customers for collecting information in relation to products distributed by the Group, did not receive any report of side effects or contamination of the products that might be harmful to the end-users. The Group cannot assure that the products it distributes will not be contaminated or have undesirable side effects on end-users in the future. Currently, the Group does not engage independent professionals to conduct quality inspection upon receiving products from the Suppliers. The Group will engage such independent professionals to conduct such quality inspection if necessary.

During the delivery of products from the Group's warehouses to its customers, the quality of the products may also be affected. Any failure on the part of the Group's Suppliers to maintain quality standards could materially and adversely affect the brand name and reputation of the products which the Group distributes, thus adversely affecting the Group's business prospects and financial performance. Pursuant to the distribution agreement entered into between SZ Kingworld and the Distributor Customers, products that are damaged, with incomplete packaging or inconsistent with the specifications as set out in the purchase orders may be returned by the Distributor Customers subject to the decision of SZ Kingworld. If customers lose confidence in the products which the Group distributes, they will no longer purchase these products and as a result, the Group's business, financial condition and results of operations may be materially and adversely affected.

Any failure to introduce new products, and any failure to gain market acceptance of the new products distributed by the Group, could have an adverse effect on its business

The Group currently distributes a portfolio of 49 products including pharmaceutical products, healthcare products, general foodstuffs and medical products sourced from 13 Suppliers. The Group's future growth is dependent on its ability to improve its existing product line and diversify the Group's product range that can meet the requirements of the changing market. The Group intends to expand its product range by targeting new consumer groups. Factors that could affect the Group's ability to introduce new products include, among others, limited capital resources, government regulations, the inability to attract and retain competent sales and marketing staff and any failure to anticipate changes in consumer tastes and purchase preferences.

There is no assurance that the Group will be able to identify new products with significant market value. In practice, the Group sources new products through its international sourcing department. Due to the rapidly changing nature of the pharmaceutical and healthcare industry in the PRC, there can be no assurance that the Group will be able to identify trends in consumer preferences or needs and introduce new products that respond to such trends in a timely manner or at all.

In addition, the Group cannot ensure that it will be able to launch any new products or that they will become commercially successful. New products that appear to be promising at their early phases of sale may not be able to maintain their performance. Even if such new products can be successfully launched, they may not achieve the level of market acceptance that the Group expects. Any delay or failure to identify and introduce new products may significantly impede the Group's business and results of operation and its ability to compete.

The launch of a new product involves considerable time and costs which may affect the Group's ability to manage its existing business and operations. Moreover, the introduction of new products involves risks such as the lack of experience in the management and promotion marketing, regulatory compliance and market positioning of the new products. In addition, the Group may not be able to reach agreements with its Distributor Customers and/or Sub-distributor Customers on commercially reasonable terms or at all for the distribution of such new products.

The Group's efforts to expand into the new markets may not be successful

The Group intends to introduce some of its existing and/or new products into new markets such as Hong Kong and Macao. The Group may not have sufficient experience to operate in the new market and could face considerable challenges in its expansion into the new markets, including:

- lack of local presence and familiarity with local business practices;
- shortage of personnel with both necessary language skills and technical capabilities;
- burdens or cost of complying with foreign laws and regulations, including unexpected changes in regulatory requirements;
- volatility in currency exchange rates;
- changes in political, regulatory or economic conditions in these countries;
- economic slowdown in any of these countries;
- actual market demand for its products;
- foreign exchange controls or other regulatory restrictions that might prevent it from repatriating income earned in such countries; and
- greater difficulty in collecting accounts receivables.

Any of the foregoing risks could have a negative impact on the Group's efforts to expand its markets, which in turn may materially and adversely affect its business, financial condition and results of operations.

There is no assurance that the Group will be able to successfully implement its business plans

Details of the Group's objective, strategies and future plans are set out in the sections headed "Business — Objective and strategies" and "Future plans and use of proceeds" in this prospectus. The successful implementation of the Group's business plans depends on a number of factors including, among others, continued growth of the pharmaceutical and healthcare product market in the PRC and other new markets, the availability of funds, competition and change in government policies. There

is no assurance that the Group will be able to implement its business plans as scheduled nor that any such plans will be as successful as contemplated by the management. Any failure or delay in achieving any or all of the Group's business plans may have an adverse effect on the Group's profitability and prospects.

Possible failure to integrate future acquired businesses successfully into the existing operations of the Group

To enhance the growth of the Group, the Group may acquire distribution business of well-established distributors with a stable cash flow, an established network of retail outlets and good credit terms with financial institutions and its customer base. The ability of the Group to expand through acquisitions depends on the ability to identify, negotiate and complete acquisitions and to obtain sufficient financing if necessary. Even if the Group successfully completes an acquisition, it may experience:

- delays or failures in realizing the benefits of the acquired business;
- diversion of the management of the Group's time and attention from its other business concerns;
- higher costs of integration than the Group anticipated; or
- difficulties in retaining key personnel of the acquired business who are necessary to manage the acquired business.

If the distribution businesses to be acquired operate outside the PRC or offer products that are different from the existing products lines which the Group distributes, the Group's risk exposure may increase due to the Group's lack of experience in the businesses newly acquired. The Group's failure to integrate any acquired businesses successfully into its existing operations may have an adverse and material adverse effect on the Group's operation and results.

Moreover, as the customers of the distribution businesses to be acquired will become the customers of the Group upon completion of the said acquisition, the Group would have to assess the credibility of these new customers and if they are found to be less credible than existing customers of the Group, the Group may consider giving them credit term less favourable than those given to its existing customers. The Group's liquidity and operational cash flows may be materially and adversely affected if the Group encounters a material increase in default of payment from such new customers.

Seasonality of demand for Nin Jiom Pei Pa Koa and Taiko Seirogan

Sales of Nin Jiom Pei Pa Koa experienced seasonal fluctuations. During the Track Record Period, the sales revenue of Nin Jiom Pei Pa Koa was generally higher during the winter seasons.

Other than Nin Jiom Pei Pa Koa, Taiko Seirogan also experienced seasonality effect during the Track Record Period. Nonetheless, promotional activities were launched by the Group to promote the sales of Taiko Seirogan in the low season so as to reduce the seasonality effect for Taiko Seirogan.

As a result of these seasonal fluctuations, comparisons of sales and operating results between different periods within a single financial year, or between different periods in different financial years, are not necessarily meaningful and cannot be relied on as indicators of the Group's performance. In addition, if the Group fails to respond to any seasonal change in consumer preferences and market trends and to adjust its product supply, the Group's sales performance for that season or period may be materially and adversely affected.

The Group may be susceptible to, among other things, product liability claims and payment of compensation of the products in relation to their representation of attributes or intended effects

The Group's marketing and promotional campaigns rely heavily on the assertions and implications that the products will have particular effects and offer particular solutions to the end-users. For example, the Group claims in its promotional materials that Flying Eagle Wood Lok Medicated Oil is effective in soothing pains in muscles and joints and relaxes nerves. If end-users challenge or claim that the products are not as effective as the Group suggests they are, the Group may incur legal and financial liabilities which could be costly and time-consuming and may divert financial and other resources away from its business operations. As a result, the Group's reputation, business, financial condition and results of operations may be materially and adversely affected.

The Group's marketing and promotional activities are critical to the success of the products which the Group distributes

The Group issues an annual sales and marketing guideline setting out the expected sales target of its products for each year which is followed and executed by its sales and marketing teams. Other than its own resources, the resources for the Group's marketing and promotional activities are provided by its Suppliers. The Group markets its pharmaceutical and healthcare products mainly through various promotional campaigns such as the Product Display Booths at the retail outlets, supplemented by advertisements in newspapers and other public means. In addition, the Group's sales and marketing staff regularly visit various retail outlets such as pharmacies and clinics to collect sales data for marketing purpose. During the Track Record Period, Suppliers of certain products that the Group distributes had engaged celebrities as their product ambassadors for the promotion of their products. A PRC celebrity was engaged and paid by Nin Jiom Medicine as the ambassador for the Nin Jiom Product Series in the PRC from July 2005 to July 2010.

These various marketing and promotional activities are crucial to the success of the products the Group distributes. However, the Group cannot ensure that the engagement of celebrities by the Suppliers can be on a continuous basis and that the resources provided by the Suppliers on marketing and promotional activities will be adequate. Any factors adversely affecting the Group's ability to

maintain its marketing and promotional activities, such as the availability of resources to conduct such marketing and promotional activities, may have an adverse effect on the market share, brand name and reputation of the products the Group distributes, which can result in decreased demand for its products and adversely affect the Group's business and results of operation.

Violation of PRC advertising laws by the Group

The relevant PRC laws and regulations require advertising content to be fair and accurate, not misleading and in full compliance with applicable laws. Contents of advertisements relating to the pharmaceutical and healthcare products distributed by the Group must be filed with the provincial agency of the SFDA or other competent authorities, and the required permits and approvals from the provincial agency of the SFDA or other competent authorities must be obtained before their publication or broadcasting. Violation of these laws or regulations may result in penalties, including fines, orders to cease dissemination of the advertisements, orders to publish an advertisement correcting the misleading information and even criminal liabilities. In severe circumstances, the provincial agency of the SFDA may issue a safety warning to the public and publish the names of the violators. In addition, the Group cannot assure that regulators will not interpret such laws and regulations differently than the Group do, or will deem its advertising content to be fair and accurate. See "Regulation Overview — Advertising" If the Group and/or its Suppliers is found to have committed any violations, certain of the advertising activities in relation to the products distributed by the Group may be discontinued, the Group may not be able to publish new advertisements in a timely manner, and therefore the Group's turnover and reputation could be materially affected. Moreover, government actions and civil claims may be filed against the Group and/or its Suppliers for misleading or inaccurate advertising. The Group may have to spend significant resources in defending against such actions, and these actions may damage its reputation, result in reduced turnover, and negatively affect its results of operations. During the Track Record Period, the Group had not violated any laws or regulations in the PRC in relation to advertising and had not received any actions or claims filed against the Group. Having made reasonable enquiries with the Suppliers, the Directors were not informed or made aware of any actions or claims in relation to the advertisements of the products distributed by the Group.

Product counterfeiting and/or parallel importing may occur

There is no assurance that counterfeit products or parallel imports of the products which the Group distributes will not infiltrate the PRC markets. The Group may be compelled to take legal action and/or seek assistance from investigation agencies, enforcement agencies and authorities in the eradication, prohibition and/or deterrence of counterfeiting activities and/or parallel importing. The Group had not received any report of counterfeit products or parallel imports of the products which the Group distributes during the Track Record Period. Should any product counterfeiting or parallel importing occur, the Group's financial performance as well as profitability may be materially and adversely affected.

The Group has limited control over its distribution network

As the Group does not operate any retail outlets, the Group relies on the Distributor Customers and the Sub-distributor Customers for the sale of products distributed by the Group. In addition, the

Group relies on the Distributor Customers to manage the Sub-distributor Customers as the Group only has contractual relationships with the Distributor Customers (other than for the Nin Jiom Product Series and Taiko Seirogan where a tripartite distribution agreement has been entered into between SZ Kingworld, the Distributor Customers and the Sub-distribution Customers in order to regulate the prices of such products). As a result, the Group's control over the sales by the Distributor Customers, the Sub-distributor Customers and the retail outlets which they operate is limited. If such customers experience difficulties in selling the products distributed by the Group, they may attempt to liquidate their excessive inventory build-up through aggressive discounts, which may damage the image and the value of the products distributed by the Group. Furthermore, difficulties faced by the Distributor Customers, the Sub-distributor Customers and the retail outlets which they operate, may in the future lead to reduced purchases from the Group, which would adversely affect the results of operations of the Group.

The Group may not be able to accurately monitor the inventory level of its customers

The Group's control over the sales by its customers is limited. The Group will monitor the performances of the Distributor Customers by making monthly visits and reviewing reports on their distribution flow and inventory levels. Such policy however, requires the cooperation of the Distributor Customers (i) to manage the Sub-distributor Customers and (ii) to accurately and timely report and submit the relevant data to the Group, and the Group may not be able to fully ensure the accuracy of the data provided by the Distributor Customers. Due to the above reasons, the Group may not be able to accurately monitor the inventory level of the customers that sells products distributed by the Group, or to identify or prevent any excessive inventory build-up of products distributed by the Group.

Customers do not give long-term purchase commitments

Historically, the Group's customers did not give long term purchase commitments in the distribution agreements entered into between the customers and SZ Kingworld and renewed on an annual basis. Under such agreements, an annual sales target is set by the Group and the customers are entitled to a rebate if they meet their annual target. Given the short-term purchase commitment, customers of the Group may cease to place or reduce the number of, or cancel or defer purchase orders. The Directors believe that the Group has established business relationships with its major customers, however, there can be no assurance that any of its major customers will continue to place orders at the current levels of demand with the Group in the future and that the income generated therefrom will increase or be maintained in the future. Any unexpected cessation of, or substantial reduction in, the volume of order from any of the major customers may adversely and materially affect the Group's business and financial performance.

The Group may experience delays in collecting trade and bills receivables from customers

The Group grants an open account with a credit term of 30 to 90 days to its customers. Most of the customers make payments by telegraphic transfer. To the extent that revenue recognized under a purchase order has not been received, the Group records it as a trade and bills receivable. As at 31 December 2009, the Group had an aggregate trade and bills receivables of approximately RMB111,745,000. Impairment losses in respect of trade and bills receivables are recorded using an

allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. As at 31 December 2009, of the total amount of trade and bills receivables net of allowance for doubtful debts, RMB19,092,000 had been outstanding for 91 to 180 days from the time the revenue was recognized, RMB16,047,000 had been outstanding for 181 days to one year from the time the revenue was recognized, and RMB1,095,000 had been outstanding for over one year from the time the revenue was recognized.

As at 30 June 2010, of the total amount of trade and bills receivables net of allowance for doubtful debts, RMB17,682,000 had been outstanding for 91 to 180 days from the time the revenue was recognized, RMB9,033,000 had been outstanding for 181 days to one year from the time the revenue was recognized, and RMB282,000 had been outstanding for over one year from the time the revenue was recognized. The allowance for doubtful debts as at 31 December 2007, 2008, 2009 and 30 June 2010 was RMB2.6 million, RMB2.8 million, RMB2.8 million and RMB2.8 million respectively.

The Group's liquidity and operational cash flows may be materially and adversely affected if the trade receivable cycles or collection periods lengthen or if the Group encounters a material increase in default of payment from customers. Should these events occur, the Group may be required to obtain working capital from other sources, such as from third-party financing, in order to maintain the Group's daily operations, and such financing from outside sources may not be available or alternatively it may be available on terms which are not favourable to the Group.

Reliance on independent delivery agents

The SZ Warehouse is operated and managed by SZ Kingworld for the storage of all of SZ Kingworld's products. The Nin Jiom Product Series that are being distributed in the Guangdong Province by Zhuhai Jinming are stored in the ZH Warehouse. During the Track Record Period, SZ Kingworld entered into contracts with several independent delivery agents for the delivery of the products the Group distributes from the SZ Warehouse/ZH Warehouse to the Group's customers at various designated regions in the PRC. The failure of such delivery agents to comply with the terms of the contracts or any regulatory requirements may result in their failure to conduct their business activities, which could affect the delivery of products to the Group's customers on a timely basis. There is no assurance that the Group will be able to identify other suitable delivery agents as replacement on a timely basis and in such event, its business, financial performance and operations may be adversely and materially affected.

Difficulties encountered by the Group in expanding its distribution network

One of the key elements of the Group's business strategy is to expand its distribution network. However, the success of its expansion plan is subject to, among other things, the following factors:

- the existence and availability of suitable regions and locations for expansion of its distribution network;

- the availability of suitable distributors and sub-distributors;

- its ability to negotiate favorable cooperation terms with such distributors and sub-distributors;
- the availability of adequate management and financial resources;
- its ability to hire, train and retain skilled sales representatives; and
- the adaptation of its logistics and other operational and management systems to an expanded distribution network.

Accordingly, the Group cannot give assurance that it will be able to achieve its expansion goals or effectively integrate any new distributors and sub-distributors into its existing network. If it encounters difficulties in expanding its distribution network, its growth prospects may be limited, which in turn may have an adverse and material effect on its business, financial condition and results of operations.

Uncertainty in obtaining external financing and significant level of borrowing of the Group

The Group generally funds its operations from, among other things, the sale proceeds of its product, capital injections by the Controlling Shareholders and short-term (repayable within 1 year or on demand) and long-term (repayable after two years but within five years) borrowings from independent financial institutions. To finance its ongoing operations, existing and other acquisition and investment plans, the Group may need to obtain financing from external sources to supplement its operations in the future. Its ability to obtain external financing in the future is subject to a variety of uncertainties, including, among other things:

- regulatory approvals to raise financing in the domestic or international markets;
- its financial condition, results of operations, cash flows and credit history;
- the condition of the global and domestic financial markets; and
- changes in the PRC monetary policy with respect to bank interest rates and lending practices and conditions.

The Group has relied on both short-term and long-term borrowings to fund a portion of its capital requirements, and expects to continue to do so in the future. During the Track Record Period, all the Group's bank borrowings are from banks in the PRC. As at 31 December 2009, the Group had long-term and short-term interest bearing bank borrowings totaling approximately RMB306.6 million, representing approximately 47.8% of the Group's total assets as at the same date, with net current assets of approximately RMB160.4 million. As at 30 June 2010, the Group had long-term and short-term interest bearing bank borrowings totaling approximately RMB255.8 million, representing approximately 50.2% of the Group's total assets as at the same date, with net current assets of approximately RMB140.0 million. During the Track Record Period, the Group had not experienced any difficulties in obtaining and renewing any bank loans.

The Group may face financial and operational risks if the interest rate or financial environment change, or if its cash flows and capital resources are insufficient to finance its debt obligations. The Group may be forced to sell its assets, seek additional capital or restructure or refinance its indebtedness from other sources, all of which may not be successful. Failure to repay the Group's debt may result in the imposition of penalties, additional undertakings or obligations, including increases in interest rates, legal actions by its creditors and bankruptcy and, therefore, may adversely and materially affect the financial position of the Group.

The Group cannot give any assurance that it will be able to obtain bank loans or renew existing credit facilities in the future on favourable terms, if at all, or that any fluctuations in interest rates will affect the amount of debt payments. If adequate funding is not available to the Group on favourable terms, if at all, it may not be able to fund its existing operations and develop or expand its business, and therefore its business, financial condition and results of operations may be materially and adversely affected.

The Group's information technology system failure or breakdown may cause interruptions to the its business

The Group acquired and installed an ERP System in 2005 to monitor and manage its inventory level and daily operations for the distribution of its products. A failure or breakdown of any part of its information technology system may interrupt its normal business or operations, result in a slowdown in operational and management efficiency and adversely affect its ability to meet its distribution schedules. No failure or breakdown of any part of its information technology system has been reported during the Track Record Period. Any termination of service contract with the system providers may adversely affect the Group's business, financial condition and results of operations.

Loss or withdrawal of licences, permits and all other necessary approvals for the Group to operate

In accordance with PRC laws and regulations, the Group is required to obtain and maintain different licenses and permits for the import and distribution of pharmaceutical products, healthcare products and general foodstuffs in the normal course of its business. During the Track Record Period, the Group was able to obtain the relevant licences and permits for the operation of the Group's business. As at the Latest Practicable Date, the Pharmaceutical Product Registration Certificates of Fengbao Jianfu Capsule and Min Tong Chisionhon Granules had expired and the Group expects the renewed certificates for each of Min Tong Chisionhon Granules and Fengbao Jianfu Capsule, will be obtained in April 2011 and December 2010 respectively. Each of the two products contributed 0.2% and 0.2% of the Group's revenue for the financial year ended 31 December 2009 and 3.2% and nil% for the six months ended 30 June 2010. Before obtaining the renewed licenses, the Group will not import any of such products into the PRC and will only sell the remaining stock on hand or may apply for a one-off import permit. The Directors confirmed that as at the Latest Practicable Date, the Group complied with all relevant laws and regulations for the operation of its business. Although the Group has experienced delays in renewing certain licenses, permits and/or approvals, the Group has not encountered any refusals of non-renewal of licenses, permits and/or approvals. Loss of or failure to

renew or obtain or maintain the relevant licenses and permits could lead to temporary or permanent suspension of the Group's distribution operations. If the Group fails to comply with licensing or other regulatory requirements, its business, financial condition and results of operations may be adversely affected.

The Group may not be able to pass the increase in purchase price of the major products which the Group distributes to the Distributor Customers

During the Track Record Period, the purchase prices of Nin Jiom Pei Pa Koa and Taiko Seirogan had been raised by the respective Suppliers. The purchase prices of Nin Jiom Pei Pa Koa were increased because its cost of production had increased during the Track Record Period. As shown in the table in the sub-section headed "Pricing" under the "Business" section of this prospectus, SZ Kingworld was able to raise the price of Taiko Seirogan supplied to the Distributor Customers to maintain its profit margin but it was not able to increase the prices of the Nin Jiom Pei Pa Koa supplied to the Distributor Customers as it was requested by Great Pleasure not to do so, resulting in a decrease in the Group's gross profit margin in 2009 as compared to the year 2008. In the event that the respective Suppliers further increase the price of the products sold to the Group, and the Group is not able to raise its selling price to the Distributor Customers, this may have a material adverse effect on the Group's profitability.

Insurance coverage may not be sufficient to cover the risks relating to the Group's operations

Although the Group has not encountered any major accidents in the course of its operations during the Track Record Period which may have caused property damage and/or personal injuries, there is no assurance that the Group will be able to prevent any unforeseeable accidents in the future. The Group has procured the necessary insurance coverage, including but not limited to social security insurance, property all risks insurance and insurance for the transportation of the products the Group distributes in the PRC. Further particulars on the insurance policies are set out in the sub-section headed "Insurance" under the section headed "Business" in this prospectus. Although there had been no product liability claims during the Track Record Period, the Group faces exposure to such claims in the event that any of its products are alleged to have caused property damage, bodily injury or other adverse effects. Losses incurred or payments that the Group may be required to make as a result of the above claims could have a material adverse effect on the Group's results of operations if such losses or payments are not adequately insured.

Reliance on the experience of key executives and management personnel

The Group's success to date, has been attributable to the management skills and experience of the Directors and the senior management as mentioned in the section headed "Directors, senior management and staff" in this prospectus as well as their established relationships with the Group's customers and Suppliers. There can be no assurance that senior management will continue to perform as well as they have done in the past, and that the Group will be able to retain their services when their contracts expire. There can also be no assurance that (i) qualified personnel can be found to replace any possible loss of such key personnel and/or (ii) staffs with relevant experience can be identified to manage potential distribution business which may be acquired by the Group which may adversely and materially affect the Group's profitability and operations.

Any change in the Group's tax treatment could have a material adverse effect on the results of its operations

On 16 March 2007, the PRC Government enacted the PRC EIT Law, under which most domestic enterprises and foreign invested enterprises are subject to a uniform income tax of 25%. The PRC EIT Law became effective on 1 January 2008, when the Foreign-Invested Enterprise and Foreign Enterprise Income Tax Law (《中華人民共和國外商投資企業和外國企業所得税法》) and the Enterprise Income Tax Provisional Regulations of the PRC expired. The PRC EIT Law provides for a five-year transition period starting from 1 January 2008 for enterprises that enjoy low tax rate preferences. Under the PRC EIT Law, those enterprises established prior to 16 March 2007 which were eligible for tax exemption or reduction in accordance with the prior tax laws and regulations are eligible to continue to enjoy any existing preferential tax treatments until their expiration, but for foreign invested enterprises that did not make profit, such preferential tax treatment is deemed to commence from 1 January 2008. Both SZ Kingworld and Zhuhai Jinming currently enjoy preferential tax treatments, which are subject to progressive increases in tax rates during the transition period.

Effective tax rates for SZ Kingworld and Zhuhai Jinming during the Track Record Period were 17.8%, 24.3%, 20.5% and 26.6% respectively while the enterprise income tax rate for the Twelve Subsidiaries during the Track Record Period were 33%, 25%, 25% and 25%, respectively. The Group's income tax expenses may increase substantially after the expiration of such preferential tax treatments. There is no guarantee that the above mentioned preferential tax rate policies enjoyed by SZ Kingworld and Zhuhai Jinming will not be withdrawn or amended by the relevant authorities in the PRC in the future before the expiry. If the relevant preferential tax policies are withdrawn or amended, the profitability of the Group may be materially and adversely affected.

Dividends payable from the Company's PRC subsidiaries may become subject to withholding taxes under the PRC tax laws

The Company was incorporated in the Cayman Islands and its income mostly comes from dividends that it receives from its subsidiaries. Before the introduction of the PRC EIT Law, dividends derived from its business operations in the PRC were exempted from income tax under PRC law. Under the PRC EIT Law, dividends payable by a foreign invested enterprise to its foreign investors are subject to a 10% withholding tax, unless such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement. Pursuant to an applicable tax treaty between the PRC and Hong Kong, a company incorporated in Hong Kong, such as HK Kingworld, which owns the entire interests in all of the Company's PRC incorporated subsidiaries will be subject to a withholding tax at the rate of 5% of dividends it receives from a company incorporated in the PRC if it holds a 25% or more equity interest in such PRC company paying the dividends, such as SZ Kingworld.

The Company is a holding company that relies on dividend payments from its subsidiaries for funding

The Company is a holding company incorporated in the Cayman Islands and its operations are conducted through its subsidiaries in Hong Kong and the PRC. Therefore, the availability of funds to

pay dividends to the Shareholders and to repay its indebtedness depends on dividends received from its subsidiaries. If its subsidiaries incur any debts or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to the Company. As a result, the Company's ability to pay dividends or other distributions and to repay its indebtedness will be restricted.

PRC laws stipulate that reserve fund and staff incentive and welfare fund shall be drawn fromthe profits of foreign-funded enterprises after payment of income tax in accordance with PRC tax laws. Foreign-funded enterprises shall not distribute profits before offsetting losses from previous accounting years; undistributed profits from previous accounting years can be distributed together with the distributable profits of the current accounting year. Remittance of profits after tax and dividends by foreign investors of foreign invested enterprises shall be paid out of its foreign exchange account or redeemed at designated banks for foreign exchange upon presenting a board resolution in relation to profit distribution.

Wrongdoings by employees of the Group and by other third parties

As at the Latest Practicable Date, the Group had a total of 378 employees. Employee wrongdoings at different operation levels could reduce the operational efficiency and business performance and may even result in violations of laws, third party claims and regulatory actions against the Group causing reputation or financial damage to the Group.

There is no assurance that all the employees of the Group will conduct their duties at all times in good faith and in a manner which is in full compliance with the laws and the Group's policies. In addition, third parties and business associates of the Group such as Suppliers or customers may act fraudulently or commit wrongdoings against the Group such as the deliberate provision of defective products by Suppliers or payment of counterfeit banknotes by customers. As such, there is no assurances that the Group will be able to prevent or detect all incidents of wrongdoings committed by such third parties which could adversely affect its business operation, reputation and financial performance.

RISKS RELATING TO THE INDUSTRY

Change in price control policy in the PRC may restrict the freedom for setting the prices of certain products which the Group distributes

The prices of certain pharmaceutical products are subject to the control of the relevant state and provincial price administration authorities in the PRC. In practice, price control policies imposed by the PRC government include but are not limited to setting a ceiling on the retail prices of such price-controlled products. The actual price for any given price-controlled products set by manufacturers, wholesalers/distributors and retailers cannot exceed the price ceiling imposed in accordance with the applicable government price control policies.

Four kinds of pharmaceutical products distributed by the Group, namely Kingworld Gan Mao Qing Capsule, Nin Jiom Pei Pa Koa, Taiko Seirogan and Kyushin Pill, are subject to government price restrictions. During the Track Record Period, the revenue contributed by price-contolled products accounted for 79.32%, 81.24%, 75.35% and 80.26% of the Group's turnover, respectively. Due to the number of its Distributor Customers and Sub-distributor Customers, the Group may not have adequate control over their pricing and distribution policies in the PRC market and there is no assurance that all such customers within the Group's distribution network will strictly adhere to the Group's pricing

and other distribution policies. The failure of the such customers to adhere to the Group's pricing and distribution policies may subsequently induce price fluctuation and adversely affect sales of the products. Details of the regulatory price control over the products the Group distributes in the PRC are set out in the section headed "Regulatory Overview" under the sub-section headed "Price Controls" in this prospectus. The Directors expect that the relevant regulatory price control over the products distributed by the Group will continue to be imposed after the Listing unless otherwise ordered by the relevant PRC authorities.

If the relevant PRC government authorities determine that any of the Group's customers are involved in activities in violation of PRC law or regulation, the Group would have to cease its business relationships with such customers. There can be no assurance that in such event the Group would be able to locate replacements in a timely manner or at all. Moreover, the loss of such customer(s) in such circumstances may have an adverse and material effect on the Group's corporate image and business prospects, results of operations and financial condition.

Compliance with new regulations on supervision of product quality and safety imposed by the PRC Government

In common with other consumer product distributors, the Group may be subject to product liability claims and penalty by the relevant PRC government authorities in the PRC market in which the Group distributes its products if such products are found to be unfit for consumption. Due to the increased national and international press coverage in relation to, among other things, tainted milk and food safety in the PRC, the PRC government may impose stricter control measures on product safety and quality.

There can be no assurance that the Group may be able to respond immediately to the changes in product standards issued by the PRC government or have sufficient time to ensure compliance by its overseas manufacturers with such revised standards in the production of its products. In any case, constant vigilance on changes to product standards and additional efforts to comply with new product standards and control measures, upon their imposition by the PRC government, will certainly give rise to further costs and expenses on the part of the Group. In such case, the business operation and financial performance of the Group may be materially and adversely affected.

Effect of the PRC healthcare reform on the PRC pharmaceutical industry

The healthcare system in the PRC has undergone and evolved over various stages of reform since the Chinese Communist Party took control of the country in 1949 and is still in the progress of undergoing further reform. On 21 January 2009, the Chinese government announced that it expects to spend approximately RMB850 billion on healthcare reform in the PRC in the next three years and highlighted five focus areas, including: (1) to expand basic healthcare insurance programs including to insure 90% of its urban workers, residents and rural residents by 2011, and to increase government contribution to rural residents and urban non-employed population from current RMB40-80 per person to approximately RMB120 per person; (2) to establish an Essential Drug List ("EDL"), and more importantly, an EDL implement system that would ensure quality supply of these drugs at an affordable pricing to its people, especially its rural residents; (3) to improve the basic medical system

with an emphasis on third and fourth tiers hospitals, township medical centres, remote area village clinics, and low-income region city community medical centres; (4) to promote public medical service parity and establish a nationwide standard "health record" for the entire population; and (5) to reform public hospitals.

While the overall view of such reform is positive for the pharmaceutical industry in the PRC, there may be negative effects as follows: (1) executive risk: the anticipated spending may be slower and it may be more time consuming and requires larger amount of funding than it was announced; (2) sufficiency of funding: the amount of approximately RMB850 billion requires 75% to be financed by local government; (3) reduction in prices: centralized procurement through EDL may lead to reduction in prices of drugs but may be compensated by increased sale volume; and (4) favouring larger companies: such reform may favour larger pharmaceutical companies with more drug products and resources in comparison with smaller companies.

The PRC pharmaceutical distribution industry is highly competitive

The Group's business is subject to competition from other pharmaceutical distributors. Chinese and international pharmaceutical distributors engaged in the distribution of substitute or products similar to the products the Group distributes in the PRC may have more resources, a wider distribution network and more experience in distribution. Competition is likely to intensify if (i) the number of distributors of substitute or similar products increases due to increased market demand or increased prices; (ii) competitors drastically reduce prices due to oversupply of products; or (iii) competitors distribute new products or substitute products having comparable medicinal applications or therapeutic effects that may be used as direct substitutes for the products the Group distributes which are more effective with prices comparable to or lower than the products the Group distributes. If any of the above occurs, the Group's business, operational results and financial conditions may be adversely affected.

Successful launch of competitive or substitutable lines to the products which the Group distributes may adversely affect the Group's profitability

Although the current pharmaceutical and healthcare products distributed by the Group are well established in the market, it is possible that products with similarly functions may be developed and marketed as direct substitutes. If such substitutes are successfully launched in the market and these substitutes are not distributed by the Group, the Group's profitability may be adversely materially affected.

Disruptions in the global financial markets and the resulting governmental action in the PRC and in other parts of the world could have a material adverse impact on the Group's results of operations, financial condition and cash flow

The recent global financial crisis has adversely affected the United States, and other countries' economies, including the PRC. As the financial crisis has broadened and intensified, the growth of the PRC's overall economy has been negatively impacted. The on-going financial crisis affecting the banking system and financial markets has also resulted in a tightening of credit markets, a low level of liquidity in many financial markets and increased volatility in credit and equity markets. The Group

also faces risks due to, among other factors changes in economic environments, changes in interest rates, and instability in the securities markets around the world. Major market disruptions and the current adverse changes in market conditions and regulatory climate in the PRC and worldwide may adversely affect the Group's business and industry or impair its ability to borrow amounts under its credit facilities or any future financial arrangements. In addition, as the timing and nature of any recovery in worldwide financial markets and the global economy remain uncertain, there can be no assurance that market conditions will improve in the near future or that the Group's results will not be adversely affected. Upon Listing, the price and trading volume of the Shares may likely be subject to similar market fluctuations which may be unrelated to its operating performance or prospects.

These recent and developing economic and governmental factors may have a material adverse effect on the Group's ability to renew existing borrowings or obtain new borrowings which may materially and adversely affect the Group's results of operations, the price of the Shares, financial condition or cash flows as the Group relies on bank borrowings for a portion of its working capital and capital expenditure requirements.

Rapid changes in the pharmaceutical industry may render the products distributed by the Group obsolete

The pharmaceutical industry is characterised by rapid changes in technology, constant enhancement of industrial know-how and frequent emergence of new products. Future technological improvements and continual product developments in the pharmaceutical industry may render existing products distributed by the Group obsolete or affect the Group's viability and competitiveness. Therefore, the Group's future success will largely depend on its ability to:

- diversify portfolio of products distributed by the Group; and
- source new and competitively priced pharmaceutical products which meet the requirements of the constantly changing market.

If the Group fails to respond to this environment by sourcing new products in a timely fashion, or if future pharmaceutical products distributed by the Group do not achieve adequate market acceptance, the Group's business and profitability may be materially and adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Regulatory requirements for the sale and distribution of pharmaceutical and healthcare products in the PRC

Given the increasing concern on the safety of consumption of pharmaceutical and healthcare products in the PRC, there is no assurance that the PRC Government may not impose more stringent control measures and requirements in regulating the sale and distribution of pharmaceutical and healthcare products and the operation of such businesses in the near future.

The enforcement of the Labour Contract Law in the PRC may adversely affect the business of the Group

On 29 June 2007, the National People's Congress of China enacted the Labour Contract Law (勞動合同法), which became effective on 1 January 2008. Compared to the Labour Law (勞動法), the Labour Contract Law establishes more restrictions and increases the cost to employers upon termination of employees, including specific provisions relating to fixed-term employment contracts, temporary employment, probation, consultation with the labour union and employee general assembly, employment without a contract, dismissal of employees, compensation upon termination, overtime work, and collective bargaining. According to the Labour Contract Law, an employer is obligated to sign an unlimited term labour contract with an employee if the employer continues to employ the employee after two consecutive fixed term. The employer also has to pay compensation to employees if the employer terminates an unlimited term labour contract. Unless an employee refuses to extend an expired labour contract, compensation is also required when the labour contract expires and the employer does not extend the labour contract with the employee under the same terms as or better terms than those in the original contract. Further, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have served more than one year with an employer are entitled to a paid vacation ranging from five to 15 days, depending on their length of service. Employees who waive such vacation time at the request of the employers shall be compensated at three times their normal salaries for each waived vacation day. As a result of these new protective labour measures, the Group's labour costs may increase. The Group cannot give assurance that any disputes, work stoppages or strikes will not arise in the future.

Changes in the economic, political and regulatory environment in the PRC may adversely affect the business, operating results and financial condition of the Group

In the past two decades, the PRC Government has implemented economic reform measures in developing the PRC economy. In the transition from a planned economy to a more market-oriented economy, the business environment of the PRC remains subject to the policies, directions and regulatory control measures of the PRC Government.

As a matter of national policy, the PRC Government has, from time to time and as it deems appropriate, called for effective measures in macroeconomic control in order to ensure steady and sustainable national economic growth. Whereas the Group's ability to successfully expand its business operations in the PRC depends on the economic conditions and business environment of the PRC, there is no assurance that the policy of the PRC government to impose macro-environment control measures from time to time as it deems fit would not adversely affect, directly or indirectly, the business operations of the Group. The macroeconomic measures may have a transitory adverse effect on the Group's operating results in the short or long run. Further, there may be new regulations or policies, or the readjustments of previously implemented regulations which limit the Group's ability to operate or require the Group to change its business plan or increase its costs. All of these could adversely affect the business and operating results of the Group.

Future outbreaks of contagious diseases in the PRC may have a material adverse effect on the Group's business, financial condition and results of operations

Any future outbreaks of contagious diseases, including the H5N1 avian influenza, the human swine influenza and severe acute respiratory syndrome ("SARS"), may materially and adversely affect the PRC economy as a whole and in turn, the Group's business and operations. There have been various reports of outbreaks of influenza caused by H5N1 virus and H1N1 virus in certain regions of Asia and Europe. The World Health Organization and other agencies have issued and may continue to issue warnings on a potential influenza pandemic if there is sustained human-to-human transmission. Any outbreak of influenza in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, particularly in Asia. Additionally, a recurrence of SARS, a highly contagious form of atypical pneumonia, similar to the occurrence in the year 2003, which affected Hong Kong, China and certain other areas in Asia, could have similar adverse effects. There is no guarantee that any future outbreak of avian influenza, SARS, human swine influenza or other epidemics, or the measures taken by the PRC government or other countries in response to a future outbreak of avian influenza, SARS, human swine influenza or other epidemics, will not seriously affect the Group's operations or those of the Group's Suppliers or customers, which may have an adverse and material effect on the Group's results of operations.

Government control of currency and future movements in exchange rates may adversely affect the ability of the Group to remit dividends

Since 1994, the conversion of RMB into foreign currencies, including Hong Kong dollars, has been based on exchange rates set by the People's Bank of China. The People's Bank of China sets the exchange rates daily based on the previous day's interbank foreign exchange market rates in the PRC and the current exchange rates in the financial markets.

Since then, the official exchange rate for the conversion of RMB to US dollars has generally been stable as it is pegged against the US dollar. However, the PRC Government changed its currency policy on 21 July 2005 which abandoned the peg of RMB against US dollars in favour of a managed float of the RMB based on market demand and supply with reference to a basket of currencies and their weightings. As a result, the RMB appreciated slightly following this change in currency policy. As the exchange rate of RMB is allowed to move in a managed way, there can be no assurance that the RMB will not further appreciate or that other measures will not be introduced by the PRC Government to address the concerns of the PRC's trading partners. There is also no assurance that such exchange rate will continue to remain stable in the future. In light of the above, the Group has arranged with banks in the PRC to limit the risks in relation to future movements in exchange rate arising from settling payments to Suppliers in Hong Kong dollars. However, such arrangement cannot avoid all currency risks that the Group may encounter. Accordingly, any fluctuations in the value of RMB could also affect the value of dividends, if any, payable on the Shares in Hong Kong dollars.

The PRC legal system is not fully developed and has inherent uncertainties that could limit the legal protections available to the Group

The PRC legal system is based on written statutes and the legal interpretations made by the Standing Committee of the National People's Congress. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, the PRC Government has been developing a comprehensive system of commercial laws, and although considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade, these laws and regulations are, however, relatively new, and because of the limited volume of published cases and their non-binding nature, interpretation and enforcement of the laws and regulations in the PRC involve uncertainties and the Group's legal rights may not be adequately protected.

RISKS RELATING TO THE SHARE OFFER

Liquidity and possible price volatility of the Shares

Prior to the Share Offer, no public market for the trading of the Shares existed. The Group has made an application to the Stock Exchange for the listing and trading of its Shares on the Main Board of the Stock Exchange. However, a listing on the Stock Exchange does not necessarily ensure that there will be a liquid public market for the Shares after the Share Offer and there is no assurance that an active trading market for the Shares will develop.

If an active public market for the Shares does not develop after the Placing, the market price and liquidity of the Shares may be adversely affected. Even if an active public market for the Shares is developed, there is no assurance that such an active market will be sustained following the commencement of trading of the Shares on the Stock Exchange, nor is there any assurance that the market price of the Shares will not fall below the Offer Price.

The trading price of the Shares could also be subject to significant volatility in response to, among other factors:

- changes in investment climate generally;
- investors' perceptions of the Group and the Group's achievements and prospects in the markets in which it distributes products;
- variations in the operating results of the Group;
- changes in consumer preference and demands and the Group's ability to enhance and develop its products portfolio in light of such changes;
- changes in pricing made by the Group, by the Group's competitors and by the Suppliers of products that may affect the application and uses of such products;
- changes in the senior management of the Group; and

- general political, social and economic conditions in the markets in which the Group distributes products and in the rest of the world. In the event of a global economic downturn, the market price of the Shares may undergo significant fluctuations and the risk of investing in the Shares may increase accordingly.

The historical dividends of the Group should not be treated as an indication of the future dividend policy of the Group

Dividends declared to Shareholders for the year ended 31 December 2007, 2008 and 2009 and for six months ended 30 June 2010 were nil, RMB47.7 million, RMB26.4 million and RMB5.6 million respectively.

Dividends to be declared and paid in the future will be subject to, among other things, the full discretion of the Directors, and would depend upon the Group's future earnings, capital requirements and surplus, the general financial condition and any other factors which the Directors may consider relevant. Accordingly, the historical dividends of the Group should not be treated as an indication of the future dividend policy of the Group. Further details on the dividend policy of the Company are set out in the sub-section headed "Dividend Policy" under the section headed "Financial Information" in this prospectus.

Future sale by the Controlling Shareholders of a substantial number of the Shares in the public market could materially and adversely affect the prevailing market price of the Shares

Future sales of a substantial number of the Shares by the Controlling Shareholders, or the possibility of such sales, could negatively impact on the market price of the Shares in Hong Kong and the Group's ability to raise equity capital in the future at a time and price that the Group deems appropriate. The Shares held by the Controlling Shareholders are subject to certain lock-up undertakings, details of which are set out in the section headed "Underwriting". The Group is not in a position to give any assurance that the Controlling Shareholders will not dispose of any Shares they may own now or in the future.

Forward-looking statements involve uncertainty and risk

This prospectus contains forward-looking statements in respect of the Group's business objectives, future plans and Directors' expectation of the market trend. Such forward-looking statements involve assumptions regarding the environment in which the Group will operate in the future. There are also uncertainties, risks and other unforeseen factors which may cause the actual performance or achievements of the Group to be materially different from the performance or achievements implied by the forward-looking statements. For more details please refer to the section headed "Forward-looking statements" of this prospectus.

The industry statistics contained in this prospectus are derived from various official sources and have not been independently verified

Facts, statistics and other information contained in the sections headed "Summary — Overview", "Industry Overview" and "Business" of this prospectus relating to the PRC, the PRC economy, and the PRC pharmaceutical and healthcare product markets and industry have been compiled from various official sources as referred to in this prospectus. The Company has exercised reasonable care in duplicating such information from the sources referred to herein. However, the quality and accuracy of such materials cannot be guaranteed. Moreover, statistics derived from multiple sources may not be prepared on a comparable basis. None of the Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters or their respective advisers has verified the accuracy of the information contained in such sources. The Company makes no representation as to the accuracy of such information, which may not be consistent with other information compiled within or outside the PRC. Accordingly, the industry information and statistics contained in this prospectus may not be accurate and should not be unduly relied upon.

Waiver from strict compliance with Rule 14A of the Listing Rules

The Group has entered into and is expected to enter into certain transactions which will constitute non-exempt continuing connected transactions of the Company under the Listing Rules upon the Listing. Accordingly, the Company has applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, waivers from strict compliance with Chapter 14A of the Listing Rules in relation to certain continuing connected transactions between the Group and certain connected persons. Details of such waivers are set out in the section headed "Connected Transactions" to this prospectus.

Waiver from strict compliance with Rule 8.12 of the Listing Rules

Pursuant to Rule 8.12 of the Listing Rules, a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, which will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong.

The Board comprises a total of seven Directors, being four executive Directors and three independent non-executive Directors. The four executive Directors are Mr. Zhao, Ms. Chan, Mr. Zhou Xuhua and Mr. Lin Yusheng. All of the four executive Directors are ordinarily resident in the PRC.

Given that the business and operation of the Group are primarily located, managed and conducted in the PRC, and the executive Directors ordinarily reside in the PRC, the Company does not and, after the Listing or in the foreseeable future, will not have sufficient management presence in Hong Kong.

Accordingly, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules.

In order to maintain effective communication with the Stock Exchange, the Company will put in place the following measures to ensure that regular communication is maintained between the Stock Exchange and the Company:

(1) The Company will appoint two authorised representatives pursuant to Rule 3.05 of the Listing Rules who will act as the Company's principal channel of communication with the Stock Exchange and ensure that they will comply with the Listing Rules at all times. The two authorised representatives to be appointed are Mr. Lin Yusheng, the executive Director, and Mr. Chan Hon Wan, the financial controller and company secretary of the Company. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone and facsimile. Each of the two authorised representatives is authorised to communicate on behalf of the Company with the Stock Exchange.

(2) All the authorised representatives have means to contact all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters. To enhance the communication between the Stock Exchange, the authorised representatives and the Directors, the Company will implement a policy pursuant to which (a) each executive Director and independent non-executive Director will have to provide their respective mobile phone numbers, residential phone numbers and fax numbers to the authorised representatives; (b) in the event that an executive Director and independent non-executive Director expects to travel and be out of office, he / she will provide the phone number of the place of his /her accommodation to the authorised representatives; and (c) all the executive Directors and independent non-executive Directors will provide their mobile phone numbers, residential phone numbers, office phone numbers and fax numbers to the Stock Exchange.

(3) Each Director who is not an ordinarily resident in Hong Kong has confirmed that he / she possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable short notice.

(4) The Company will appoint Guotai Junan Capital Limited as its compliance adviser (the "Compliance Adviser") to act as the Company's additional channel of communication with the Stock Exchange commencing on the Listing Date until the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date pursuant to Rule 3A.19 of the Listing Rules (the "Engagement Period").

(5) The Company will ensure that during the Engagement Period, the Compliance Adviser has access at all times promptly to its authorised representatives, Directors and other senior officers who will provide to the Compliance Adviser such information and assistance as the Compliance Adviser may reasonably require in connection with the performance of the Compliance Adviser's duties.

(6) During the Engagement Period, in the case of resignation by, or termination of, the Compliance Adviser, the Company undertakes to appoint a replacement compliance adviser within three months from the effective date of such resignation or termination (as the case may be) pursuant to Rule 3A.27 of the Listing Rules.

DIRECTORS' RESPONSIBILITIES FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus contains particulars given in compliance with the Companies Law, the Companies Ordinance, the SFO, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to the Group. The Directors collectively and individually accept full responsibility for this prospectus and having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus or this prospectus misleading.

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out in this prospectus and the Applications Forms. No person is authorised in connection with the Share Offer to give any information, or make any representation, not contained in this prospectus and in the Application Forms, and therefore any information or representation not contained herein or the Application Forms must not be relied upon as having been authorised by the Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, any of their respective directors or affiliates of any of them or any other person and party involved in the Share Offer.

DETERMINATION OF THE OFFER PRICE

The Offer Price will be fixed by agreement between the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before the Price Determination Date, when market demand for the Share Offer will be determined. The Price Determination Date is expected to be on or around 5:00 p.m. on Thursday, 18 November 2010 but in any event, no later than 12:00 noon on Tuesday, 23 November 2010. If the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on or before such date, the Share Offer will not become unconditional and will lapse.

The Offer Price will not be more than HK$1.60 per Share and is currently expected to be not less than HK$1.33 per Share. If, based on the level of interest expressed by prospective investors during the book-building process, the Sole Global Coordinator (for itself and on behalf of the Underwriters), and with the consent of the Company, thinks it appropriate (for instance, if the level of interest expressed by prospective investors is below the indicative Offer Price range as stated in this prospectus), the indicative Offer Price range may be reduced below that as stated in this prospectus at any time not later than the morning of the day which is the last day for lodging applications under the Public Offer. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), or on the respective websites of the Stock Exchange and the Company at **www.hkexnews.hk** and **www.kingworld.com.cn** notice of such a change. **Applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer.** Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the offer statistics, as currently set out in the paragraph

headed "Summary" of this prospectus and any other financial information which may change materially as a result of any such change. **Applicants under the Public Offer should note that, even if the indicative Offer Price range is so reduced, in no circumstances can applications be withdrawn once submitted, except where a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section before the expiration of the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which limits the responsibility of that person for this prospectus, in which case applications made may be revoked before the said fifth day.**

In the absence of any notice being published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), or on the respective websites of the Stock Exchange and the Company at **www.hkexnews.hk** and **www.kingworld.com.cn** of a reduction of the indicative Offer Price range in the manner set out above, the Offer Price, if agreed upon with the Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

An announcement of, among other matters, the Offer Price and the results of application and the basis of allocation of the Public Offer Shares are expected to be published on Wednesday, 24 November 2010.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

The Company satisfies the requirements relating to continuity of ownership and control throughout the full financial year immediately preceding the Latest Practicable Date and up until the Listing Date under Rule 8.05(1) of the Listing Rules.

The Shares are freely transferable. The Company has applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Capitalisation Issue and the Shares to be issued pursuant to the Share Offer on the Stock Exchange. Pursuant to Rule 8.08(1)(a) of the Listing Rules, at least 25% of the total issued share capital of the Company must at all times be held by the public.

As at the Latest Practicable Date, no part of the share capital or loan capital of the Company was listed on or dealt in on the Stock Exchange or on any other stock exchange and no such listing or permission to deal in the Shares is being or is proposed to be sought on any other stock exchange.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Details of the structure and conditions of the Share Offer are set out in the section headed "Structure and conditions of the Share Offer" of this prospectus.

UNDERWRITING

This prospectus is published solely in connection with the Share Offer for which Guotai Junan Capital is the Sole Sponsor and Guotai Junan Securities is the Sole Global Coordinator.

The Share Offer comprises the Public Offer of 15,000,000 Offer Shares and the Placing of 135,000,000 Offer Shares initially available under the Share Offer at the Offer Price (subject, in each case, to reallocation on the basis described in the section headed "Structure and conditions of the Share Offer" of this prospectus). The Placing will be fully underwritten by the Sole Global Coordinator pursuant to the Placing Underwriting Agreement which is expected to be entered into on or before the Price Determination Date and the Public Offer is fully underwritten by the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement. For further information relating to the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" of this prospectus.

RESTRICTIONS ON SALE OF SHARES

Each person acquiring the Offer Shares under the Share Offer will be required to confirm, or be deemed by his acquisition of Offer Shares to confirm, that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

No action has been taken to permit a public offer of the Offer Shares or the general distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out in this prospectus and the Application Forms. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by the Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, any of their respective directors or any other persons or parties involved in the Share Offer.

United Kingdom

This prospectus has not been approved by an authorised person in the United Kingdom and has not been registered with the Registrar of Companies in the United Kingdom. The Offer Shares have not been offered or sold, and prior to the expiry of a period of six months from the latest date of the issue of the Offer Shares, the Offer Shares may not be offered or sold to any persons in the United Kingdom except to qualified investors within the meaning of section 86 of the Financial Services and Markets Act 2000, as amended ("FSMA"). In the United Kingdom, this prospectus is directed at, and its distribution is restricted to, persons who are investment professionals within the meaning of Article 19 of the FSMA (Financial Promotion) Order 2005 (as amended).

This prospectus is directed only at persons having professional experience in investments. Any investment or investment activity to which it relates is available only to such persons and will be engaged in only with such persons. Persons who do not have professional experience in investments should not rely on this prospectus.

Singapore

This prospectus has not been, and will not be, lodged with or registered as a prospectus by the Monetary Authority of Singapore in Singapore. Accordingly, this prospectus and any other document or material in connection with the offer of the Offer Shares may not be issued, circulated or distributed in Singapore nor may any of the Offer Shares be offered for subscription or purchase or made the subject of an invitation or offer for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) an institutional investor under Section 274 of the Securities and Futures Act, (ii) to a relevant person (as defined in Section 275(2)), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Offer Shares are subscribed or purchased under Section 275 by a relevant person, namely a person which is:

(a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, that shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the Offer Shares under Section 275 except:

    (1) to an institutional investor under Section 274, or to a relevant person, or to any person pursuant to an offer that is made on terms that such rights or interest are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets;

    (2) where no consideration is given for the transfer; or

    (3) by operation of law.

Furthermore, no advertisement may be made offering or calling attention to an offer or intended offer of the Offer Shares.

PRC

This prospectus does not constitute a public offer of the Offer Shares, whether by way of sale or subscription, in the PRC. The Offer Shares are not being offered and may not be offered or sold directly or indirectly in the PRC to, or for the benefit of, legal or natural persons of the PRC, except pursuant to applicable laws and regulations of the PRC.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to, the Offer Shares, you are recommended to consult your professional advisers. The Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, any of their respective directors, agents or advisers or any other person or party involved in the Share Offer do not accept responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to, the Offer Shares.

STABILISATION AND OVER-ALLOTMENT OPTION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Share Offer, the Sole Global Coordinator, as the stabilising manager, or its affiliates or any person acting for it, for itself and on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Sole Global Coordinator, its affiliates or any person acting for it to do this. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Sole Global Coordinator, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

In connection with the Placing, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 22,500,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

Further information on the Over-allotment Option and stabilisation is set out in the paragraphs under "Over-allotment Option" and "Stabilisation" in the section headed "Structure and conditions of the Share Offer" of this prospectus.

REGISTER OF MEMBERS AND STAMP DUTY

All Shares to be issued pursuant to the Capitalisation Issue and the Share Offer will be registered on the Company's branch register of members to be maintained in Hong Kong. The Company's principal register of members will be maintained in the Cayman Islands by the principal share

registrar, Appleby Trust (Cayman) Ltd.. Only Shares registered on the Company's branch register of members maintained in Hong Kong may be traded on the Stock Exchange. Dealings in the Shares registered on the Company's branch register of members maintained in Hong Kong will be subject to Hong Kong Stamp Duty.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval for listing of, and permission to deal in, the Shares on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:30 a.m. on Thursday, 25 November 2010. Shares will be traded in board lots of 4,000 Shares each.

ROUNDING

Certain amounts set out in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals of certain amounts may not be an arithmetic sum of such amounts.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Zhao Li Sheng (趙利生)	No. 1, Meigui Road No. 6003, Shennan Avenue Fu Tian District Shenzhen the PRC	Chinese
Chan Lok San (陳樂燊)	No. 1, Meigui Road No. 6003, Shennan Avenue Fu Tian District Shenzhen the PRC	Chinese
Zhou Xuhua (周旭華)	Room 1109, Block B Kai Xuan Hao Ting Northwest Juncture of Hong Li Xi Road and Xin Zhou Road Fu Tian District Shenzhen the PRC	Chinese
Lin Yusheng (林玉生)	2-91, Li Jun Garden Xian, Shaanxi Province the PRC	Chinese
Independent non-executive Directors		
Duan Jidong (段繼東)	中國北京市北京奧園702-4-602 (702-4-602 Beijing Ao Yuan Beijing the PRC)	Chinese
Zhang Jianqi (張建琦)	中國廣東省廣州市海珠區 中大西區721棟405房 (Room 405, No.721 West District of the Campus of Zhongshan University Hai Zhu District, Guangzhou Guangzhou Province the PRC)	Chinese
Wong Cheuk Lam (黃焯琳)	Flat A, 5/F Tower 3 Metro City Phase I Tseung Kwan O Hong Kong	Chinese

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor	Guotai Junan Capital Limited 27/F., Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Sole Global Coordinator, Bookrunner and Lead Manager	Guotai Junan Securities (Hong Kong) Limited 27/F., Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Public Offer Underwriters	Ever-Long Securities Company Limited 18th Floor, Dah Sing Life Building 99-105 Des Voeux Road Central Hong Kong OSK Securities Hong Kong Limited 12/F World-Wide House 19 Des Voeux Road Central Central Hong Kong
Legal advisers to the Company	*As to Hong Kong law:* King & Wood 9th Floor Hutchison House 10 Harcourt Road Central Hong Kong *As to PRC law:* Haiwen & Partners (北京市海問律師事務所) 21st Floor Beijing Silver Tower 2# North Road DongSanHuan ChaoYang District Beijing PRC

	As to Cayman Islands law: Appleby 8th Floor Bank of America Tower 12 Harcourt Road Central Hong Kong
Legal advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law:* P.C. Woo & Co. 12th Floor Prince's Building 10 Chater Road Central Hong Kong
Auditors and reporting accountants	*Certified Public Accountants* CCIF CPA Limited 34th Floor 33 Hysan Avenue Causeway Bay Hong Kong
Property valuers	DTZ Debenham Tie Leung Ltd. 16th Floor Jardine House 1 Connaught Place Central Hong Kong
Receiving bankers	Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central Hong Kong Wing Lung Bank Limited 45 Des Voeux Road Central Hong Kong

Registered office	Appleby Trust (Cayman) Ltd. Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Headquarter and principal place of business in the PRC	Room Nos. 1001 to 1008 Block A of Tian An International Building Renminnan Road Luohu District, Shenzhen Guangdong Province the PRC
Principal place of business in Hong Kong	9th Floor Hutchison House 10 Harcourt Road Central Hong Kong
Authorised representative	Mr. Lin Yusheng Room 4, 7/F Tesbury Centre 28 Queen's Road East Wanchai Hong Kong Mr. Chan Hon Wan Flat F, 26/F, Block 1 Tung Chung Crescent Tung Chung New Territories Hong Kong
Compliance adviser	Guotai Junan Capital Limited 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Company secretary	Mr. Chan Hon Wan
Audit committee	Mr. Wong Cheuk Lam *(Chairman)* Mr. Duan Jidong Mr. Zhang Jianqi

Remuneration committee	Mr. Zhang Jianqi *(Chairman)* Mr. Duan Jidong Mr. Wong Cheuk Lam
Nomination committee	Mr. Duan Jidong *(Chairman)* Mr. Zhang Jianqi Mr. Wong Cheuk Lam
Website address	http://www.kingworld.com.cn (information on the website does not form part of this prospectus)
Principal bankers	China Construction Bank Shenzhen Branch Binhe Sub-branch 1st Floor East Block Financial centre Shennan Zhong Road Shenzhen China Agricultural Bank of China Shenzhen Zhongxinqu Sub-branch 1st Floor Zhuoyue Building Fuhua 1 Road 98 Shenzhen China
Principal share registrar and transfer office in Cayman Islands	Appleby Trust (Cayman) Ltd. Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Branch share registrar and transfer office in Hong Kong	Tricor Investor Services Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wan Chai Hong Kong

This and other sections of this prospectus contain information relating to the PRC economy and the PRC pharmaceutical and healthcare industry and international pharmaceutical and healthcare markets. Certain information contained herein has been derived from official government publications and sources from Speedroad Report and report from BMI. While reasonable care has been taken in the extraction and reproduction of such information and statistics, neither the Group, the Sole Sponsor nor any of their respective affiliates and advisers, nor any party involved in this Share Offer have independently verified the information directly or indirectly derived from these sources, and such information may not be consistent with other information compiled within or outside the PRC. The Group makes no representations as to the completeness, accuracy or fairness of such information, and accordingly, such information should not be unduly relied upon.

SOURCES OF INFORMATION

About BMI

BMI provides data, analysis, ratings and forecasts on country risk and industry research and is an Independent Third Party. BMI assessed the pharmaceutical market by processing the relevant factors through its 10-year Pharmaceutical Expenditure Forecast Model, which incorporates historic trends, macroeconomic variables, epidemiological forecasts and analyst input. The information disclosed in this prospectus from BMI is extracted from reports not commissioned by the Company and was prepared in the ordinary course of business of BMI.

About Speedroad

Speedroad is a limited private company incorporated under PRC laws in 2004 and is approved by the Guangzhou Administration for Industry and Commerce of the PRC to provide services in data collection, business analysis and consultation, and market research for the PRC pharmaceutical industry. Speedroad is an Independent Third Party. The information disclosed in this prospectus was extracted from the Speedroad Report which was commissioned by the Company at a fee of approximately RMB46,000 and prepared in the ordinary course of business of Speedroad.

A. THE PRC PHARMACEUTICAL AND HEALTHCARE MARKET

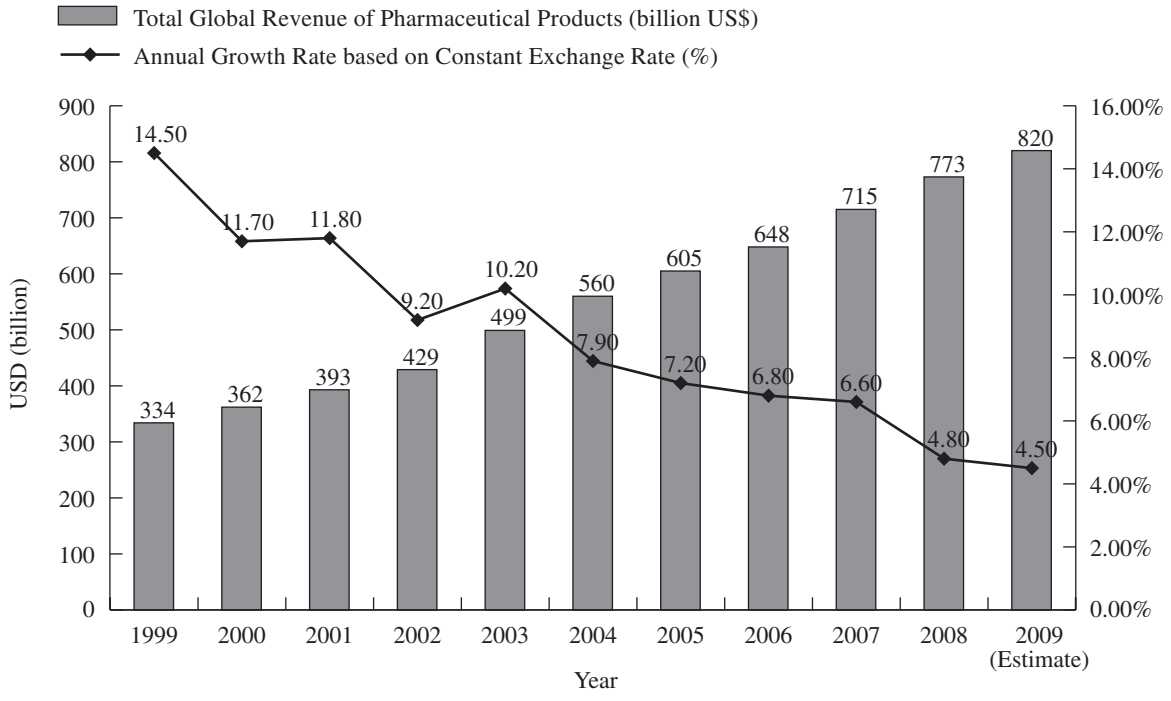
The Chinese pharmaceutical market is one of the world's largest pharmaceutical market. However, this status is historically mainly due to the size of its population rather than its development. According to BMI, in the late 1990s and early 2000s, China's pharmaceutical sector was substantially smaller than it is today, and was dominated by acute care treatments, with the majority of sales occurring at large hospitals. As the country's economy has developed, the sector has experienced double digit year on year growth as the state encouraged the sector's development. In addition, spending on OTC medicines, which accounted for 22.6% of total expenditure in 2008, will rise as the economy develops, the pharmaceutical industry improves and consumer spending power grows over time.

1. Growth of the PRC and global pharmaceutical market

In line with the trend of an ageing population and sustained economic development over many years, there follows an increasing need for advancement of technology in the pharmaceutical industry and the corresponding rise on the expenditure of the pharmaceutical products.

According to the Speedroad Report, which made reference to a research report by IMS Health, the size of the global pharmaceutical market in 2009 was estimated to be approximately USD820 billion in terms of revenue. Over the past 10 years, this industry sector has experienced an annual growth rate ranging between approximately 4.5% to 14.5% and a CAGR of 9.40%, which was far greater than the growth rate of the world economy during the same period.

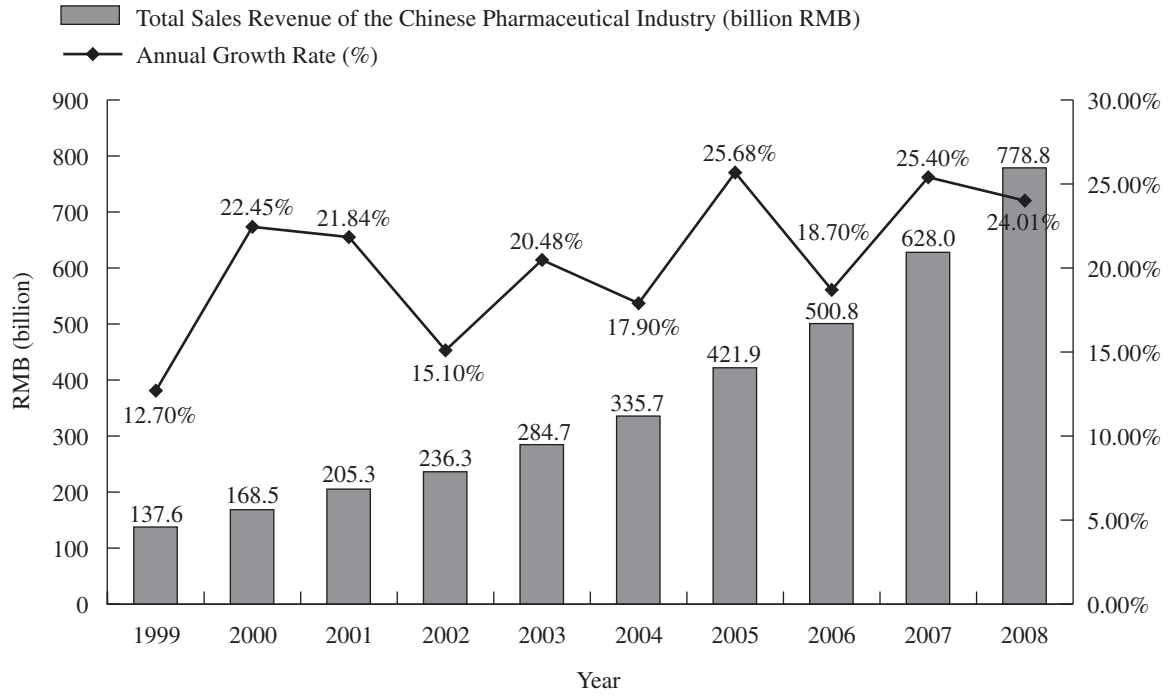
Total Sales Revenue and Annual Growth Rate of the Global Pharmaceutical Industry (including the PRC) (1999-2009)



Source: IMS Health marketing prognosis extracted by Speedroad

Compared with the global pharmaceutical market, the PRC pharmaceutical market exhibits a more favourable development trend. In recent years the scale of the PRC pharmaceutical market has been constantly expanding, with the industry recording a rapid increase in sales revenue. In 2009, the predicted growth rate in sales revenue of the global pharmaceutical market over the previous year by IMS Health was approximately 4.5%. By contrast the sales revenue of the PRC pharmaceutical market for the first nine months of 2009 was recorded at approximately RMB586.5 billion, representing a growth rate of approximately 17.5% over the same period of the preceding year (first nine months of 2008 was recorded at approximately RMB499.1 billion), indicating an immense potential for the PRC pharmaceutical market.

Total Sales Revenue and Annual Growth Rate of the Pharmaceutical Industry in the PRC (1999-2008)

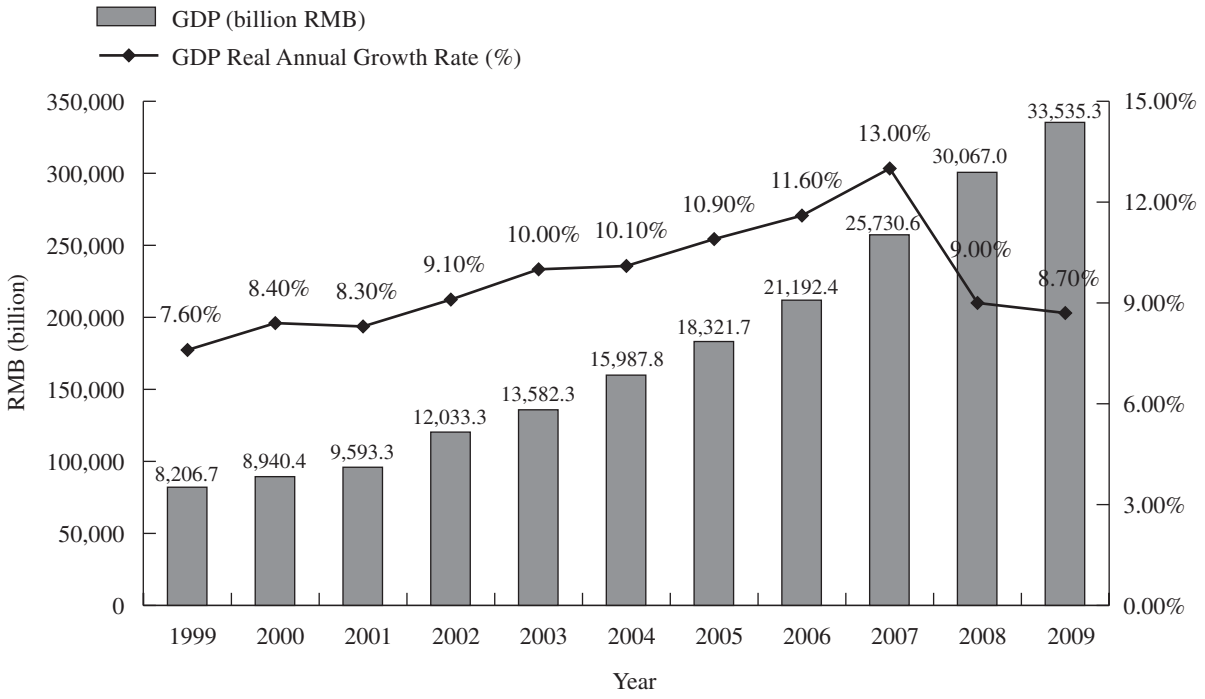


Source: SFDA Southern Medicine Economic Institute (國家食品藥品監督管理局南方醫藥經濟研究所)

2. Growth of the PRC pharmaceutical industry contributes to the rapid growth in the PRC economy

In recent years, the PRC economy has experienced a sustained period of relatively high growth. In 2009, the PRC experienced a year on year GDP growth of 8.7% with total GDP for the year totalled reaching approximately RMB33,535.3 billion. Although the PRC GDP growth rate in 2009 is down against previous years, it still stands well above the global average of -0.1% despite the outbreak of the global economic downturn. The PRC appears to have weathered the effects of the global economic downturn better than many western economies and is generally expected to achieve a optimistic growth in the coming years in term of GDP growth.

China's GDP and Annual Growth Rate (1999-2009)

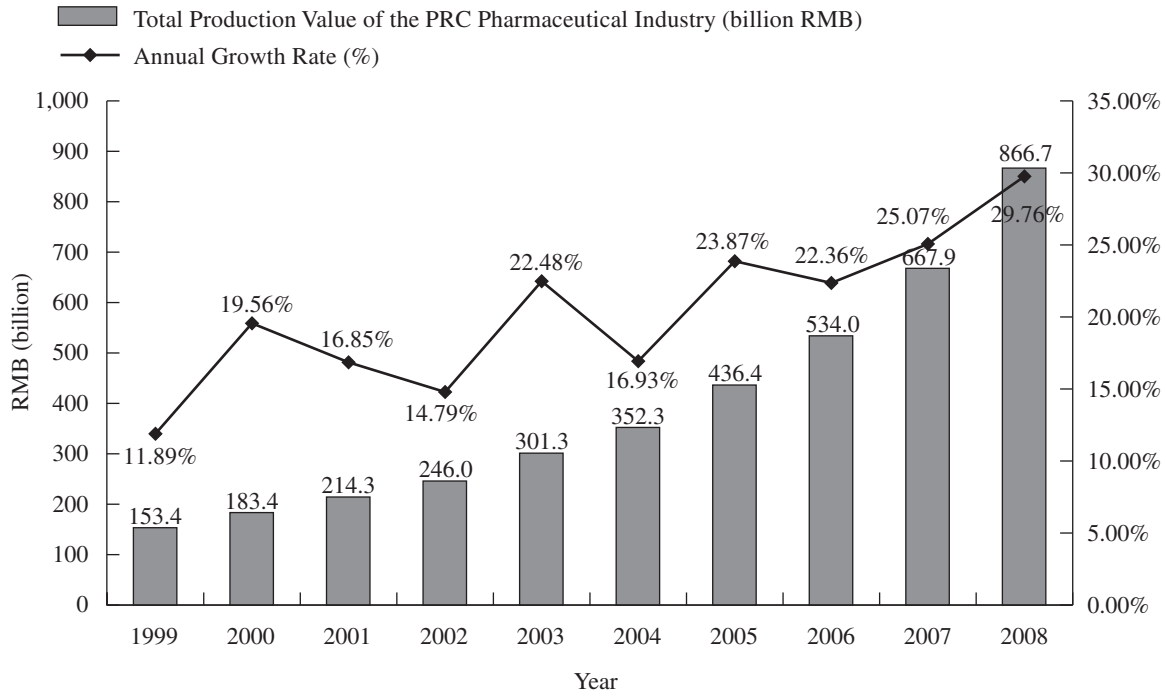


Source: National Bureau of Statistics of the PRC 'The PRC Statistical Yearbook'

According to the Ministry of Industry and Information Technology of the PRC, in the first 9 months of 2009, the total industrial output of the PRC pharmaceutical industry amounted to approximately RMB618.4 billion, which represented a growth rate of approximately 17.3% over the same period of the preceding year (first nine months of 2008 was recorded at approximately RMB527.2 billion). As shown in the chart below, since 1999, the total production value of the PRC pharmaceutical industry recorded a CAGR of approximately 21.2%, which is far higher than the growth rate of the PRC GDP and the global pharmaceutical market (please refer to the chart titled "Total Sales Revenue and Annual Growth Rate of the Global Pharmaceutical Industry (including the PRC) (1999-2009)" on page 82 of this prospectus) over the same period.

In November 2009, director of the SFDA Southern Medicine Economic Research Institute announced that China's pharmaceutical production value is expected to rise by 23% year on year to approximately RMB1,250 billion in 2010, and he added that the ongoing healthcare reform will help the PRC pharmaceutical market to grow by approximately a further RMB200 billion.

Total Production Value of the PRC Pharmaceutical Industry (1999-2008)



Source: Ministry of Industry and Information Technology of the PRC

3. Industrial information regarding the pharmaceutical and healthcare products related to the Group

1. *Market Analysis of Cough Relieving Products*

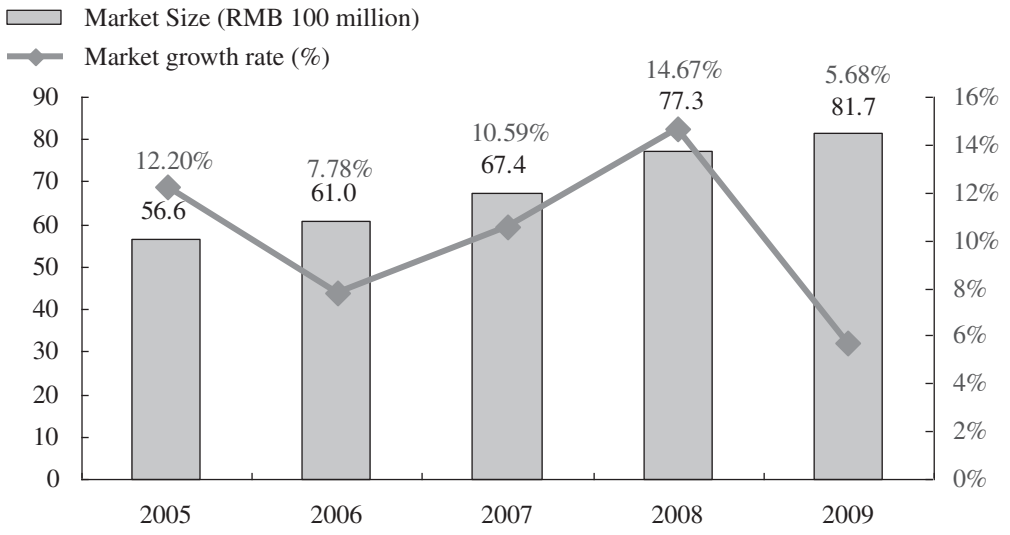
i. *Cough has been the most common symptom of illness for Chinese mainland residents*

According to the Abstract of China Health Statistics (2009) published by the Ministry of Health of the PRC, the two-week prevalence rates of the three major diseases resulting in acute cough, namely acute upper respiratory tract infection, acute nasopharyngitis and influenza, were approximately 18.2‰, 15.4‰ and 4.4‰, respectively, ranking the second, third and ninth among the top ten diseases in this regard. The prevalence rate of the chronic obstructive pulmonary disease (COPD), another disease resulting in cough, was 6.9‰, ranking the seventh among the top ten chronic diseases. Based on the findings of the fourth National Health Services Survey in 2008, it is estimated that the population of Chinese mainland residents suffering cough illness would be 1,359.50 million times in total and 1.02 times per capita in 2009. This comprised 662.10 million times in cities and 697.40 million times in rural areas.

ii. *The segment of cough relieving products has achieved a sustained and steady growth*

The development of the cough relieving products market has been quite mature in the PRC. According to Speedroad, the size of the cough relieving products market was over RMB8 billion (RMB8.17 billion) in 2009. From 2005 to 2009, it recorded a CAGR of 9.63% on average. The PRC cough relieving products market is expected to grow steadily at around 10% in the next three to five years, along with deteriorating pollution as a result of the industrialization and urbanization process as well as the growth of the number of people receiving consultation and treatment brought about by the increased coverage of the new rural cooperative medical insurance system and the urban resident basic medical insurance scheme for Chinese mainland residents.

The Growth Trend of Cough Relieving Products Market in the PRC (2005-2009)

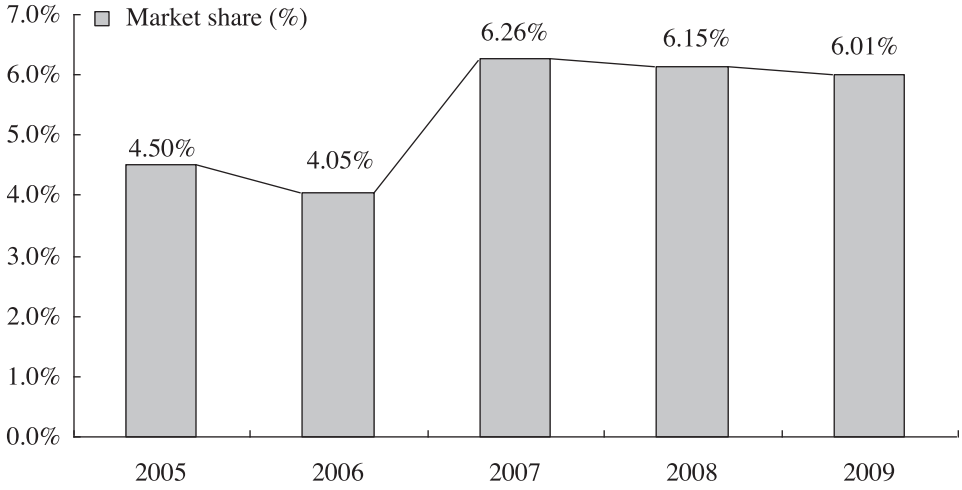


Source: Speedroad PRC Pharmaceutical Products Retail Market Key Categories Competitiveness Report 2009

iii. *Cough relieving products occupy an increasingly significant market position in the retail market*

According to the Speedroad Report, which made reference to the retail data monitoring statistics (中國葯品零售監測分析系統) from Guangzhou Biao Dian, Medical Data Company Limited of Southern Medicine Economic Institute under SFDA, the market share of cough relieving products in the medicine retail market had increased to 6.01% in 2009 from 4.50% in 2005 in the PRC.

Movement in the Retail Market Share of Cough Relieving Products (2005-2009)



Source: Conference Papers from the 20th National Medical Economy Information Conference/retail data monitoring statistics (中國葯品零售監測分析系統) from Guangzhou Biao Dian, Medical Data Company Limited of Southern Medicine Economic Institute under SFDA

Pursuant to a market analysis conducted by Speedroad, in 2009, Nin Jiom Pei Pa Koa accounted for approximately 24.09% of the proprietary Chinese medical Cough Relieving Products market in the PRC, representing a total sales of approximately RMB1.03 billion. According to the Speedroad Report, as at June 2010, there were in total four licensed imported proprietary Chinese medical Cough Relieving Products in the PRC OTC market and amongst those, Nin Jiom Pei Pa Koa is the leading product, with over 95% share of the market for imported proprietary Chinese medical Cough Relieving Products in the PRC.

2. ***Market Analysis of Vitamin and Mineral Supplements Products***

i. *General Overview of the Vitamin and Mineral Supplements Market*

1) Chinese mainland residents are faced with the dual challenges of nutritional deficiency and nutrition imbalance

According to the statistics of the Report on the National Nutrition and Health Survey of China jointly published by the Ministry of Health of the PRC, the Ministry of Science and Technology of the PRC and the National Bureau of Statistics of the PRC in October 2004, children's malnutrition remained serious in China's rural areas. 17.3% and 9.3% of Chinese children less than 5-year-old were

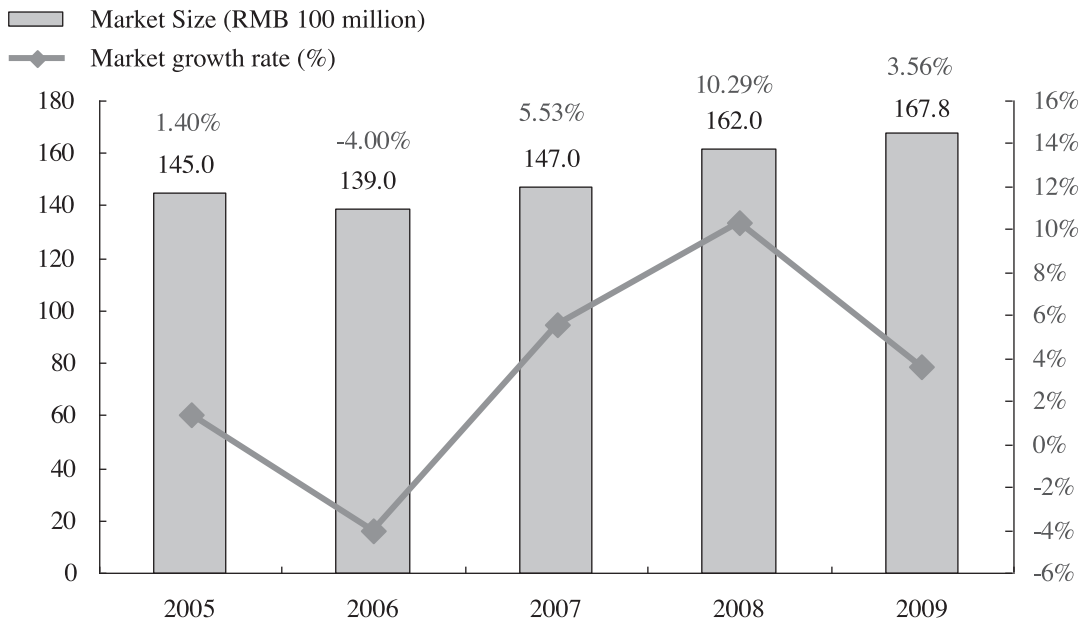
subject to growth retardation and low body weight, respectively, and these figures were as high as 29.3% and 14.4% in impoverished rural areas. The 1-year-old group had the highest growth retardation rate, 20.9% on average in rural areas and up to 34.6% in impoverished rural areas, indicating a critical problem of unreasonable complementary foods to infants prevailing in rural areas.

Micronutrient deficiency, such as iron and vitamin A, is a common problem among both urban and rural residents in the PRC. The anemia rate of Chinese mainland residents as a result of micronutrient deficiency was 15.2% on average. The anemia rate of infants less than 2-year-old, aged people over 60-year-old, and women within childbearing age were 24.2%, 21.5% and 20.6%, respectively. The vitamin A deficiency rate of children at 3-12-year-old was 9.3%, of which 3.0% in cities and 11.2% in rural areas; while the vitamin A marginal deficiency rate was 45.1%, of which 29.0% in cities and 49.6% in rural areas. The calcium intake of urban and rural residents was only 391 mg in the PRC, representing 41% of the recommended intake. The calcium intake of urban residents was 439 mg, higher than that of rural residents (372mg).

2) The vitamin and mineral supplements market has been on a stable growth track after a correction phase

According to the study by Speedroad, in 2009, the total market size of vitamin and mineral supplements (including prescription drugs and medicines and health care products sold in the OTC retail market) in the PRC amounted to approximately RMB16.78 billion, representing an average CAGR of 3.71% for the recent five years. This market segment experienced a decline in 2006, but has showed a steady recovery trend in the recent three years, with an average growth rate of 6.46%. Speedroad estimates that in the next three to five years, the vitamin and mineral supplements market will maintain a growth of about 8%.

The Growth Trend of Vitamin and Mineral Supplements Market in the PRC (2005-2009)

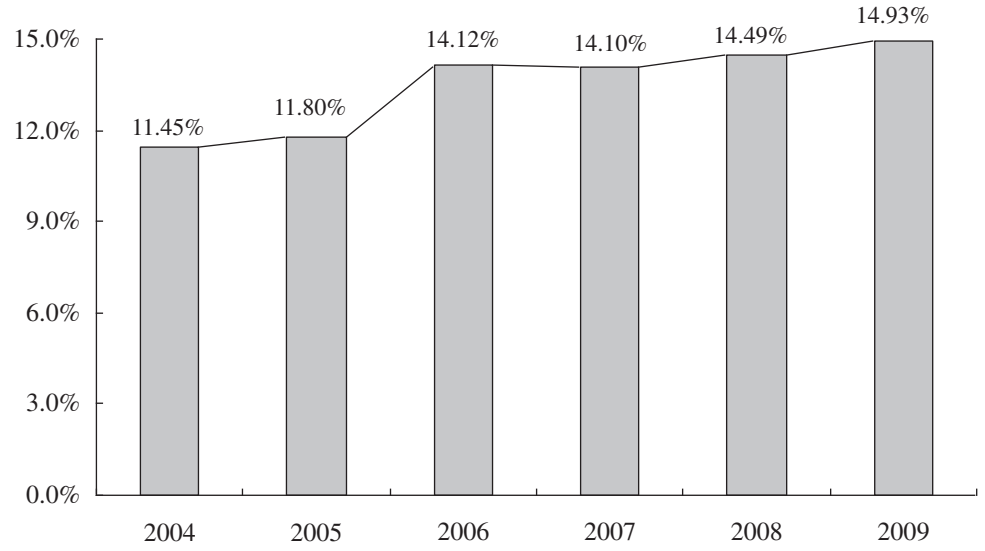


Source: Speedroad PRC Pharmaceutical Products Retail Market Key Category Competitiveness Report 2009

3) Vitamin and mineral supplements is the category with the highest sales in the retail market of developed regions in the PRC

According to Speedroad Report, which made reference to the retail data monitoring statistics (中國葯品零售監測分析系統) from Guangzhou Biao Dian, Medical Data Company Limited of Southern Medicine Economic Institute under SFDA, in 2009, the retail market share of vitamin and mineral supplements ranked the second next to cardiovascular products in central cities such as Beijing, Guangzhou and Shanghai, and its market share increased to 14.93% in 2009 from 11.45% in 2004.

Movement in the Retail Market Share of Vitamin and Mineral Supplements in Key Markets (2004-2009)



Source: Conference Papers from the 20th National Medical Economy Information Conference/retail data monitoring statistics (中國葯品零售監測分析系統) from Guangzhou Biao Dian, Medical Data Company Limited of Southern Medicine Economic Institute under SFDA

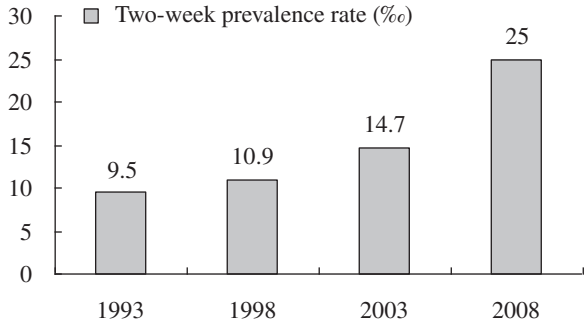
3. ***Market Analysis of Orthopedic Medicines***

i. *General Overview of the Orthopedic Medicines Market*

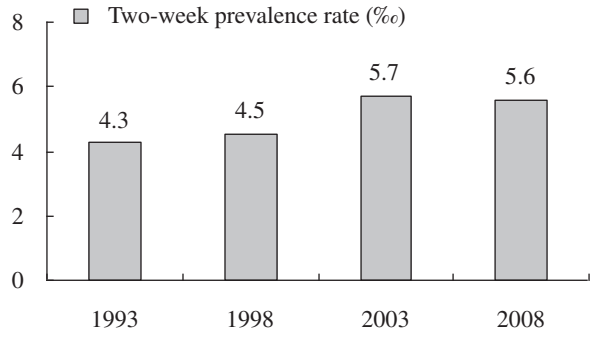
1) Patients with Orthopedic diseases have increased rapidly

According to the statistics of the four National Health Services Surveys by the Ministry of Health of the PRC in 1993, 1998, 2003 and 2008, the two-week prevalence rate of Chinese mainland residents suffering musculoskeletal diseases increased to 25‰ in 2008 from 9.5‰ in 1993, while the two-week prevalence rate for all kinds of injuries increased from 4.3‰ to 5.6‰ during the same period. Along with the aging of the population, the prevalence rate for osteoporosis and fracture, the two major orthopedic diseases for the elderly group, increased significantly. According to Speedroad, in 2009, people suffering various kinds of osteoarthritis amounted to 67.88 million, while people suffering various kinds of skeletal trauma were approximately 36.39 million, in the PRC.

Two-week prevalence rate of Musculoskeletal diseases in the PRC



Two-week prevalence rate of all kinds of damages in the PRC

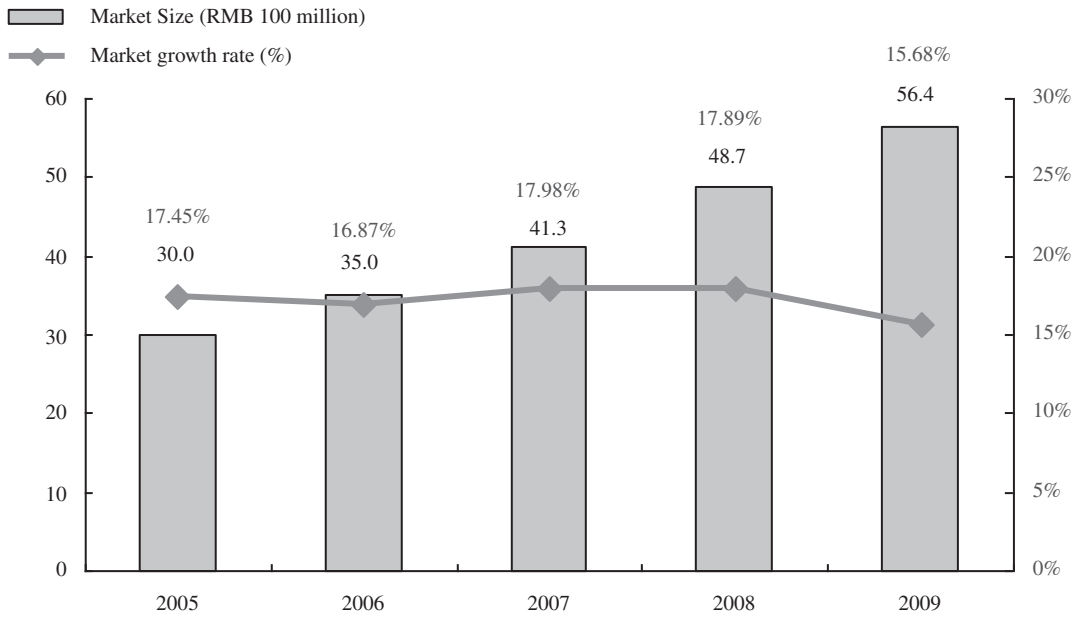


Source: Health Services Surveys by the Ministry of Health, 1993, 1998, 2003 and 2008

2) Rapid Growth in the Market of Orthopedic Drugs for External Use

According to Speedroad, the total market size of orthopedic drugs for external use in the PRC amounted to approximately $5.64 billion in 2009, with an average CAGR of 17.1% for the recent five years, which was higher than the overall growth rate of 16.72% of the pharmaceutical market in the PRC over the same period. Speedroad estimates that the growth rate of the market of orthopedic drugs for external use in the PRC will be maintained at around 17% in the next three to five years.

The Growth Trend of Orthopedic Drugs for External in the PRC (2005-2009)



Source: Speedroad PRC Pharmaceutical Products Retail Market Key Category Competitiveness Report 2009

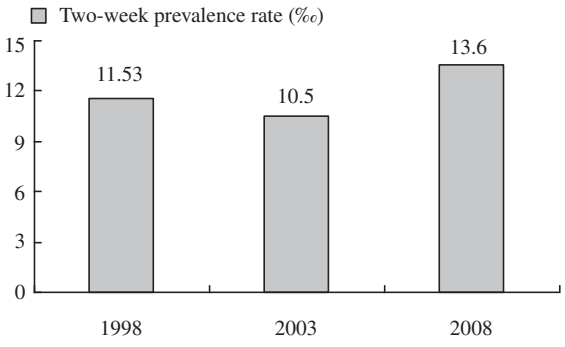
4. ***Market Analysis of Gastrointestinal Discomfort Medication***

i. *General Overview of the Market of Gastrointestinal Upset*

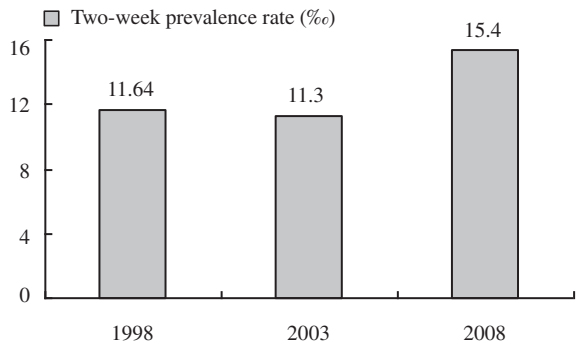
1) Gastrointestinal discomfort is one of the most common diseases suffered by mainland residents

According to the statistics of the National Health Services Survey by the Ministry of Health of the PRC, in 2008, the two-week prevalence rate for gastrointestinal discomfort caused by gastroenteritis was as high as 13.6‰, which ranked the fourth among the top ten diseases with a high incidence rate. In the Mainland, the prevalence rate for gastroenteritis of rural residents is growing rapidly. The two-week prevalence rate for gastroenteritis increased from 11.64‰ in 1998 to 15.4‰ in 2008.

Two-week prevalence rate of Gastroenberitis of Residents in the PRC



Two-week prevalence rate of Gastraenteritis of Rural Residents in the PRC

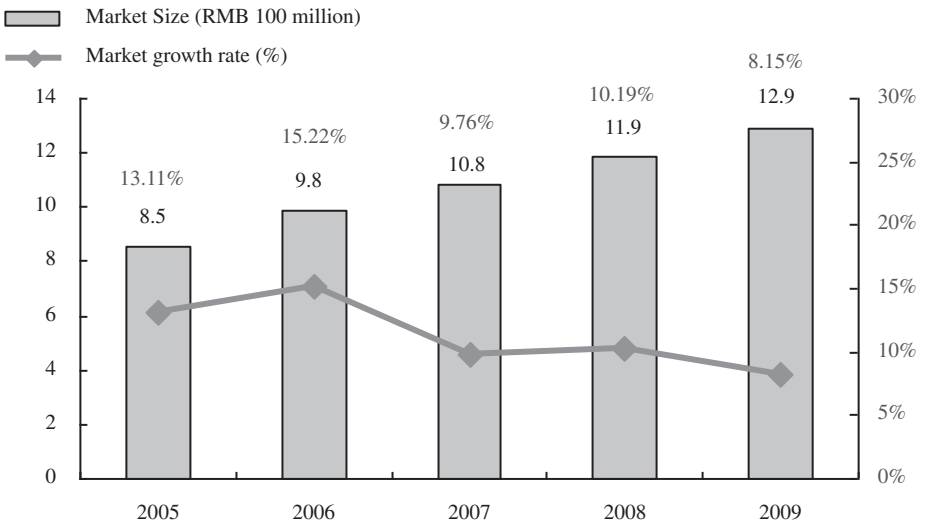


Source: Report on "National Health Services Survey" by the Ministry of Health

2) The gastrointestinal discomfort drug market is growing steadily

According to Speedroad, the total market size of gastrointestinal discomfort drugs in the PRC amounted to approximately $1.29 billion in 2009, with an average CAGR of 10.86% for the recent five years. Speedroad estimates that as standby drugs for residents in the Mainland, gastrointestinal discomfort drugs will maintain a growth rate of around 10% in the next three to five years.

The Growth Trend of the Gastrointestinal Discomfort Drug market in the PRC (2005-2009)



Source: Speedroad PRC Pharmaceutical Products Retail Market Key Category Competitiveness Report 2009

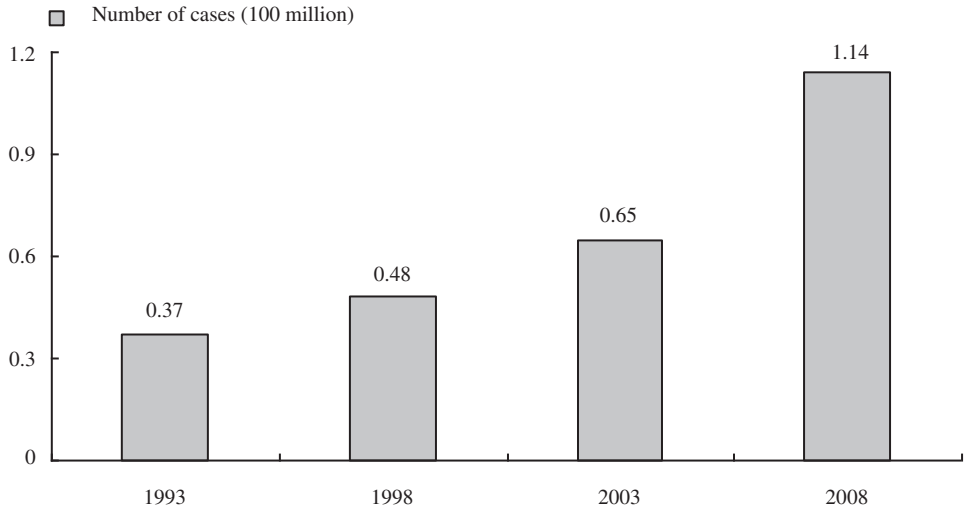
5. ***Market Analysis of Chinese patent drugs for cardiovascular and cerebrovascular diseases***

i. *General Overview of the Market of Chinese Patent Drugs for cardiovascular and cerebrovascular diseases*

1) Cardiovascular and cerebrovascular diseases have become the most important concern affecting the health of residents in the Mainland

According to the statistics of the "National Health Services Survey" by the Ministry of Health of the PRC, during the 15-year period from 1993 to 2008, the prevalence rate for cardiovascular and cerebrovascular diseases of residents in the PRC was growing rapidly. The prevalence rate for cardiovascular and cerebrovascular diseases of residents increased from 31.4‰ in 1993 to 85.7‰ in 2008, representing an average annual growth rate of 8.37%. Based on the population of 1.328 billion in 2008, the number of cases of circulatory system diseases where a clear medical diagnosis was established increased from 37 million in 1993 to 114 million, of which the number of people suffering hypertension increased from 14 million to 73 million. Besides, the number of cerebrovascular disease cases increased from 5 million to 13 million, and the number of coronary heart disease cases increased from 18 million to 28 million.

Number of Cases for Cardiovascular and Cerebrovascular Diseases of Residents in the PRC (1993-2008)



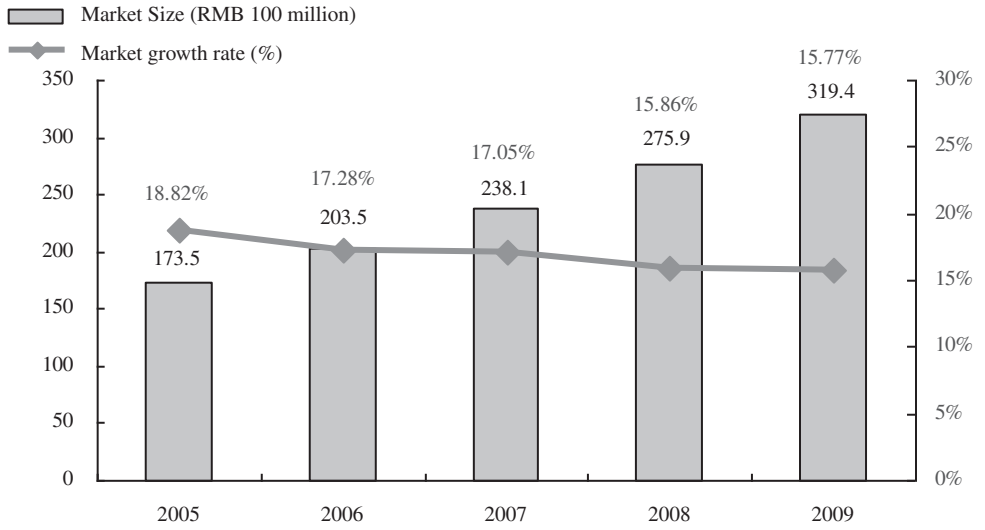
Source: Report on the "National Health Services Survey" by the Ministry of Health

2) Cardiovascular and cerebrovascular drugs will be the largest category of drugs in the PRC market

According to IMS statistics, in 2003, cardiovascular drugs have ranked No. 1 in the global pharmaceutical market, with a market share of 16.09% and a market size of USD75 billion. In 2005, among the world's 10 best-selling drugs, four were cardiovascular drugs. In 2008, spending on cardiovascular drugs was more than USD90 billion, and in 2010, this amount will likely climb to USD104.4 billion.

Currently, cardiovascular and cerebrovascular drugs ranked the second in the PRC pharmaceutical market, next to anti-infection drugs. In 2009, the total scale of the PRC cardiovascular and cerebrovascular drug market reached RMB88.38 billion, of which chemical drugs accounted for 63.85% of all cardiovascular and cerebrovascular drugs, representing a market size of approximately RMB56.44 billion. The market size of Chinese patent drugs was approximately RMB31.94 billion, accounting for 36.15% of the entire cardiovascular and cerebrovascular drug market. From 2005 to 2009, the market of Chinese patent drugs for cardiovascular and cerebrovascular diseases in the PRC had been growing rapidly year after year, with an average CAGR of 16.48% for the recent five years. Speedroad estimates that the market of Chinese patent drugs for cardiovascular and cerebrovascular diseases in the PRC will grow at more than 16% over the next three to five years.

The Growth Trend of Chinese Patent Drugs market for Cardiovascular and Cerebrovascular Diseases in the PRC (2005-2009)

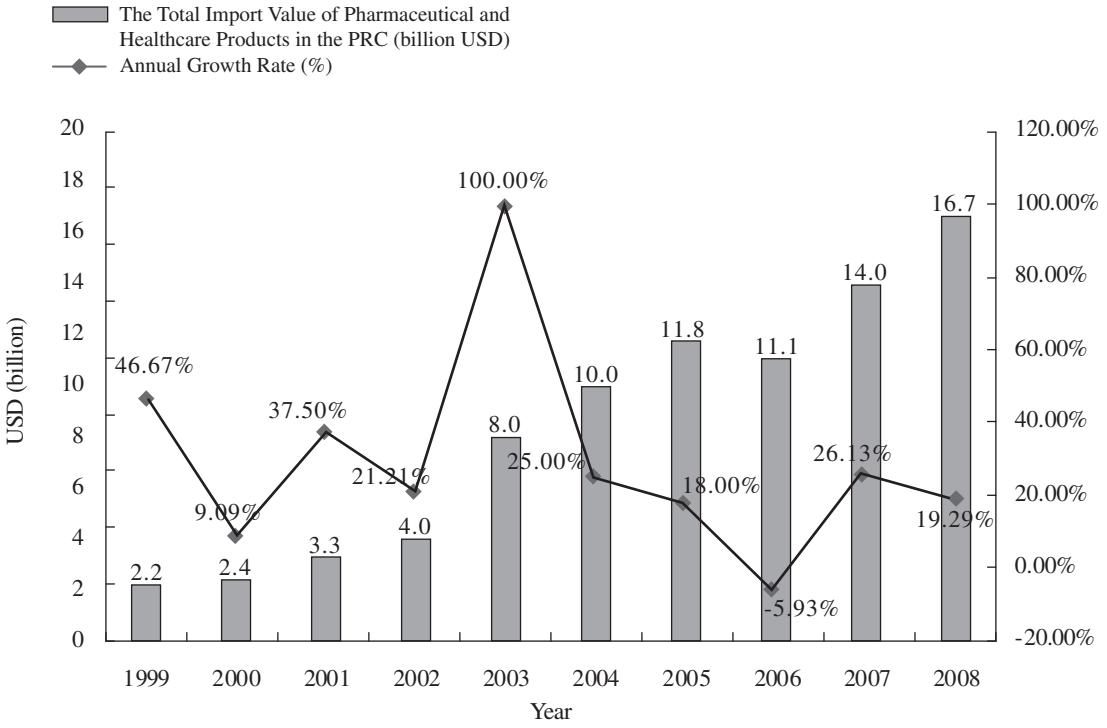


Source: Speedroad PRC Pharmaceutical Products Retail Market Key Category Competitiveness Report 2009

B. THE IMPORT AND EXPORT MARKET OF PHARMACEUTICAL AND HEALTHCARE PRODUCTS IN THE PRC

During the period from 1999 to 2008, the total import trading volume of pharmaceutical and healthcare products in the PRC has increased from USD2.2 billion to USD16.7 billion, representing an absolute increase of approximately 6.59 times. For the first eleven months of 2009, the total import trading volume of pharmaceutical and healthcare products in the PRC has reached USD18.05 billion, an increase of 19.20% comparing to the same period in 2008.

The Total Import Value of Pharmaceutical and Healthcare Products Per Year and the Annual Growth Rate in the PRC (1999-2008)



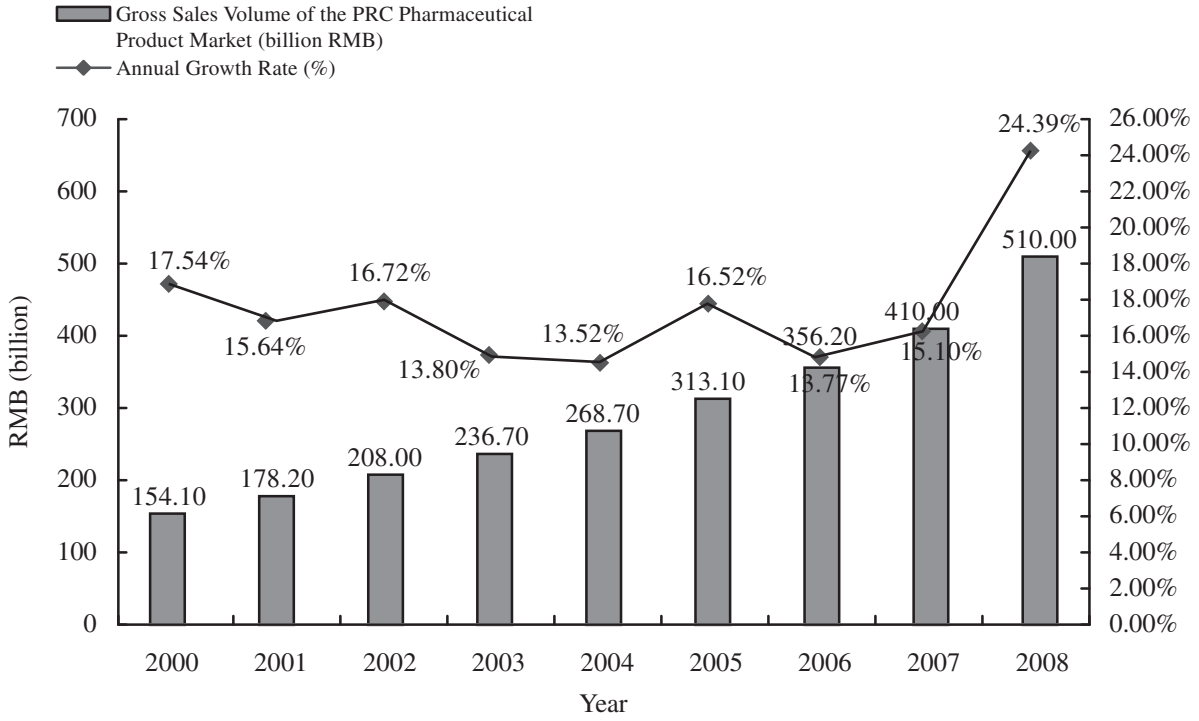
Source: China Chamber of Commerce of Medicine & Health Products (中國醫藥保健品進出口商會)/China Custom Statistical Yearbook.

In the year 2007, the total import trading volume of healthcare products in the PRC amounted to approximately USD77.56 million, with an annual growth rate of approximately 17.8%. In 2008, the total import trading volume of healthcare products reached USD108 million, a 39.6% increase compared to the previous year, exceeding the export trading volume of the same products. From January to August in the year 2009, the total import and export trading volume of healthcare products in the PRC was approximately USD133 million, which marks an increase of approximately 7% compare to the same period of the preceding year. Accordingly, the export trading volume reached approximately USD55 million, which is an increase of approximately 2.45%; while the import volume was approximately USD78 million, which is an increase of 9.47%. The growth rate in import trading of healthcare products apparently outpaced that of export trading, indicating that the increasing demand for imported healthcare products for the same period of the preceding year in the PRC market. (Source: CCCMHPIE/China Custom Statistical Yearbook)

C. THE RETAIL MARKET FOR PHARMACEUTICAL AND HEALTHCARE PRODUCTS

During the period of 2000 to 2009, the sales market for pharmaceutical products has been expanding at a CAGR of approximately 16.72%, which is faster than the GDP growth rate of the PRC (CAGR of approximately 10.5% over the same period). The global economic downturn in 2009 did not adversely impact on the PRC pharmaceutical industry as the total sales volume of pharmaceutical products reached approximately RMB510 billion in the year 2008, representing an annual growth rate of 24.39%. It is estimated by SFDA Southern Medicine Economic Institute that such market will maintain at a growth rate above 16% in the next three to five years. Pursuant to the preliminary analysis by the SFDA Southern Medical Economic Institute, in 2009, the total sales volume of the pharmaceutical products market amounted to approximately RMB619.4 billion, representing an estimated annual growth rate of 21.45%.

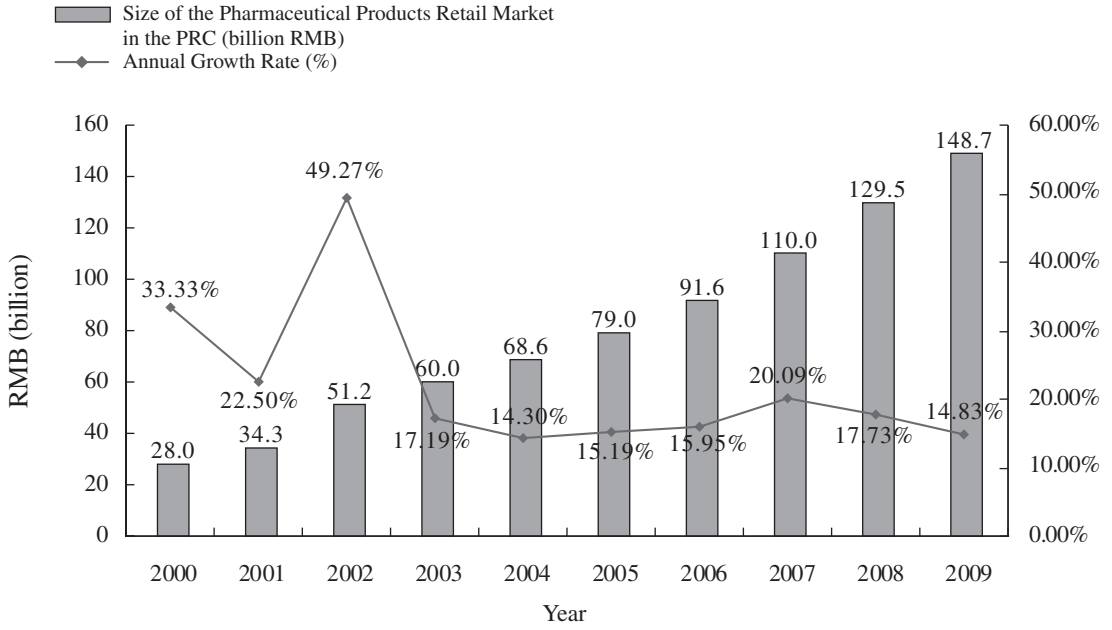
Annual Sales Volume of Pharmaceutical Product Market in the PRC and Growth Rate 2000-2008



Source: SFDA Southern Medicine Economic Institute (國家食品藥品監督管理局南方醫藥經濟研究所)

According to the SFDA Southern Medical Economic Institute, the total number of pharmaceutical retail outlets in the PRC was 378,600 in 2008, on the basis that the total population in the PRC in 2008 was 1.328 billion which means there is an average of one pharmaceutical retail outlet for every 3,508 persons in the PRC, which is far higher than the international standard of 1 retail outlet for every 6,000 persons. The total retail sales volume of pharmaceutical products in the PRC in 2009 was approximately RMB148.7 billion, representing an annual growth rate of approximately 14.83% while the CAGR from the years 2000 to 2009 was approximately 20.39%.

Size of the Pharmaceutical Products Retail Market and its Growth Rate in the PRC (2000-2009)



Source: SFDA Southern Medicine Economic Institute (國家食品藥品監督管理局南方醫藥經濟研究所)

D. PHARMACEUTICAL DISTRIBUTION SECTOR

Given the vast size and huge population of 1.3 billion people, the activity of distributing pharmaceuticals in China is a formidable task fraught with numerous challenges. A particular barrier is transporting medicines to the 700 million people located in rural locations, where per-capita income is lower, making operating there less profitable.

Following far-reaching reforms across the entire economy in the 1980s, many large state-owned pharmaceutical enterprises have been privatised and started listing on stock exchanges. Driven by insatiable consumer demand, the total number of distributors expanded significantly, from 2,500 in the 1980s to more than 16,000 a decade later. Currently, according to the China retail drug sales development research centre, foreign companies and their joint ventures hold around 51% of the Chinese retail drug market share, having strengthened their market positions through investment. Local companies hold the remaining 49%. The centre reported that investments by foreign companies have increased in China. At the same time, over the past four years, the majority of the top seven distributors have experienced year on year reductions in their profit margins. The top ten companies accounted for 35% of the market in 2008. According to BMI, the top 100 firms now account for over two-thirds of the market and the leading three firms, achieve combined sales of RMB63.7 billion By way of comparison, in the USA the sales volume of the three major distributors accounts for more than 90% of the USA's domestic market.

According to BMI, the USD44 billion drug distribution sector in China, presently fragmented between some 9,500 entities, is likely to consolidate in the coming years, under the influence of market forces. Some local companies are increasingly specialising in the registering and distribution of foreign made pharmaceuticals for smaller Western players, previously largely unable to penetrate the market. The other major change to revolutionise the sector was the introduction of Good Supply Practice (GSP) certificates. Also, there is no assurance that counterfeit products or parallel imports of the products will not infiltrate the PRC markets. Nonetheless, the Group has not received any report of counterfeit products or parallel imports of the products which the Group distributed during the Track Record Period.

In May 2009, the Chinese Ministry of Health and five other government agencies, including the National Development and Reform Commission, asked Chinese pharmaceutical companies to establish modern pharmaceutical distribution centres. They had previously issued guidance opinion in January 2009 for the regularisation of the Centralised Drug Procurement System for Medical Institutions. This will provide drug distributors with modern logistics distribution capabilities, enhancing the delivery of products to medical institutions.

I. PHARMACEUTICAL PRODUCTS

(I) Major Regulatory Laws, Regulations and Rules

1. *Drug Administration Law of the People's Republic of China《中華人民共和國藥品管理法》*

The Sixth Session of the Standing Committee of the National People's Congress promulgated the Drug Administration Law of the PRC on 20 September 1984 which was further amended in February 2001 (the "**Drug Administration Law**"). The amended Drug Administration Law has been in force since 1 December 2001. The Drug Administration Law provides for, inter alia, administration of pharmaceutical manufacturing enterprises, administration of pharmaceutical trading enterprises, administration of pharmaceuticals at medical institutions, administration of general pharmaceutical products, administration of special pharmaceutical products, administration of packaging and advertising of pharmaceutical products, and administration of supervision of pharmaceutical products, etc.

2. *Drug Administration Law Implementation Details《中華人民共和國藥品管理法實施條例》*

China's State Council (the "**State Council**") promulgated the Drug Administration Law Implementation Details (the "**Implementation Details**") on 4 August 2002. The Implementation Details has been in force since 15 September 2002, providing detailed procedures for the implementation of the regulations under the Drug Administration Law.

3. *Management Procedures for Imported Drugs《藥品進口管理辦法》*

China's State Food and Drug Administration Bureau (the "**Food and Drug Administration**") and the General Administration of Customs of the PRC (the "**Administration of Customs**") jointly promulgated the Management Procedures for Imported Drugs (the "**Management Procedures**"), which was implemented on 1 January 2004. The Management Procedures provide detailed requirements on records for imported pharmaceutical products, port examination of imported pharmaceutical products and supervisory management of imported pharmaceutical products, etc.

4. *Prescription and Non-Prescription Drugs Classification Management System (Trial)《處方藥與非處方藥分類管理辦法(試行)》*

The State Drug Administration Bureau (which was re-organised into the State Food and Drug Administration Bureau in March 2003) promulgated the Prescription and Non-Prescription Drugs Classification Management System (Trial) (the "**Classification Management System**") on 18 June 1999. The Classification Management System has been in force since 1 January 2000. The Classification Management System provides for the regulations on the basic classification system for prescription and non-prescription drugs.

(II) Major Domestic Regulatory Bodies in the PRC

1. *The Ministry of Health and its Branch Offices《衛生部及其分支機構》*

The Ministry of Health was established by the State Council in accordance with the State Council's Notice on the Establishment of Institutions (Guo Fa [2003] No. 8)《國務院關於機構設置的通知》(國發 [2003] 8號) and is responsible for the management of the State Food and Drug Administration Bureau《國家食品藥品監督管理局》.

Pursuant to the Notice of the General Office of the State Council on Issuing the Provisions on the Main Functions, Internal Organisation and Personnel Establishment of the Ministry of Health (Guo Ban Fa [2008] No. 81)《國務院辦公廳關於印發衛生部主要職責內設機構和人員編制規定的通知》(國辦發 [2008] 81號), the principal responsibilities of the Ministry of Health relating to pharmaceutical products include, inter alia, the following:-

(1) Promoting reforms for medicine and health systems. For example, formulation of health reform and development strategies, plans and guidance policies; drafting of drug-related provisional laws and regulations, development of drug regulations; and formulation of relevant standards and technical specifications.

(2) Establishing and implementing the State's fundamental drugs system. Organizing the formulation of the Pharmacy Code (藥品法典) of the PRC and the Catalogue of National Essential Drugs (國家基本藥物目錄).

(3) Drafting provisional laws and regulations for the purpose of promoting the development of Chinese medicines, and formulation of relevant regulations and policies.

2. *SFDA and its Branch Offices《國家食品藥品監督管理局及其分支機構》*

The SFDA was established in March 2003 following the restructuring of the former State Drug Administration pursuant to the State Council's Notice on the Establishment of Institutions (Guo Fa [2003] No. 8). The SFDA was re-classified as a State Bureau of vice-ministerial level《副部級國家局》in March 2008 under the administration of the Ministry of Health pursuant to《國務院關於部委管理的國家局設置的通知》(國發 [2008] 12號) (the State Council's notice on the Establishment of State Bureaux under the Administration of Ministries and Commissions (Guo Fa [2008] No. 12)).

PRC manufacturers of pharmaceutical product must obtain the pharmaceutical production permit (葯品生產許可證), the GMP Certificate (藥品生產質量管理規範認證證書) and the pharmaceutical registration approval (藥品註冊批准文件) issued by SFDA and its branch offices and other relevant permit/licenses (if applicable) required by the PRC Government for selling product to the Group.

Pursuant to the Notice of the General Office of the State Council on Issuing the Provisions on the Main Functions, Internal Organisation and Personnel Establishment of the State Food and Drug Administration (Guo Ban Fa [2008] No. 100)《國務院辦公廳關於印發國家食品藥品監督管理局主要職責內設機構和人員編制規定的通知》 (國辦發 [2008] 100號), the principal responsibilities of the State Food and Drug Administration relating to pharmaceutical products include, inter alia, the following:-

(1) Developing, planning and supervising the implementation of drug supervision and administration. Participation in the drafting of the relevant laws, regulations, and departmental rules.

(2) Administration and technical supervision of drugs, and also developing and implementing of quality control standard on drug research, manufacturing, circulation and usage.

(3) Managing the registration and supervisory management of drugs, formulating and supervising the implementation of the national drug standards, monitoring adverse drug reaction incidents, re-evaluating and eliminating of drugs, participating in the formulation of the Catalogue of National Essential Drugs, coordinating relevant departments to implement the State's fundamental drugs system, and implementation of the Classification Management System for prescription and non-prescription drugs.

(4) Formulating and implementing supervisory management regulations for Chinese medicines and ethnic medicines, drafting and determining the quality standards for Chinese medicines and ethnic medicines, organizing the development of administrative regulations for the production quality of Chinese herbal medicines and the manufacturing standards of Chinese oral medicines and supervising their implementation, organizing the implementation of a species protection system for Chinese medicines.

(5) Supervising the management of drug quality and safety; supervising the management of radioactive pharmaceuticals, anaesthetic drugs, toxic drugs and psychotropic drugs, and publication of information on drug quality and safety.

(6) Organizing investigations on illegal drug research, manufacturing, circulation and usage.

(7) Providing guidance to the regional administrations on food and drugs supervision and management, emergency incidences, inspections, and development of information systems.

(8) Developing and improving the licensing system for pharmacists, providing guidance and supervision of the registration of licensed pharmacists.

3. *The General Administration of Quality Supervision, Inspection and Quarantine of the PRC and its Branch Offices《國家質量監督檢驗檢疫總局及其分支機構》*

The General Administration of Quality Supervision, Inspection and Quarantine of the PRC (the "**Administration of Quality Supervision**") is a direct subordinate organisation of the State Council delegated with power of legal enforcement. The Administration of Quality Supervision is in charge of the national quality standard, measurement standard, entry-exit commodities inspection, entry-exit health quarantine, entry-exit animal and plant quarantine, and safety of imported and exported food and their relevant certification and standardization.

Pursuant to the Notice of the General Office of the State Council on Issuing the Provisions on the Main Functions, Internal Organization and Personnel Establishment of the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (Guo Ban Fa [2008] No. 69)《國務院辦公廳關於印發國家質量監督檢驗檢疫總局主要職責內設機構和人員編制規定的通知》 (國辦發[2008] 69號), the principal responsibilities of the Administration of Quality Supervision include, inter alia, the following:-

(1) Carrying out quality supervision, inspection and quarantine, formulating and supervising the implementation and the development of strategies and relevant regulations for the enhancement of national quality standards, drafting and implementation of laws and regulations and the relevant departmental policies relating to quality supervision, inspection and quarantine, formulating the technical specifications of works on quality supervision, inspection and quarantine.

(2) Undertaking the development of a credible product quality system, implementing re-calling policies for defective products and unsafe food, and supervising the management of anti-forgery measures.

(3) Supervising and managing product quality and safety, managing the compulsory safety and quality inspection of products, risk monitoring and control, conducting State regulated inspections, regulating national inspection exempted products, managing the Industrial Products Production Permits《工業產品生產許可證》and supervising inspections on fiber quality, supervising and managing inspection, verification and arbitration on product quality and safety, organizing and conducting product quality and safety remediation projects, investigating and penalizing illegal violations of product quality, and enforcing against illegal activities on forgery and inferior products.

(4) Formulating the Catalogue of Entry-exit Goods for Entry-exit Inspection and Quarantine《出入境檢驗檢疫商品目錄》, coordinating and managing of the entry-exit inspection and quarantine operations, and managing the issuance of the certificate of origin in accordance with laws.

(5) Undertaking the responsibilities of entry-exit health quarantine, and quarantine inspection of entry-exit animals and plants and their commodities.

(6) Undertaking statutory inspections and supervisory management of import and export commodities, managing verification of import and export commodities and implementation of the certification of import and export commodities under the State administered permit system, and managing the labels and/or seals of inspection and quarantine of imported and exported commodities, managing and supervising the import safety and quality licensing system and the export quality licensing system.

(7) Vertical management of all the Entry-Exit Inspection and Quarantine institutions, and the leadership of the national supervisory business of technical quality.

4. ***General Administration of Customs of the People's Republic of China and its Branch Offices*** ***《中華人民共和國海關總署及其分支機構》***

The General Administration of Customs of the PRC is the primary institution responsible for controlling imports and exports in China. Its main duties include customs supervision, collection and management of excise tax, supervising processing trade and tax-free exemptions, customs statistics, customs inspections, prevention of and enforcement actions against smuggling, and the management of ports, etc.

(III) **Management of Permits for Pharmaceutical Enterprises and Good Supply Practices**

According to Article 14 of the Drug Administration Law and Article 11 of the Implementation Details, together with other related regulations, operation of a pharmaceutical wholesale enterprise will require the approval and obtaining of the Pharmaceutical Trade License (藥品經營許可證) from the local Food and Drug Administration of the relevant provincial, autonomous region, and municipal governments. After successfully obtaining the Pharmaceutical Trade License, the applicant will be able to register with the relevant local Administration of Industry and Commerce for operating a pharmaceutical wholesale enterprise. The Pharmaceutical Trade License will be valid for 5 years from the date of issue. In the event a pharmaceutical wholesale enterprise intends to continue its operation after 5 years, an application for re-registration is required to be made 6 months prior to the date of expiration of the Pharmaceutical Trade License.

According to Article 13 of the Implementation Details, pharmaceutical enterprises are required to obtain the certificate of Good Supply Practices (藥品經營質量管理規範) after passing the certification inspections conducted by the regional drug administrations of the relevant provincial, autonomous region, and municipal governments pursuant to the implementation methods and implementation details issued by the regulatory authorities of drugs under the State Council.

GSP Standards《藥品經營質量管理規範》, which comprise a set of quality guidelines for operations (including wholesale and retail) related to pharmaceutical products, regulate pharmaceutical enterprises to ensure the quality of pharmaceutical products in China. The current applicable GSP standards require pharmaceutical enterprises to implement strict controls on the operation of pharmaceutical products, including but not limited to standards regarding staff qualifications, premises, warehouses, inspection of equipment and facilities, management and quality control. Under The Administrative Measures for Certification of Good Supply Practices (藥品經營質量管理規範認證管理辦法) effective on 24 April 2003, each GSP certificate is valid for 5 years and may be extended three months prior to its expiration upon a re-examination and re-approval by the relevant authority.

In addition, pursuant to Articles 17, 18 and 19 of the Drug Administration Law, for purchasing drugs, pharmaceutical enterprises shall establish and apply an examination and acceptance system, and check the certification of drug quality, labels and other marks; drugs that do not meet the specified requirements shall not be purchased or used. Drug distributor shall keep authentic and complete records when purchasing and selling drugs and must indicate on the records the general name of the drug in China, dosage form, specifications, batch number, date of expiry, manufacturer, purchase (or sale) units, amount of the drug purchased (or sold), purchase or sale price, date of purchase (or sale), and other contents specified by the drug regulatory departments under the State Council.

(IV) **Licensing Management of Import and Export Business Uperations**

1. ***Record Registration of Foreign Trade Dealers***

According to, inter alia, the Foreign Trade Law of the PRC《中華人民共和國對外貿易法》, which came into force on 1 July 2004, and the Measures for the Archival Filing and Registration of Foreign Trade Operators《對外貿易經營者備案登記辦法》, a foreign trade dealer who intends to engage in the import and export of goods and technologies, should file the records for registration with the Ministry of Commerce of the People's Republic of China (hereinafter referred to as "Ministry of Commerce") or authorities entrusted by the Ministry of Commerce. If any foreign trade dealers do not register in accordance with the said measures, the customs will not press the formalities of customs declaration and approval for them.

The Ministry of Commerce entrusts qualified local administrations for foreign trade (hereinafter referred to as "record registration authorities") with the duty of record registration for local foreign trade dealers. Foreign trade dealers should register their records with local record registration authorities.The procedure of record registration for foreign trade dealers is as follows:

(1) Fill in and sign the registration form of Foreign Trade Dealers (hereinafter referred to as "Registration Form").

(2) Submit the following materials to record registration authorities for record registration:

- The Registration Form;
- Copy of business license;

- Copy of organisation code certificate;

- Foreign trader dealers who are foreign-invested enterprises should also submit a copy of the approval certificate of foreign-invested enterprises;

- Individual dealers of industry and commerce (sole proprietors) who obtained registration of industry and commerce in accordance with the laws should submit notarized certificate of property issued by legal notary organs. The enterprises of foreign countries (regions) that have registered as dealers of industry and commerce in accordance with laws should submit certification of funds and creditworthiness issued by legal notary organs.

(3) Record registration authorities should handle the records for registration within 5 days upon receipt of above submitted materials on which the seal of record registration shall be affixed, and the records shall be registered in accordance with the laws upon completion of the record registration procedure.

Foreign trade dealers should go through related formalities of foreign trade business by presenting the Registration Form on which the seal of record registration is affixed within 30 days to local customs, administrations of inspection and quarantine, foreign currency and tax. If the formalities are not complied with within the time limit, the Registration Form will expire and become invalid automatically. If there is any change to any items on the Registration Form, foreign trade dealers should register the changes in the Registration Form within 30 days according to the provisions of Articles 5 and 8 of the said measures. Any change that is not registered within the time limit will render the Registration Form invalid automatically.

2. ***Registration Permit for Dealers of Imported and Exported Goods***

Pursuant to, inter alia, the Customs Law of the PRC《中華人民共和國海關法》and the Provisions of the Customs of the People's Republic of China for the Administration of Registration of Declaration Entities 《中華人民共和國海關對報關單位註冊登記管理規定》, enterprises engaged in direct importation of goods and services which complete the customs formalities concerning declaration of inward and outward articles and payment of duties by themselves, must also obtain the Registration Permit for Dealers of Imported and Exported Goods of the PRC《中華人民共和國海關進出口貨物收發貨人報關註冊登記證書》from the local customs office. The Registration Permit for Dealers of Imported and Exported Goods of the PRC is valid for 3 years.

(V) Administration of Imported Pharmaceutical Products

Pursuant to Article 36 of the Implementation Details and Article 42 of the Management Procedures, any importation of drugs shall apply for registration pursuant to the provisions of the drug regulatory department under the State Council. A drug may only be imported after an Imported Drug Registration Certificate is obtained by the relevant manufacturer if it is produced by a foreign manufacturer, or after a Pharmaceutical Product Registration Certificate is obtained by the relevant manufacturer if it is produced by a manufacturer in Hong Kong, Macao or Taiwan of China. The Imported Drug Registration Certificate and the Pharmaceutical Product Registration Certificate are issued and approved by the State Food and Drug Administration, with a valid period of five years.Articles 3 and 4 of the Management Procedures provide that drugs shall be imported via the ports where drug importation is approved by the State Council, and pharmaceutical import registration must be completed. Article 38 of the Implementation Details provides that importers must, upon arrival of the pharmaceutical products at the Approved Ports, present the Imported Drug Registration Certificate and/or the Pharmaceutical Product Registration Certificate, together with the proof of origin of the imported pharmaceutical products, copy of the purchase agreement of the imported pharmaceutical products, packaging and transport receipts , freight invoice, ex factory quality examination certificate as well as usage directions of the imported pharmaceutical products to the pharmaceutical supervisory and administrative department of the place where the port is located for filing. After inspection of the imported pharmaceutical products, the local pharmaceutical supervisory and administrative department will issue an Imported Pharmaceutical Customs Form《進口藥品通關單》, which must be presented to the Customs by the importer in order to complete the customs declaration, inspection and release procedures.

(VI) Rules and Regulations Governing the Import of Pharmaceutical Products and Penalties on Non-compliance

As required by the Drug Administration Law, the Drug Administration Law Implementation Details and the Management Procedures for Imported Drugs, a drug may only be imported after an Imported Drug Registration Certificate is obtained if it is produced by a foreign manufacturer, or after a Pharmaceutical Product Registration Certificate is obtained if it is produced by a manufacturer in Hong Kong, Macao or Taiwan of China. Importers must, upon arrival of the pharmaceutical products at the Approved Ports, present such materials as required by law to the pharmaceutical supervisory and administrative department of the place where the port is located for filing. Upon passing inspection, the importer will be issued an Imported Pharmaceutical Customs Form《進口藥品通關單》, which will be presented to the Customs in order to complete the customs declaration, inspection and release procedures. Pursuant to Article 17 of the Management Procedures for Imported Drugs, no import filing shall be made if the Imported Drug Registration Certificate or the Pharmaceutical Product Registration Certificate of the drug to be imported has been invalid or expired.

Pursuant to the "Announcement on Issues regarding the Re-registration of Imported Pharmaceuticals" issued by the State Food and Drug Administration on 7 January 2009, provisional imports can be applied for during the re-registration of imported pharmaceuticals and its reporting conditions, procedures, required information, term and administration requirements will be executed in accordance with the Annex 2 "Regulations for the Administration of Provisional Imports and Repackaging during Re-registration" of the announcement.

Pursuant to Articles 3, 4, 5 and 6 of the "Regulations for the Administration of Provisional Import and Repackaging during Re-registration", applications for provisional import shall be submitted to the Administration Acceptance Service Centre of the State Food and Drug Administration. The Centre shall conduct a formal review within five working days and issue the notice of acceptance if the requirements are met. The Pharmaceutical Registry of SDFA shall review the provisional imported application within 20 working days and issue the "Import Drugs Approval Notice" (進口藥品批件) if the requirements are met. Prior to obtaining the "Imported Drug Registration Certificate" or the "Pharmaceutical Product Registration Certificate" the Import Drugs Approval Notice may only be issued not more than twice after expiry of the relevant import registration certificate of such pharmaceutical product(s). The longest term for imports stipulated in the "Import Drugs Approval Notice" (進口藥品批件) is six months during which the actual import term, such as two months or three months, will be determined according to the registration progress.

Pursuant to Article 12 of the "Regulations for the Administration of Provisional Import and Repackaging during Re-registration", the "Import Drugs Approval Notice" (進口藥品批件) shall be used for only one time within the effective term stipulated in the document. The applicant shall complete the importation of the approved import quantity on an one-off basis at the port designated by the "Import Drugs Approval Notice" (進口藥品批件) within the effective term stipulated in the document. The "Import Drugs Approval Notice" (進口藥品批件) shall not be used repeatedly and shall be void upon its expiry.

Article 81 of the Drug Administration Law provides that if any enterprise that imports drugs to which Imported Drug Registration Certificate has been granted fails to register with competent authority in accordance with the provisions of applicable laws, it shall be given a disciplinary warning and be instructed to rectify within a time limit; if it fails to do so, the Imported Drug Registration Certificate shall be revoked.

Articles 48 and 74 of the Drug Administration Law provides that a drug shall be treated as a counterfeit drug if it is imported without approval as required by law. Where counterfeit drugs are sold, the drugs illegally sold and the illegal gains shall be confiscated, and a fine not less than two times but not more than five times the value of the said drugs shall be imposed. The approval documents, if any, shall be withdrawn and an order shall be given to suspend production or business operation for rectification. If the circumstances are serious, the Pharmaceutical Trade License shall be revoked. If a crime is committed, criminal liabilities shall be investigated in accordance with law.

In addition, Article 61 of the Foreign Trade Law of the People's Republic of China provides that anyone who imports or exports any goods that are banned from import or export or unlawfully imports or exports any goods that are restricted from import or export without approval shall be dealt with and punished by the customs office according to relevant laws or administrative regulations. If the offence constitutes any crime, it shall be subject to criminal liabilities.

(VII) **Drugs Classification Management System**

Pursuant to Articles 2, 4 and 8 of the Classification Management System, drugs are managed as prescription drugs and non-prescription drugs respectively according to their varieties, specifications, cure, dosage and method of administration. Only practising doctors or licensed assistant doctors can

deploy, purchase or apply prescription drugs; whilst non-prescription drugs can be purchased or applied according to the user's own judgment without requiring the approval of practising doctors or licensed assistant doctors. There are two categories of non-prescription drugs, namely category A and category B. The State Food and Drug Administration has the primary responsibility to manage the selection, approval, publication and adjustment of the Categories of Non-prescription Drugs《非處方藥目錄》.

The Classification Management system has not provided specific regulations on "dual specification drugs". According to the Notice relating to Relevant Matters on the Administration of Non-prescription drugs in Year 2002 (Guo Yao Jian Ban [2002] No. 195)《關於做好2002年非處方藥管理有關工作的通知》(國藥監辦[2002]195號) issued by the State Drug Administration, and the Notice to Strengthen the Administration of the Insert Sheet and Labeling of Non-prescription Drugs (Guo Shi Yao Jian Zhu [2006] No.610) 《關於進一步加強非處方藥説明書和標簽管理的通知》(國食藥監注[2006]610號), "dual specification drug" is defined as drug which falls under the categorization of both prescription and non-prescription drugs, in addition, "dual specification drugs" should follow the labeling and insert-sheets requirements of both prescription and non-prescription drugs, and the colour of its packaging for prescriptive and non-prescriptive categories must be clearly distinguishable.

Articles 6 and 7 of the Classification Management System provide that the labeling and insert-sheets of non-prescription drugs must be approved by the State Drug Administration, and its packaging must bear the special marks for non-prescription drugs prescribed by the State Drug Administration. Pursuant to Article 7 of the Provisional Management Regulations for Prescription and Non-Prescription Drugs Distribution《處方藥與非處方藥流通管理暫行規定》, which came into force since 1 January 2000, manufacturers of all prescription and non-prescription drugs which have entered into the distribution network, should clearly print on their packaging and insert-sheets the relevant cautions or reminders.

Articles 8 of the Classification Management System provides that distributors of prescription drugs and non-prescription drugs, and retailers of prescription drugs and category A non-prescription drugs, are required to obtain the pharmaceutical trade licence《藥品經營許可證》. Other business enterprises approved by the provincial drug regulatory administrations or their delegated drug administrative departments, are allowed to engage in the retail sales of category B non-prescription drugs. Pursuant to Article 6 of the Provisional Prescription and Non-Prescription Drugs Distribution Management Regulations, all drug manufacturers and wholesalers must sell their prescription and non-prescription drugs to the respective drug retailer enterprises with legal operating qualifications in accordance with the principles and requirements of the management classification and sales classification and keep their sales records according to requirements. Pursuant to Articles 20 and 21 of the Provisions for Supervision of Drug Distribution《藥品流通監督管理辦法》, which came into force since 1 May 2007, a drug manufacturer or distributor shall not provide the public with prescription drug or Class A non-prescription drug by means of tie-in sale or offering free drugs in association with sales of drug or commodities, etc. Also, a drug manufacturer or distributor shall not sell prescription drugs directly to the public by post or via the Internet.

Article 60 of the Drug Administration Law provides that introduction of prescription drugs may be published on medical and pharmaceutical professional publications jointly specified by the State Council's Health Administration Authorities and the State Council's Drug Supervision and Administration Authorities, however, publication of advertisements through the mass media or otherwise through advertising promotions targeted on the general public are not allowed.

II. FOOD AND HEALTHCARE PRODUCTS

(I) Major Regulatory Laws, Regulations and Rules

1. *Food Safety Law of the People's Republic of China《中華人民共和國食品安全法》*

The Food Safety Law of the PRC (the "Food Safety Law"), which was promulgated by the Standing Committee of the 11th National People's Congress of the PRC on 28 February, 2009, came into force since 1 June, 2009 . The Food Safety Law sets out the regulations on, inter alia, monitoring and evaluating food safety risks, food product safety standards, operation of food product manufacturing enterprises, food product examinations, food product imports and exports, handling of food safety incidents and supervisory management of food products.

2. *Regulations for the Implementation of the Food Safety Law《中華人民共和國食品安全法實施條例》*

The Regulations for the Implementation of the Food Safety Law (the "Implementation Regulations of the Food Safety Law") was promulgated on 20 July 2009 at the 73rd State Council executive meeting. The Implementation Regulations of the Food Safety Law entered into force since 20 July 2009. The Implementation Regulations of the Food Safety Law has provided detailed procedures for the implementation of the regulations under the Food Safety Law

3. *Measures for the Administration of Healthcare Food《保健食品管理辦法》*

The Measures for the Administration of Healthcare Food (the "Healthcare Food Measures") were promulgated by the Ministry of Health on 15 March 1996 and came into force since 1 June 1996. The Healthcare Food Measures set out regulations primarily on the application for approvals, production operations, labeling, insert-sheets, advertising and promotions and regulatory management, etc. of domestic and imported healthcare food products in the PRC.

4. *Measures for the Registration of Healthcare Food (trial)《保健食品註冊管理辦法》(試行)*

The Measures for the Registration of Health Food (trial) (the "Healthcare Food Registration Measures") were promulgated by the Food and Drug Administration on 30 April 2005, and came into force since 1 July 2005 . The Healthcare Food Registration Measures set out the regulations on registration of domestic and imported healthcare foods in China, covering areas such as registration applications and approvals, raw materials and semi-finished products, labeling and direction of usage, product trials and testing, re-registration and reviews, etc.

(II) Major Domestic Regulatory Institutions in the PRC

1. *The Ministry of Health and its Branch Offices*

According to the Notice of the General Office of the State Council on Issuing the Provisions on the Main Functions, Internal Organization and Personnel Establishment of the Ministry of Health (Guo Ban Fa [2008] No. 81)《國務院辦公廳關於印發衛生部主要職責內設機構和人員編制規定的通知》(國辦發[2008] No. 81), the principal responsibilities of the Ministry of Health in relation to food and healthcare food include, inter alia, the following:-

(1) Promoting reforms to the health system; setting the targets and developing the strategies, plans and guiding policies on health reforms; drafting of provisional laws and regulations in relation to health and food safety, formulating policy rules for health and food safety and setting the standards and regulations of related technologies.

(2) Undertaking the comprehensive coordination work on food safety, organizing and conducting investigations on accidents in relation to food safety, formulating the standards for food safety, conducting risk evaluation on safety of food and related products, alerting the public for potential hazardous incidents, formulating the conditions and inspection regulations on the certification qualification of organisations for inspection of food safety and unifying the publication of information in relation to food safety.

The division of work on food safety among the Ministry of Health and other governmental organisations is as follows:-

(1) *Work distribution in relation to supervision of food safety*

The Ministry of Health takes the lead in establishing a comprehensive coordination mechanism for food safety for the general comprehensive supervision of food safety. The General Administration of Quality Supervision, Inspection and Quarantine of the PRC is responsible for monitoring the food production and processing sectors and the safety of imported and exported food products. The Ministry of Health is responsible for the comprehensive coordination of food safety, and organizing and conducting investigations on material incidents in relation to food safety.

(2) *Work distribution in relation to the supervision and management on the licensing of the food production, circulation and consumption sectors*

The Ministry of Health is responsible for setting health regulations and conditions for the authorisation of food production and circulation and the adoption of food production and licensing conditions for circulation. The General Administration of Quality Supervision, Inspection and Quarantine of the PRC is responsible for the supervision and management on the licensing of food production sectors.

2. *The SFDA and its Branch Offices*

According to the Notice of the General Office of the State Council on Issuing the Provisions on the Main Functions, Internal Organization and Personnel Establishment of the State Food and Drug Administration (Guo Ban Fa [2008] No.100)《國務院辦公廳關於印發國家食品藥品監督管理局主要職責內設機構和人員編制規定的通知》(國辦發[2008] 100號), save as provided otherwise, the SFDA is responsible for the supervision and management of healthcare food products. Concerning food products, the State Food and Drug Administration's duties are primarily related to the supervision of food consumables.

3. *The General Administration of Quality Supervision, Inspection and Quarantine of the PRC and its Branch offices*

According to the Notice of the General Office of the State Council on Issuing the Provisions on the Main Functions, Internal Organization and Personnel Establishment of the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (Guo Ban Fa [2008] No.69)《國務院辦公廳關於印發國家質量監督檢驗檢疫總局主要職責內設機構和人員編制規定的通知》(國辦發[2008] 69號), in addition to the above stated duties concerning the drug regulatory authority, the major duties of the Administration of Quality Supervision in relation to food and healthcare food products also include undertaking the responsibility of monitoring the safety of quality in the production and processing of food and any related products, monitoring and inspecting the safety of imported or exported food products, managing registration of production and processing units of imported or exported food products according to the laws, and external promotion of the State's export enterprises.

(III) **Licensing Administration for Enterprises Operating in Food and Healthcare Products**

Pursuant to Article 27 of the Food Hygiene Law of the PRC《食品衛生法》and the Measures for the Administration of Food Hygiene Licences《食品衛生許可證管理辦法》, enterprises operating in food production must apply to the Ministry of Health for a Food Hygiene Licence (衛生許可證). Business can only be carried out after the granting of such licence. Relevant enterprises shall also be responsible for the hygiene of food produced.

According to the Measures for the Administration of Healthcare Food and the Food Hygiene Law of the PRC, the food and drugs supervising authorities in some areas of the PRC (including but not limited to Shenzhen City and Zhuhai City of the Guangdong Province) require enterprises dealing in healthcare food products to apply for the Food Hygiene Licence (保健食品經營企業衛生許可證) from them.

The aforementioned Food Hygiene Law of the PRC has now been repealed by the Food Safety Law《食品安全法》. However, according to the Food Safety Law, Food Hygiene Licences obtained by enterprises operating in food production before the commencement of the Food Safety Law shall continue to be valid.

Moreover, pursuant to Articles 34, 39, 40 and 41 of the Food Safety Law, Food Enterprises shall follow the relevant laws to establish and execute a heath control system for their operation staff;

inspect certification documents of the food Suppliers' licences and food quality for the food they acquire, and shall set up an inspection and recording system for food purchase in order to accurately record data of the food such as its name, specifications, amount, production batch number, shelf-life, name of the Supplier, contact details, and date of purchase, etc. Food Enterprises shall also store food according to requirements guaranteeing food safety, regularly inspect stored food, and dispose of food products that have deteriorated or expired.

(IV) Matters Relating to Healthcare Food Product Approval Prior to the Implementation of the Healthcare Food Registration Measures

According to Article 22 of the Food Hygiene Law implemented since 30 October 1995, it explicitly provides that for food products with specific healthcare functions, such products and their insert sheets must be submitted to the State Council's Health Administration authorities for inspection and approval, their health standards and administrative measures for their production operations are promulgated by the State Council's Health Administration authorities.

According to Articles 5 and 8 of the Healthcare Food Measures implemented since 1 June 1996, all food products which are alleged to have healthcare functions must be inspected and confirmed by the Ministry of Health (such function had been assumed by the State Food and Drug Administration since 2003); the research-manufacturer shall make an application to its local provincial Health Administration authority and upon the granting of preliminary approval, the same shall be submitted to the Ministry of Health for approval. Approval Certificate for Healthcare Foods will be issued by the Ministry of Health to Healthcare products which have satisfied the inspection requirements. The Assessment Committee of the Ministry of Health will organise four assessment meetings annually, which are generally convened during the last month of each quarter. All materials with preliminary approvals must be sent to the Ministry of Health by the end of the first month of each quarter. Decision on whether approvals should be granted will be made by the Ministry of Health in accordance with the assessment opinions within 30 working days after the assessment. According to Articles 12 and 13 of the Healthcare Food Measures, importers or agencies must file an application to the Ministry of Health (or to the State Food and Drug Administration instead effective from 2003) when healthcare foods are imported, and an Approval Certificate for Imported Healthcare Foods《進口保健食品批准證書》will be issued after meeting the requisite standards upon inspection.

(V) Import Administration of Food and Healthcare Food

Pursuant to Article 62 of the Food Safety Law and Article 36 of the Implementation Regulations of the Food Safety Law, imported food, food additives and any food-related products shall comply with the National Food Safety Standards. Importers supplying imported food shall present the necessary certificates and relevant approval documents such as contracts, invoices, packaging receipts, and delivery notes for inspection by the Entry-Exit Inspection and Quarantine Authorities at the Customs authorities of the relevant location. Upon meeting the requisite standards after inspection by the Entry-Exit Inspection and Quarantine Authorities, imported food shall be allowed to enter the territory through the Customs authorities according to the Customs Clearance Certificate issued by the

Entry-Exit Inspection and Quarantine Authorities. Article 63 of the Food Safety Law requires importers to file applications to the Health Administration Department of the State Council and submit relevant assessments on food safety for the import of food without specific National Food Safety Standards, or new and first-time imported food additives and new food-related products.

Pursuant to Article 65 of the Food Safety Law and Article 39 of the Implementation Regulations of the Food Safety Law, exporters or agents exporting food into domestic territory shall make a filing to the National Entry-Exit Inspection and Quarantine Authorities for record. Overseas food production enterprises exporting food into domestic territory shall register with the national Entry-Exit Inspection and Quarantine Authorities, where the registration shall be valid for four years.

According to Article 67 of the Food Safety Law, importers shall establish an import and sales recording system to accurately record data of the food such as its name, specifications, amount, production date, production or import batch number, shelf-life, names of the exporter, purchaser and their respective contact details, delivery date, etc. The import and sales record of food shall be accurate and shall be kept for not less than two years.

According to Articles 12 and 13 of the Healthcare Food Measures, importers or agencies should file an application to the Ministry of Health (or to the State Food and Drug Administration instead effective from 2003) for an "Approval Certificate for Imported Healthcare Foods" 《進口保健食品批准證書》after meeting the requisite standards upon inspection. Frontier agencies for hygiene supervision and inspection of imported food shall conduct hygiene supervision and inspection according to the "Approval Certificate for Imported Healthcare Foods" and grant clearance upon satisfaction of the inspection certificate. Healthcare Food Measures also requires healthcare food operators to obtain a photocopy of the "Approval Certificate for Healthcare Foods" and a Product Inspection Certificate from the Ministry of Health when purchasing healthcare foods; and obtain a photocopy of the "Approval Certificate for Imported Healthcare Foods" and a Product Inspection Certificate from the frontier agencies for hygiene supervision and inspection of imported food when purchasing imported healthcare foods.

Healthcare Food Registration Measures require that operators of imported healthcare food shall declare on an Application Form for the Registration of Imported Healthcare Food《進口保健食品註冊申請表》, and the SFDA shall issue an "Approval Certificate for Imported Healthcare Food" 《進口保健食品批准證書》after inspection. The approval certificate for imported healthcare food issued by SFDA after 2003 shall be valid for five years.

According to the requirements of the Healthcare Food Registration Measures, the applicant for the healthcare food registration shall be the holder of the Approval Certificate of Healthcare Foods. Where an overseas applicant of imported healthcare food is a foreign manufacturer, a domestic agency in the PRC shall be appointed for completing the imported healthcare food registration procedure. Any change of the agency shall be reported to the State Food and Drug Administration for filing.

According to the "Import and Export of Special Food Pre-inspection Procedures Guide" 《進出口特殊食品預審辦理指南》published on the website of the Shenzhen Entry-exit Inspection and Quarantine Bureau, and the "Provisional Inspection and Quarantine Administrative Measures for the Import and Export of Special Food implemented by the Shenzhen Entry-exit Inspection and

Quarantine Bureau" 《深圳出入境檢驗檢疫局進出口特殊食品監督檢驗管理辦法(試行)》 effective from 1 November 2005, the Shenzhen Inspection and Quarantine Bureau shall establish procedures for pre-inspection of special food. Any production and operating units of special food entering the territory through Shenzhen ports shall be subject to a pre-inspection at the Food Inspection Agency of the Bureau before being imported, and shall obtain an "Import and Export of Special Food Certificate"《進出口特殊食品預審證明》. Such certificate shall be valid for six months, and will be verified each time according to the actual import and export amount/weight declared for inspection, and will be retrieved by the Entry-exit Inspection and Quarantine Bureau after the full amount/weight has been declared for inspection.

III. MEDICAL PRODUCT

(I) Major Regulatory Laws and Regulations

1. *Regulations for Supervision and Administration of Medical Devices*

The State Council issued the "Regulations for Supervision and Administration of Medical Devices"《醫療器械監督管理條例》(hereinafter referred to as "Regulations on Medical Devices") on 4 January 2000, which became effective from 1 April 2000. The Regulations on Medical Devices mainly provide for the management of medical devices, management of the production, operation and use of medical devices, and the supervision and legal liabilities, etc. for medical devices in the PRC, respectively.

2. *Administrative Measures for Business Licenses of Medical Devices Enterprises*

The SFDA issued the "Administrative Measures for Permits for Medical Devices Operation Enterprises" 醫療器械經營企業許可証管理辦法》on 9 August 2004 (hereinafter referred to as "Measures on Permits for Medical Device Operation Enterprises"), which became effective from 9 August 2004. The Measures on Permits for Medical Device Operation Enterprises primarily provide for the conditions and procedures for the application for permits for medical devices operation enterprises, changes and renewals, supervision and legal responsibilities, etc. respectively.

3. *Administrative Measures for Registration of Medical Devices*

The SFDA issued the "Administrative Measures for Registration of Medical Devices" 《醫療器械註冊管理辦法》on 9 August 2004 (hereinafter referred to as "Measures for Medical Device Registration"), which became effective from 9 August 2004. The Measures for Medical Device Registration primarily provide for the registration inspections, clinical trials, registration applications and approvals, re-registration, changes and re-submission of registration certificates, supervision and administration and legal responsibilities, etc., respectively.

(II) Major Regulatory Bodies in the PRC

1. *Ministry of Health and its affiliates*

Pursuant to the "Notice of the State Council General Office on the issuance of internal organisation for main responsibilities and staffing requirements of the Ministry of Health" (Guo Ban Fa [2008] No. 81)《國務院辦公廳關於印發衛生部主要職責內設機構和人員編制規定的通知》(國辦發 [2008] 81號), the main duties of the Ministry of Health regarding medical devices include the following: promoting of the reform of medical and health system, devising health reforms and development strategic objectives, plans and policies, drafting laws and regulations relating to medical devices, formulating medical device regulations, and formulating the relevant standards and technical specifications.

2. *The SFDA and its affiliates*

Pursuant to the "Notice of the State Council General Office on the issuance of internal organisation for main responsibilities and staffing requirements of the SFDA" (Guo Ban Fa [2008] No.100) 《國務院辦公廳關於印發國家食品藥品監督管理局主要職責內設機構和人員編制規定的通知》(國辦發 [2008] 100號), the main duties of the SFDA regarding medical devices include the following:

(1) formulation of medical device regulatory policies and plans and supervising the implementation thereof, participation in the drafting of relevant PRC laws and regulations and draft departmental rules;

(2) being responsible for administrative supervision and technical supervision of medical devices, formulating quality control standards of development, production, distribution and use of medical devices and supervising the implementation thereof;

(3) being responsible for the registration and supervision of medical devices, developing national standards for medical devices and overseeing the implementation thereof, organizing and developing the monitoring of adverse events for medical devices, and re-evaluation and elimination of medical devices;

(4) supervision and management of the quality safety of medical devices, and publication of information regarding the quality safety of medical devices;

(5) organizing investigation of offenses regarding development, production, distribution and use of medical devices; and

(6) providing guidance for supervision and management, emergency response, inspection and informatization establishment regarding local food and drugs.

3. ***The General Administration of Quality Supervision, Inspection and Quarantine of the PRC and its Branch Offices (國家質量監督檢驗檢疫總局及其分支機構)***

The major responsibilities of this organisation are set out above under the section headed "I. Pharmaceutical Products" in this section of the prospectus.

4. ***General Administration of Customs of the People's Republic of China and its Branch Offices (中華人民共和國海關總署及其分支機構)***

The major responsibilities of this organisation are set out above under the section headed "I. Pharmaceutical Products" in this section of the prospectus.

(III) **Managing the Permits for Medical Devices Operation Enterprises**

Rule 24 of the Regulations on Medical Devices and Measures on Permits for Medical Devices Operation Enterprises stipulates that the establishment of Class I medical devices operation enterprises is subject to filing with the provincial drug supervision and administration department; the establishment of Classes II and III medical devices operation enterprises is subject to examination and approval by the provincial drug supervision and administration department and the issuance of a Permit for Medical Devices Operation Enterprises, which is valid for five years.

Rule 26 of the Regulations on Medical Devices stipulates that medical devices operation enterprises and medical institutions shall purchase certified medical devices from manufacturers that have obtained a Permit for Medical Devices Manufacturing Enterprises (《醫療器械生產企業許可證》) or operation enterprises that have obtained a Permit for Medical Devices Operation Enterprises and examined the product certification. The operation of medical devices operating enterprises may not involve unregistered, uncertified, expired, obsolete or eliminated medical devices.

Rule 34 of the Regulations on Medical Devices stipulates that advertisements of medical devices are subject to examination and approval by the drug supervision and administration departments of the People's Government at the provincial level or above, and may not be published, broadcast, distributed or posted without approval. The content of advertisements of medical devices shall follow the user manuals as approved by the drug supervision and administration department of the State Council or the drug supervision and administration department(s) of the People's Government of the province, self-autonomous region or municipality.

(IV) **Managing the Import of Medical Devices**

Pursuant to Rules 8, 11 and 14 of the Regulations on Medical Devices, the State implements a product manufacturing registration system for medical devices. For medical devices imported into the PRC for the first time, the importing unit shall provide relevant information of the device such as its user manual, quality standard, inspection methods, etc., together with samples and evidential proof of authorised production and sale from the exporting country (or region). Application for completion of importing procedures can only be made following inspection by and registration at the drug supervision and administration department of the State Council and obtaining an import registration certificate. The product registration certificate for Medical Devices is valid for four years.

Pursuant to Rules 2, 4 and 6 of the Measures on the Management of Medical Devices Registration (《醫療器械註冊管理辦法》), all medical devices sold and used in the PRC shall apply for registration. Unregistered medical devices shall not be sold and used. Foreign medical devices are subject to examination by the SFDA and a medical device registration certificate will be issued upon approval. For application for the registration of foreign medical devices, the foreign manufacturer shall specify an organisation to act as its agent in the PRC and the agent shall be liable for the corresponding legal liabilities. In addition, the foreign manufacturer shall entrust a legal entity in the PRC with the relevant qualification or entrust its branch located in the PRC to provide after-sales services.

IV. PRICE CONTROLS

Drug Price Administration

According to Article 3 of the Price Law of the PRC (the "Price Law") effective from 1 May 1998, the market-regulated price refers to the price formed through market competition and determined by the operator at his own discretion; the government-guided price refers to the price determined by the operator under the guidance of the competent government pricing authority or other relevant authorities with reference to the requisite basic price and its variable band according to the limit and scope of their pricing rights in compliance with the Price Law; the government-set price refers to the price fixed by the competent government pricing authority or other relevant authorities according to the limit and scope of their pricing rights.

According to Articles 18 and 19 of the Price Law, the government may administer government-guided prices or government-set prices , if necessary, as the prices of the following commodities and services:

(1) the prices of the few commodities relating to national economic development and people's livelihood in a significant manner;

(2) the prices of the few commodities which are scarce resources;

(3) the prices of commodities operated by natural monopoly;

(4) the prices of significant public utilities;

(5) the prices of significant social beneficial services.

The pricing right limit and the specific scope of application of government-guided prices and government-set prices are based on the pricing catalogues prepared by the central and the local governments. The central pricing catalogue is prepared and revised by the State Council's pricing authorities and submitted to the State Council for approval before announcement. The local pricing catalogue is prepared by the competent pricing authorities of the people's governments of provinces, autonomous regions and municipalities in accordance with the pricing right limit and the specific

scope of application specified in the central pricing catalogue, and upon review and endorsement by the originating people's government, it will be submitted to the State Council's pricing authorities for approval and confirmation before announcement. All local people's governments below the provincial level are not allowed to prepare pricing catalogues.

According to Articles 6, 7 and 8 of the Price Law, apart from the applicable government-guided prices or government-set prices in accordance with the law, market-regulated prices which are determined by the operators at their own discretion in compliance with the Price Law may be administered as prices for commodities and services. The prices determined by the operators shall comply with the principles of fairness, legality, integrity and trustworthiness, such prices are basically determined in accordance with the costs of production and operation as well as the market supply and demand conditions.

According to Article 11 of the Price Law, operators are entitled to the following rights in conducting pricing activities:

(1) determining the market-regulated prices at their own discretion;

(2) determining prices within the scope specified by the government-guided prices;

(3) Except for specific products, having the right to determine the price for trial sales of new products which are within the scope of government-guided prices and government-set prices;

(4) reporting and prosecuting infringements against their legal and discretionary pricing right.

According to Articles 13 and 14 of the Price Law, operators shall mark their prices clearly in compliance with the law while selling or acquiring commodities and offering services by specifying the relevant conditions including the name, place of origin, specifications, grade, unit for price calculation, item for the price or service, pricing standards, etc. of the commodity; and are not allowed to sell the commodities at prices in addition to the marked prices, nor collect any fees which are not marked explicitly. Operators must not commit the following irregular pricing conduct:

(1) Collaborating with others to manipulate market prices and damage the lawful rights and interests of other operators or consumers;

(2) Except for selling fresh and live products, seasonal products and stockpiled products at discounted prices, to engage in dumping sales at prices below cost in order to remove competitors or monopolise the market, disrupting the normal orderly production and operation, and damage the national interest or the lawful right and interest of other operators;

(3) fabricating and spreading information of rising prices for pushing up the prices of commodities to excessively high levels;

(4) making use of deceitful or misleading pricing means for enticing consumers or other operators to enter into transactions;

(5) For the provision of homogeneous commodities or services, applying price discriminations against other operators trading with equal conditions;

(6) adopting upgrading or downgrading measures in order to acquire or sell commodities or offer services to the effect of raising or lowering prices in a disguised manner;

(7) making excessively high profits in violation of laws and regulations;

(8) engaging in other improper pricing conduct prohibited by law or administrative regulations.

According to Article 33 of the Price Law, the pricing authorities of all the people's governments above county levels shall be responsible for the supervision and inspection of pricing activities.

According to Article 55 of the Drug Administration Law and Articles 48, 49 and 50 of the Drug Administration Law Implementation Details, government-set prices, government-guided prices and market-regulated prices are administered by the State to drug prices. Government-set prices or government-guided prices are implemented on listed drug products on the National Basic Medical Insurance Pharmaceutical Catalogue and non-listed drug products on the National Basic Medical Insurance Pharmaceutical Catalogue but with monopolised production and operation; and market-regulated prices are implemented on other pharmaceuticals. For drug products under government-set prices or government-guided prices in accordance with the law, their prices will be reasonably fixed and adjusted in accordance with the requisite pricing principles under the Price Law by the government pricing authorities. After the drug prices are fixed at government-set prices or government-guided prices in compliance with the law, the government pricing authorities will publish an announcement and specify the implementation date of such prices in the specified publications in accordance with the Price Law.

According to Articles 55, 56, 57 and 59 of the Drug Administration Law effective from 1 December 2001, drug production and operation enterprises must implement the government-set prices and government-guided prices, and must not increase prices in whatever manner at their own discretion. For drug products with market-regulated prices in accordance with the law, the drug production and operation enterprises shall determine the price according to the principles of fairness, reasonableness, integrity and trustworthiness as well as quality for value in order to supply drug users with reasonably priced drug products. The drug production and operation enterprises shall comply with the requirements relating to drug price administration promulgated by the State Council's pricing authorities, determine and clearly mark the retail prices of drug products, prevent making excessively high profits and fraudulent pricing conduct detrimental to the benefits of drug users, and shall provide information on the actual purchase and selling prices and the volume of purchases and sales of their drug products to the government pricing authorities in compliance with the law; the drug production and operation enterprises are also prohibited from giving or receiving rebates or other benefits secretly off-record on the drug purchases or sales.

According to the Opinion on Reforming Drug Price Administration issued by the State Planning Commission effective from 20 July 2000, for drug products under government-set prices, the drug retailers may determine the actual selling price of drugs provided that the price does not exceed the maximum retail price determined by the government. For drug products under market-regulated prices, wholesalers and retailers of drug products may determine the actual selling price of drugs provided that the price does not exceed the retail price determined by the drug production enterprise. Drugs must be sold at clearly marked price.

According to the Opinion relating to Further Medical and Health System Reforms from the Central Government and the State Council《中共中央、國務院關於深化醫藥衛生體制改革的意見》(Zhong Fa [2009] No.6) issued on 17 March 2009, to the extent within the basic drugs guided retail prices determined by the State, the provincial people's government may determine the unified purchase price of the local area in accordance with the tenders. According to the Notice on the Publication of Recent Core Implementation Proposals of Medical and Health System Reforms (2009-2011) by the State Council《國務院關於印發醫藥衛生體制改革近期重點實施方案(2009-2011)的通知》(Guo Fa [2009] No. 12) released on 18 March 2009, basic drug products used by government operated medical and health institutions will be purchased by public tenders through organisations specified by provincial people's government and will be centrally delivered by the delivery enterprise selected by tender.

As confirmed by the PRC Lawyer, the prices of the healthcare products currently distributed by the Group are not subject to government restrictions. As confirmed by the Directors, four kinds of pharmaceuticals products among those distributed by the Group are under government price restrictions, specific restrictions of which are as follows:

1. Kingworld Gan Mao Qing Capsule: This is the pharmaceutical called "Gan Mao Qing Capsules (tablets)" under "(2) Chinese patent medicines category" (No.8 and Health Insurance No.12) in Schedule 1 titled "Price-controlled Pharmaceutical Products Catalog of National Development and Reform Commission (國家發展改革委定價藥品目錄)" of "Circular of the National Development and Reform Commission on adjustment of Price-controlled Pharmaceutical Products Catalog of National Development and Reform Commission (國家發展改革委關於調整<國家發展改革委定價藥品目錄>等有關問題的通知) (Fa Gai Jia Ge [2010] No. 429);

2. Nin Jiom Pei Pa Koa: This is the pharmaceutical called "Mi Lian Chuan Bei Pei Pa Koa" under "(2) Chinese patent medicines category" (No. 106 and Health Insurance No.205) in Schedule 2 titled "Catalog for Non-prescription Pharmaceuticals included in the Pricing Range set by Pricing Regulatory Departments of Provinces, Autonomous Regions and Municipalities (納入各省、自治區、直轄市價格主管部門定價範圍的非處方藥劑型目錄)" of the aforesaid document (Fa Gai Jia Ge [2010] No. 429);

3. Taiko Seirogan: This is the pharmaceutical called "Seirogan" under "(2) Chinese patent medicines category" (No. YZ23) in the annex titled "Catalog for the First Batch of New Pharmaceuticals under Government Price Ceiling Management (廣東省第一批新增政府最高限價管理藥品目錄)" to "Circular of Guangdong Provincial Price Bureau on Issue of Catalog for the First Batch of New Pharmaceuticals under Government Price Ceiling Management (廣東省物價局關於印發廣東省第一批新增政府最高限價管理藥品目錄的通知)" (Yue Jia (2009) 177);

4. Kyushin Pill: This is the pharmaceutical called "Kyushin Pill" under "(2) Chinese patent medicines category" (No. YZ95) in the above mentioned "Catalog for the First Batch of New Pharmaceuticals under Government Price Ceiling Management (廣東省第一批新增政府最高限價管理藥品目錄)";

The form of government pricing of the above products distributed by the Group is the setting of the highest retail prices. However, the price ceiling of the retail price for Taiko Seirogan had not yet been promulgated by the relevant authorities as at the Latest Practicable Date and such the pricing of Taiko Seirogan shall remain market-regulated until promulgation of the relevant notice.

As advised by the PRC Lawyer, apart from the pharmaceuticals subject to price ceiling, the pricing of the healthcare products and other pharmaceutical products distributed by the Group is determined by the market, that is, the pricing is determined by the enterprises and no restriction by government departments is imposed on the prices of the products.

V. TRADEMARKS

(I) Application, Examination and Approval for Trademark Registration

According to Articles 3, 8 and 9 of the Trademark Law, registered trademarks are trademarks which have been approved and registered by the Trademark Office, a trademark registrant is entitled to the right of exclusive use of the trademark and protection by the law. Any visible mark, including word, design, letter, number, 3D (three-dimension) mark or colour combination or a combination of the above elements, that can distinguish the commodities of a natural person, legal person or other organisation from those of others is a trademark eligible to apply for trademark registration. A trademark registrant is entitled to tag the words "Registered Trademark" or use the registered symbol. According to Article 13 of the Trademark Law Implementation Regulation, if an application for trademark registration is made for a combination of colours, a declaration shall be made in the application and accompanied by a literal description. According to Articles 27, 30, 37 and 38 of the Trademark Law, a public announcement shall be made upon completion of a preliminary examination of the trademark applying for registration by the Trademark Office; and anyone may raise an objection within three months from the date of the announcement. If no objection has been received upon expiry of the announcement period, the trademark shall be approved for registration and a trademark registration certificate will be issued and announced. The valid period of a registered trademark is ten years from the date of the approval for registration. For further usage after the expiry of the valid period, an application for renewal of registration shall be made six months prior to the expiry date; if no renewal application is filed during this period, a six-month extension period may be granted. If no renewal application is filed upon the expiry of the extension period, the registered trademark will be revoked. The valid period for each registration renewal will last for 10 years.

(II) **Transfer and Licensing of Registered Trademarks**

According to Article 39 of the Trademark Law, for transfer of registered trademarks, the transferor and transferee shall execute a transfer agreement and make a joint application to the Trademark Office. The transferee shall guarantee the quality of the commodity using the registered trademark. Upon approval of the transfer of the registered trademark, an announcement will be made. The transferee is entitled to the right of exclusive use of the trademark commencing from the date of the announcement.

According to Article 40 of the Trademark Law, the trademark registrant may permit others to use his registered trademark by executing a licensing agreement on the use of trademark. The licensor shall supervise the quality of the commodity of the licensee using the registered trademark. The licensee shall guarantee the quality of the commodity using the registered trademark. Any licensed use of trademarks belonging to others must ensure the licensee's name and the place of origin of the commodity are marked clearly on the commodity using the registered trademark. Trademark licensing agreement shall be filed with the Trademark Office.

(III) **Administration on the Use of Trademark**

According to Article 6 of the Trademark Law, commodities which must use registered trademarks as required by State regulations shall make applications for trademark registration, such commodities are prohibited from selling in the market without registration approval. According to Article 27 of the Administrative Measures for Insert-Sheet and Labeling of Drugs《藥品説明書和標簽管理規定》effective from 1 June 2006, unregistered trademarks are prohibited from using on the insert-sheet and labeling of drug products.

According to Article 10 of the Trademark Law, the following signs are prohibited from being used as trademarks:

(1) signs which are identical with or similar to the national name, national flag, national emblem, military flag or medals of the People's Republic of China, as well as those which are identical with the names of the specific sites or the names and designs of monumental buildings of the places where the central government agencies are located;

(2) signs which are identical with or similar to the national name, national flag, national emblem or military flag of any foreign country, except with the consent of the government of that country;

(3) signs which are identical with or similar to the name, flag, or emblem of any intergovernmental international organisation, except with the consent of that organisation or those which are unlikely to mislead the public;

(4) signs which are identical with or similar to the official symbols or inspection seals that indicate controls are imposed or warranty is provided, except those which are authorised;

(5) signs which are identical with or similar to the name or symbol of the Red Cross or the Red Crescent;

(6) signs which involve racial discrimination;

(7) signs which are exaggerative promotional with deception;

(8) signs which are detrimental to socialist morality or customs, or having other harmful influences; or

(9) names of places of administrative districts above county level or names of foreign places known by the public are not allowed to be used as trademarks, however, except for place names containing other meanings or for those which form part of a collective trademark or certification trademark; registered trademarks that use place names shall continue to be valid.

According to Article 44 of the Trademark Law, if any of the following occurs concerning the use of a registered trademark, the Trademark Office shall order rectification within a specified period or revoke the registered trademark:

(1) unauthorised alteration of the registered trademark;

(2) unauthorised changes in the registrant's name, address or other registration items;

(3) unauthorised transfer of the registered trademark; or

(4) cessation of use for three consecutive years.

VI. ADVERTISING

Article 4 of the Advertising Law of the People's Republic of China stipulates that advertisements shall not resort to any falsehood to a deception or misleading to the consumers. Article 14 stipulates that an advertisement for medicines or medical apparatuses should not in any way contain the following:

1. Any unscientific assertions or assurances in terms of efficiency or uses;

2. Treatment efficiency or curative rate;

3. Comparisons with other medicines or medical apparatuses in efficacy or safety;

4. Titles or images of medical research institutes, academic institutions, medical organisations or experts, doctors or patients; and

5. Other contents that are prohibited by laws and administrative decrees.

Article 15 stipulates that the contents of an advertisement for a medicine should be based on the indications approved by the public health administrative department of the State Council or by the public heath administrative department of a province, autonomous region or municipality under the direct administration of the central government. Article 43 stipulates that for advertisements which are subject to examination according to law before publication and acts of advertising without approval by advertisement examination organisations, the advertising supervision and administrative organisations shall order the responsible advertisers, advertising agents or advertisement publishers to stop publications, confiscate the advertising expenses and concurrently impose a fine ranging from the amount equal to the advertising expenses to five times the amount of the advertising expenses.

Article 60 of the Drug Administration Law stipulates that drug advertisements shall be subject to approval by the drug regulatory department of the people's government of the province, autonomous region or municipality directly under the Central Government where the enterprise is located, an approval number of drug advertisement shall be issued. No one may launch advertisements without the approval number. Prescription drugs may be introduced in the medical or pharmaceutical professional publications jointly designated by the administrative department for health and the drug regulatory department under the State Council, but their advertisements may not be released by mass media or disseminated to the general public by other means. Article 92 stipulates that any violation of the provisions of this Law related to the control over drug advertising shall be punished pursuant to the provisions of the Advertisement Law of the People's Republic of China, the drug regulatory department that issues the advertisement approval number shall withdraw it and shall, within one year, reject any application for approval of advertising for the drug in question. If a crime is constituted, criminal liabilities shall be investigated in accordance with law.

Article 53 of the Regulations for Implementation of the Drug Administration Law stipulates that for publishing an advertisement in a province, autonomous region or municipality directly under the Central Government other than the place where the drug manufacturer or drug import agency is located, any enterprise publishing advertisement shall file a record in advance with the drug regulatory department of the province, autonomous region or municipality directly under the Central Government where the advertisement is to be published. If the drug regulatory department of the province, autonomous region or municipality directly under the Central Government accepting the record finds that the approved contents of the drug advertisement does not conform to the provisions on the control of drug advertisement, it shall turn over the matter to the original verifying and issuing department for handling.

Article 2 of the "Circular of SFDA regarding the Printing and Distribution of the 'Provisional Regulation on Health Food Examination'"(Guo Shi Yao Jian Shi [2005] No.211) stipulates that the (food) drug regulatory department of the province, autonomous region or municipality directly under the Central Government is responsible for examining health food advertising within its jurisdiction. Article 12 stipulates that for health food advertising applications passing the examination, a health food advertising approval number will be issued. Article 14 stipulates that the effective term of the health food advertising approval number is one year.

VII. PRODUCT LIABILITY

Under existing PRC laws, where a defective product causes personal injury and damage to properties, a victim may seek compensation from the manufacturer or the seller of the product; where a seller commits faults which results in a defective product and causes personal injury and damage, the seller shall be liable for compensation. Where the responsibility lies with the manufacturer, the seller shall, after settling compensation, have the right to recover such compensation from the manufacturer, and vice versa.

The PRC Tort Liability Law (中華人民共和國侵權責任法) which will soon be effective on 1 July 2010 also has similar provisions on product liabilities. Further, according to such law, where a defective product is identified after it has been launched, the manufacturer and the seller shall take remedial measures such as warning or recalling the product in a timely manner. If the manufacturer or the seller knows that there are defects in a product but still produces or sells such product, and thus causes death or serious damage to the health of consumer, the consumer shall have the right to request for punitive damages.

VIII. PROFITS OF FOREIGN-FUNDED ENTERPRISES AND REPATRIATION OF FUNDS ON LIQUIDATION

(I) Major Regulatory Laws, Regulations and Rules

1. *The Foreign-funded Enterprises Law of the PRC (中華人民共和國外資企業法)*

The Sixth National People's Congress adopted the Foreign-funded Enterprises Law of the PRC (hereinafter referred to as the "Foreign-funded Enterprises Law") on 12 April 1986, which was amended on 31 October 2000 afterwards. The Foreign-funded Enterprises Law (as amended) became effective as of 31 October 2000. The Foreign-funded Enterprises Law provides regulations concerning matters, such as establishment, operation, employment, financial affairs and taxation of foreign-funded enterprises.

2. *The Implementation Regulations on the Foreign-funded Enterprises Law of the PRC (中華人民共和國外資企業法實施細則)*

The State Council approved the Implementation Regulations on the Foreign-funded Enterprises Law of the PRC (hereinafter referred to as the "Implementation Regulations on the Foreign-funded Enterprises Law") on 28 October 1990, which was promulgated on the same day by the former Ministry of Foreign Trade and Economic and was amended on 12 April 2001 afterwards. The Implementation Regulations on the Foreign-funded Enterprises Law (as amended) became effective as of 12 April 2001. The Implementation Regulations on Foreign-funded Enterprises Law provides regulations concerning matters, such as procedures for establishment, form of organisation and registered capital, methods of contributing investments and the time limit, use of sit and the site use fees, purchasing and marketing, taxation, control of foreign exchange, financial affairs and accounting, workers and staff members, trade union, terms of operations, termination and liquidation.

3. *The Control of Foreign Exchange Regulations of the PRC (中華人民共和國外匯管理條例)*

The State Council promulgated and approved the Control of Foreign Exchange Regulations of the PRC (hereinafter referred to as the "Control of Foreign Exchange Regulations") on 29 January 1996, which was first amended on 14 January 1997 afterwards and was second amended on 1 August 2008. The Control of Foreign Exchange Regulations (as amended) became effective on 5 August 2008. The Control of Foreign Exchange Regulations provide regulations concerning matters, such as the PRC's control of foreign exchanges of current account items, control of foreign exchanges of capital account items, control of foreign exchanges business of financial institutions, control of Renminbi exchange rates and foreign exchanges market, control of supervision and legal responsibility.

(II) Major Regulatory Authorities in the PRC

1. *MOFCOM and its Branches*

Ministry of Commerce of the PRC (hereinafter referred to as "MOFCOM"), which was established according to the "Notice of the State Council Regarding the Establishment of Organizations" (國務院關於機構設置的通知) (GuoFa[2003] No.8), is a component department of the State Council, which is responsible for the supervision of domestic and foreign trade as well as international economic cooperation.

Pursuant to the "Notice of the General Office of the State Council Regarding Circulating Regulations of Internal Organs and Staffing of the Major Responsibilities of MOFCOM" (國務院辦公廳關於印發商務部主要職責內設機構和人員編制規定的通知) (Guo Ban Fa[2003] No.29), MOFCOM's relevant major responsibilities are as follows:

(1) Drawing development strategies, guidelines and policies related to domestic and foreign trade and international economic co-operation, drafting laws and regulations concerning domestic and foreign trade, international economic co-operation and foreign investments and formulating rules for implementation and regulations;

(2) Macro-guiding foreign investment works throughout the PRC; analyzing and studying the situation of foreign investments throughout the PRC, reporting the development about foreign investments and proposing to the State Council regularly, drafting policies of foreign investments, formulating and implementing reform proposals, participating in drafting middle and long-term development plans about the use of foreign funds; legally approving the above limit stipulated by the state, investment restriction and the set-up of foreign enterprises involving quota and license management and its alterations; legally approving contracts concerning large-scale foreign investment projects and matters of major changes stipulated specially by the articles and laws; monitoring the execution of related laws and regulations, rules and contracts and articles by the foreign-funded enterprises; guiding and managing investment invitation, investment promotion and the approval of foreign-funded enterprises and the work of import and export, overall coordinating and guiding specific matters concerning nation-level economic and technological development zones.

2. *State Administration for Industry and Commerce and its Branches*

Pursuant to the "Notice of the General Office of the State Council Regarding Circulating Regulations of Internal Organs and Staffing of the Major Responsibilities of State Administration for Industry and Commerce" (國務院辦公廳關於印發國家工商行政管理總局主要職責內設機構和人員編制規定的通知) (Guo Ban Fa[2008] No.88), State Administration for Industry and Commerce is responsible for the registration and supervision of the market subjects, such as all types of enterprises, units and individuals engaging in operational activities, as well as foreign/ regional resident representative offices, and undertaking the responsibilities of legal standardization, as well as maintaining order of all kinds of market operations.

3. *State Administration of Foreign Exchange of the PRC and its branches*

State Administration of Foreign Exchange of the PRC (hereinafter referred to as "SAFE") is a national bureau which was established according to the "Notice of the State Council Regarding the Establishment of National Bureau Administered by Ministries" (國務院關於部委管理的國家局設置的通知) (Guo Fa[2008] No.12).

Pursuant to the "Notice of the General Office of the State Council Regarding Circulating Regulations of Internal Organs and Staffing of the Major Responsibilities of SAFE" (國務院辦公廳關於印發國家外匯管理局主要職責內設機構和人員編制規定的通知) (Guo Ban Fa[2009] No.12), SAFE's relevant major responsibilities are as follows:

(1) to participate in the drafting of laws and regulations relating to the administration of foreign exchange and draft departmental regulations, and issue regulatory documents relating to the performance of duties.

(2) to compile statistics on and monitor international payments, foreign debt and liabilities, release relevant information according to requirements and undertake duties relevant to the monitoring of cross-border funds movement.

(3) to supervise and manage the foreign exchange markets within the country; be responsible for the supervision and management of foreign exchange settlement and sale business; foster and develop foreign exchange markets.

(4) to supervise and verify the truthfulness and legality of foreign exchange payments of recurrent projects in accordance with the law; implement foreign exchange administration on capital projects according to the law and continually improve administration work based on the progress of the convertibility of the RMB capital projects; regulate the administration of foreign exchange accounts within and outside of the country.

(5) to implement foreign exchange supervision and verification in accordance with the law and penalize acts of breaching foreign exchange administration.

(III) **Profits of Foreign-funded Enterprises and Repatriation of Funds on Liquidation**

Article 19 of the Foreign-funded Enterprises Law (外資企業法) stipulates that legal profits, other legal income and funds on liquidation obtained by foreign investors from foreign-funded enterprises can be remitted out of the country.

Article 58 of The Implementation Regulations on the Foreign-funded Enterprises Law (外資企業法實施細則) stipulates that reserve fund and staff incentive and welfare fund shall be drawn from the profits of foreign-funded enterprises after payment of income tax in accordance with PRC tax laws. Foreign-funded enterprises shall not distribute profits before offsetting losses from previous accounting years; undistributed profits from previous accounting years can be distributed together with the distributable profits of the current accounting year. Pursuant to Article 21 of The Administration Provisions on the Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) implemented on 1 July 1996, remittance of profits after tax and dividends by foreign investors of foreign invested enterprises shall be paid out of its foreign exchange account or redeemed at designated banks for foreign exchange upon presenting a board resolution in relation to profit distribution.

Pursuant to Article 21 of the Foreign-funded Enterprises Law (外資企業法) and Article 76 of The Implementation Regulations on the Foreign-funded Enterprises Law (外資企業法實施細則), upon winding up of an foreign-funded enterprise, it shall be liquidated in accordance with the statutory procedures; except as part of the liquidation procedures, foreign investors shall not remit or carry funds of such enterprise out of China or handle the property of such enterprise on their own before completion of the liquidation process. When a foreign-funded enterprise has been liquidated, the excess of its net assets and remaining property over its registered capital shall be deemed as profits, and are subject to income tax according to PRC tax laws. Pursuant to Article 22 of the Control of Foreign Exchange Regulations (外匯管理條例), upon liquidation and payment of tax in accordance with the relevant rules of the state, foreign invested enterprises that terminated its operations legally can remit its Renminbi amounts belonging to external investors through foreign exchange purchase with financial institutions involved in the settlement and sale of foreign exchange business.

IX. RULES ON ACQUISITION OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS

MOFCOM promulgated the "Regulations on Foreign Investor's Merger of Domestic Enterprises" 《關於外國投資者併購境內企業的規定》 on 8 August 2006, which was effective from 8 September 2006. According to the documents from the Company, MOFCOM issued the "Reply from MOFCOM Regarding Approval for the Establishment of Shenzhen Kingworld Company Limited as a Foreign-funded Enterprise" 《商務部關於同意設立外資企業深圳市金活醫藥有限公司的批復》(商資批[2006]1505號) (Shang Zi Pi [2006] No. 1505) on 20 July 2006, the acquisition of the 100% equity interests in SZ Kingworld by foreign investors was approved. MOFCOM further issued the Certificate of Approval for the Establishment of Enterprise with Foreign Investment in the People's Republic of China(Shang Wai Zi Zi Shen Zi[2006]No. 0585)《中華人民共和國外商投資企業批准證書》(商外資資審字[2006]0585號) to SZ Kingworld on 27 July 2006. On 29 August 2006, SZ Kingworld completed the procedures of the change of business registration in respect of the foreign investor's merger.

As confirmed by the PRC Lawyer, SZ Kingworld has completed the foreign investment approval and merger procedures before the implementation of the "Regulations on Foreign Investor's Merger of Domestic Enterprises". Thus, this regulation does not apply to the foreign investor's merger of SZ Kingworld.

X. THE NOTICE ON IMPROVING ON RELEVANT BUSINESS OPERATIONS ISSUES CONCERNING IMPROVING THE ADMINISTRATION OF THE PAYMENT AND SETTLEMENT OF FOREIGN EXCHANGE CAPITAL OF FOREIGN INVESTED ENTERPRISES

The "Notice on Improving the Operational Administration on the Conversion of Foreign Exchange Capital Contribution of Foreign-funded Enterprises (Hui Zong Fa(2008)No.142)《國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》（匯綜發〔2008〕142號), which was issued by the Comprehensive Department of SAFE and effective from 29 August 2008, stipulated the foreign exchange capital contribution verification and payment and settlement of foreign exchange by the foreign-funded enterprises. SZ Kingworld is a foreign-funded enterprise registered in the PRC, thus this Notice applies to SZ Kingworld.

XI. COMPLIANCE WITH RULES AND REGULATIONS

As advised by the PRC Lawyer, under the laws of the PRC, the short-term cash advances made by SZ Kingworld to SZ Industry contravened certain PRC laws and regulations in relation to lending and financing. Thus, the PRC Lawyer advised that the Group may be subject to a penalty ranging from the amount the Group received as a result of such contravention (違規收入) to five times the amount the Group received as a result of such contravention (違規收入) in relation to any non-compliance with such PRC laws and regulations.

Given that (i) the short-term cash advances have been fully repaid by SZ Industry to SZ Kingworld; (ii) there has not been any dispute in respect of such short-term cash advances; and (iii) as at the Latest Practicable Date, the Group had not been penalized by any PRC government authorities as a result of such short-term cash advances as confirmed by the Directors, the risk that the Group will be subject to such penalties resulting from such cash advances in contravention of the relevant PRC laws and regulations is minimal.

In addition, in order to prevent any future non-compliance with the relevant PRC laws and regulations, the Group has ensured that all Directors are aware of the illegality of such advances or loans and will not allow any future advances or loans by or to the subsidiaries of the Group in the PRC unless the advances or loans will be obtained from properly authorised banks or financial institutions and, made in a manner in compliance with the applicable PRC laws and regulations.

During the Track Record Period and up to the Latest Practicable Date, save as the (i) the short term cash advances made by SZ Kingworld to SZ Industry mentioned above; and (ii) six penalties handed down by the Shenzhen Municipal Office of SAT to SZ Kingworld for loss of tax receipts, which amounted to a total fine of RMB900 and has been settled in full, the Group has complied with all the relevant laws and regulations in the PRC. In order to avoid further loss of tax receipts, the Group has adopted "the Methods of the People's Republic of China for Invoice Management: Supplementary Provisions《發票管理的補充規定》" into its management system and the Group has not received any similar penalty since September 2008.

HISTORY AND DEVELOPMENT

Incorporation/establishment of subsidiaries/jointly controlled entity

BVI Kingworld was incorporated as an investment holding company in the BVI in February 2005. At the time of its incorporation, BVI Kingworld was held as to 80% by Mr. Zhao and 20% by Ms. Chan.

HK Kingworld was incorporated in Hong Kong in May 2008 as a wholly-owned subsidiary of BVI Kingworld. For details of the change of shareholding structure of HK Kingworld since its incorporation, please refer to the sub-section headed "Group development and reorganisation" in this section of this prospectus.

SZ Kingworld was established in the PRC on 19 April 1996. At the time of its establishment, SZ Industry and Shenzhen Yongxiang made a capital investment of RMB2,745,500 and RMB144,500, representing 95% and 5% equity interest in SZ Kingworld respectively. For details of the change of shareholding structure of SZ Kingworld since its establishment, please refer to the sub-section headed "Group development and reorganisation" in this section of this prospectus.

Between 2002 and 2007, the Twelve Subsidiaries were established as wholly-owned subsidiaries of SZ Kingworld throughout the PRC to facilitate the sales and marketing of the products the Group distributed. Details of the Twelve Subsidiaries are set out in the table below:

	Name	Date of establishment	Responsible region(s)
1	Wuhan Consultancy	October 2002	Hubei Province
2	Beijing Consultancy	November 2002	Heilongjiang Province, Jilin Province and Liaoning Province
3	Wuxi Consultancy	November 2002	Wuxi, Changzhou and Jiangyang of Jiangsu Province
4	Taiyuan Consultancy	November 2002	Shanxi Province
5	Nanchang Consultancy	December 2002	Jiangxi Province
6	Lanzhou Consultancy	January 2003	Gansu Province
7	Xi'an Consultancy	January 2003	Shaanxi Province
8	Zhengzhou Consultancy	March 2003	Henan Province
9	Fuzhou Consultancy	March 2003	Fujian Province
10	Hefei Consultancy	March 2003	Anhui Province
11	Hangzhou Consultancy	October 2004	Hangzhou, Jiaxing, Huzhou and Shouxing of Zhejiang Province
12	Nanning Consultancy	May 2007	Guangxi Zhuang Autonomous Region

In order to avoid unnecessary competition in the Guangdong Province for the distribution of the Nin Jiom Product Series, Zhuhai Jinming was established in January 2004 jointly by SZ Kingworld and Guangdong Minglin to take up the distribution business of the Nin Jiom Product Series in this province, while SZ Kingworld and Guangdong Minglin remain as the regional distributors of the Nin Jiom Product Series in their other respective regions in the PRC. To the Directors' best knowledge, there has been no geographical overlap of authorised sales regions among SZ Kingworld, Zhuhai Jinming and Guangdong Minglin since July 2004.

Business development

The following table sets out a summary of the licenses/distribution rights of products obtained by the Group since the establishment of SZ Kingworld:

Commencement date	Source of distribution rights	Products or rights	Origin of product	Distribution area
1 October 1996	Tai San	Kawai Product Range	Japan	PRC
March 1997	Tai San	Kyushin Pill	Japan	PRC
June 1997	Nin Jiom Medicine and Great Pleasure	Nin Jiom Pei Pa Koa	Hong Kong	14 regions in the PRC (save for the Guangdong Province where the distribution right has been granted to Zhuhai Jinming in 2004)
May 1998	Etta Trading Company Limited	Taiko Seirogan	Japan	certain regions in the PRC
November 1998	Pearl Shining	Min Tong Chisionhon Granules	Taiwan	PRC
December 1999	Yuen Tai	Fengbao Jianfu Capsule	Hong Kong	PRC
April 2001	Mentholatum (China) Pharmaceuticals Company Limited	Mentholatum Product Range	Hong Kong	Shenzhen, Shantou and later Chongqing and seven other provinces in the PRC

Commencement date	Source of distribution rights	Products or rights	Origin of product	Distribution area
July 2002	Nin Jiom Medicine	Nin Jiom Herbal Candy	Hong Kong	14 regions in the PRC (save for the Guangdong Province, the distribution right of which was granted to Zhuhai Jinming in January 2006)
August 2002	Luen Wah	Imada Golden Dragon Oil (ceased in 2005)	Hong Kong	PRC
November 2002	Luen Wah (distribution agreement expired in December 2009)	Imada Seasons Safe Oil (ceased in 2007) and Imada Red Flower Oil	Hong Kong	PRC
August 2003	Europharm Laboratories Company Limited	Flying Eagle Wood Lok Medicated Oil	Hong Kong	PRC
2007	SZ Kingworld Lifeshine (as manufacturer)	Kingworld Product Range	PRC	PRC
1 October 2007	TWDC (Shanghai)	a licence to produce and distribute products under the category of sugar confectioneries and nutritional supplement within the healthcare product segment bearing the Licensed Material (as licensed to SZ Kingworld)		PRC

Commencement date	Source of distribution rights	Products or rights	Origin of product	Distribution area
December 2007	NBTY (USA manufacturer)	to produce and import the Golden A+ Disney Range (ceased on 24 June 2010)	N/A*(Note)*	PRC
May 2008	Sirio Pharma (PRC manufacturer)	to produce Golden 100 Disney Range	N/A*(Note)*	PRC
1 August 2008	TWDC (Asia Pacific)	a license to produce and distribute products under the category of sugar confectioneries and nutritional supplement within the healthcare product segment bearing the Licensed Material (as licensed to HK Kingworld)	N/A*(Note)*	Hong Kong and Macao
April 2009	Shantou Yuehui, Guangzhou Yuehai and Shantou Ruichi	to produce plastic bottles, paper boxes and labels for Golden 100 Disney Range	N/A*(Note)*	
May 2009	Remeje	Bifina Probiotic Capsules	Japan	PRC
July 2009	Kakki Corporation Limited	distribution of healthcare products	N/A*(Note)*	Hong Kong and Macao
July 2009	Serene Trading Co. H.K.	DIA Instant Cooling Gel Sheet	Japan	PRC
27 March 2010	Nanjing IDS	Jamieson Product Range	Canada	PRC

Note: These agreements refer to relevant rights/licences to produce/import/distribute certain products and do not specify the origin of these products.

Import business

Prior to 2 December 2002, the Group had been relying on import agents instead of SZ Kingworld to import products into the PRC. After SZ Kingworld obtained the Certificate of Approval from the Department of Foreign Trade and Economic Cooperation of Shenzhen on 25 November 2002, which allowed SZ Kingworld to import products into the PRC, SZ Kingworld amended its scope of business to include the management of import and export business operations on 2 December 2002. Since then, the Group had been able to import products through SZ Kingworld into the PRC. As advised by the PRC Lawyer, SZ Kingworld did not require the Certificate of Approval to operate its business in the PRC prior to 2 December 2002 as SZ Kingworld was not engaged in the import business before it changed its business scope on 2 December 2002. The PRC Lawyer further advised that the Group complied with the prevailing relevant laws and regulations in the PRC for importing products through import agents before obtaining such Certificate of Approval, and there had not been any penalty imposed on the Group by the relevant PRC authorities for importing products through import agents prior to 2 December 2002.

Pursuant to a change of policy in the PRC, SZ Kingworld was registered as a foreign trade enterprise according to the Foreign Trade Law of the PRC in February 2009. Save for the filing and registration procedures to establish SZ Kingworld as a foreign trade enterprise, it is not required under the prevailing PRC laws for foreign trade enterprises to obtain other permits or licenses from the relevant PRC authority. Before its registration as a foreign trade enterprise, SZ Kingworld was not required by the prevailing PRC laws to be registered as any specific type of enterprise. During the period from 2 December 2002 to the date of such registration, SZ Kingworld was able to engage in importing business as it had obtained the Certificate of Approval from the Department of Foreign Trade and Economic Cooperation of Shenzhen allowing SZ Kingworld to import products into the PRC.

Information in relation to Jinbaoli

Since the incorporation of Jinbaoli on 10 November 2006, Mr. Chan Zhanxiong (陳展雄) had held 80% equity interest in Jinbaoli and was appointed as a supervisor of Jinbaoli for a term of three years.

On 15 January 2008, Mr. Chan Zhanxiong transferred 36.5% and 16.5% equity interests in Jinbaoli to Mr. Huang Ruozhong (黃若忠), the corporate finance manager of SZ Kingworld (please refer to the section headed "Directors, senior management and staff" of this prospectus for further details regarding Mr. Huang Ruozhong) and Mr. Yao Ren (姚韌), an Independent Third Party, respectively. As a result of the said transfers, Mr. Chan Zhanxiong's equity interest in Jinbaoli was reduced to 27%.

On 15 January 2008, Mr. Chan Zhanxiong resigned as the supervisor of Jinbaoli and became a director of Jinbaoli, and Mr. Huang Ruozhong was appointed as a director of Jinbaoli for a term of three years.

On 31 August 2009, Mr. Chan Zhanxiong transferred his remaining 27% equity interest in Jinbaoli to Mr. Yao Ren. As a result of the said transfer, Mr. Chan Zhanxiong ceased to be a shareholder of Jinbaoli and Mr. Yao Ren's equity interest in Jinbaoli was increased by 43.5%.

On 1 September 2009, Mr. Chan Zhanxiong resigned as a director of Jinbaoli and Mr. Huang Ruozhong became the supervisor of Jinbaoli.

On 3 February 2010, Mr. Huang Ruozhong transferred all his equity interest in Jinbaoli to an Independent Third Party and ceased to be the supervisor and shareholder of Jinbaoli.

As at the Latest Practicable Date, Jinbaoli was an Independent Third Party.

Group development and reorganisation

On 19 April 1996, SZ Kingworld was established in the PRC with an initial registered capital of RMB2.89 million. At the time of its establishment, SZ Industry made an investment of RMB2,745,500, representing an equity interest of 95% in SZ Kingworld, and Shenzhen Yongxiang, a strategic investor introduced by Mr. Zhao, made a capital contribution of RMB144,500 to SZ Kingworld, representing the remaining 5% equity interest in SZ Kingworld.

In September 2002, Shenzhen Yongxiang transferred its 5% equity interest in SZ Kingworld to Ms. Huang, the mother of Mr. Zhao, at a consideration of RMB250,000 which was determined based on arm's length negotiations between Shenzhen Yongxiang and Ms. Huang. The decision of the transfer was made by Shenzhen Yongxiang.

In November 2002, the registered capital of SZ Kingworld was increased from RMB2.89 million to RMB6.8 million to cope with its business expansion. SZ Industry and Ms. Huang contributed RMB3,714,500 and RMB195,500 respectively to the increase in the registered capital of SZ Kingworld. Upon completion of the capital contribution, the shareholding interests of SZ Industry and Ms. Huang in SZ Kingworld remained unchanged with SZ Industry and Ms. Huang holding 95% and 5% equity interest in SZ Kingworld respectively.

On 7 January 2004, Zhuhai Jinming was jointly established in the PRC by SZ Kingworld and Guangdong Minglin to conduct the distribution of the Nin Jiom Product Series in the Guangdong Province. At the time of its establishment, Zhuhai Jinming was held equally by SZ Kingworld and Guangdong Minglin.

In February 2005, BVI Kingworld was incorporated in the BVI. At the time of its incorporation, BVI Kingworld was held as to 80% by Mr. Zhao and 20% by Ms. Chan.

On 20 April 2006, each of SZ Industry and Ms. Huang entered into share transfer agreements with BVI Kingworld in relation to the transfer of their respective 95% and 5% equity interest in SZ Kingworld to BVI Kingworld for the consideration of RMB14,843,536 and RMB781,239 respectively. Such consideration was determined by reference to the net asset value of SZ Kingworld as at 31 March 2006. The decisions to transfer 95% and 5% equity interest in SZ Kingworld by SZ Industry and Ms. Huang respectively to BVI Kingworld were made by SZ Industry and Ms. Huang respectively. Upon completion of the above equity transfers, SZ Kingworld became a direct wholly-owned subsidiary of BVI Kingworld.

In July 2006, the Certificate for Establishment of Enterprise with Foreign Investment was granted to SZ Kingworld by the PRC Ministry of Commerce. Following the grant of such certificate, SZ Kingworld applied to the Shenzhen Bureau of Trade and Industry and the Shenzhen Administration for Industry and Commerce for, among other things, the revision of its scope of business, change of shareholders and the extension of the duration of operation of SZ Kingworld and the application was approved in August 2006.

In December 2006, the registered capital of SZ Kingworld was increased from RMB6.8 million to RMB80 million. Such registered capital was fully paid-up in April 2007, through a capital contribution by BVI Kingworld of an aggregate amount of approximately RMB73.2 million, of which approximately RMB14.7 million, RMB26.7 million, RMB31.3 million, RMB0.59 million was made in December 2006, February 2007, March 2007 and April 2007, respectively. The funding of BVI Kingworld for the above capital contribution was financed by Mr. Zhao and Ms. Chan, the two ultimate shareholders of BVI Kingworld, with their own financial resources.

In May 2008, HK Kingworld was incorporated in Hong Kong as a direct wholly-owned subsidiary of BVI Kingworld. In September 2008, BVI Kingworld transferred its entire equity interest in SZ Kingworld to HK Kingworld at a consideration of RMB88,824,775, the basis of which was determined with reference to the total consideration of RMB15,624,775 paid by BVI Kingworld in relation to the acquisition of the equity interests in SZ Kingworld on 20 April 2006, together with the total amount of RMB73.2 million which BVI Kingworld had contributed in SZ Kingworld during 2006 and 2007. The consideration of RMB88,824,775 was settled via the subscription of a total number of 101,162,536 shares of HK$1 each in HK Kingworld by BVI Kingworld. Upon completion of the transfer in September 2008, SZ Kingworld became a direct wholly-owned subsidiary of HK Kingworld.

In May 2008, Golden Land and Golden Morning were incorporated in BVI and were wholly owned by Mr. Zhao and Ms. Chan respectively.

In July 2008, the Company was incorporated in the Cayman Islands. At the time of its incorporation, one Share was alloted and issued to Offshore Incorporation (Cayman) Limited for cash at par and such Share was transferred to Golden Land on 25 September 2008. On the same date, the Company alloted and issued 79 Shares and 20 Shares to Golden Land and Golden Morning respectively. As such, the Company was held as to 80% by Golden Land and 20% by Golden Morning. The Company was registered under Part XI of the Companies Ordinance as a non-Hong Kong Company and its business registration certificate was applied and issued in October 2008.

In October 2008, BVI Kingworld changed its name from Kingworld Medicine Group Limited to Kingworld Medicine and Healthcare Group Limited in order to differentiate its name from the name of the Company.

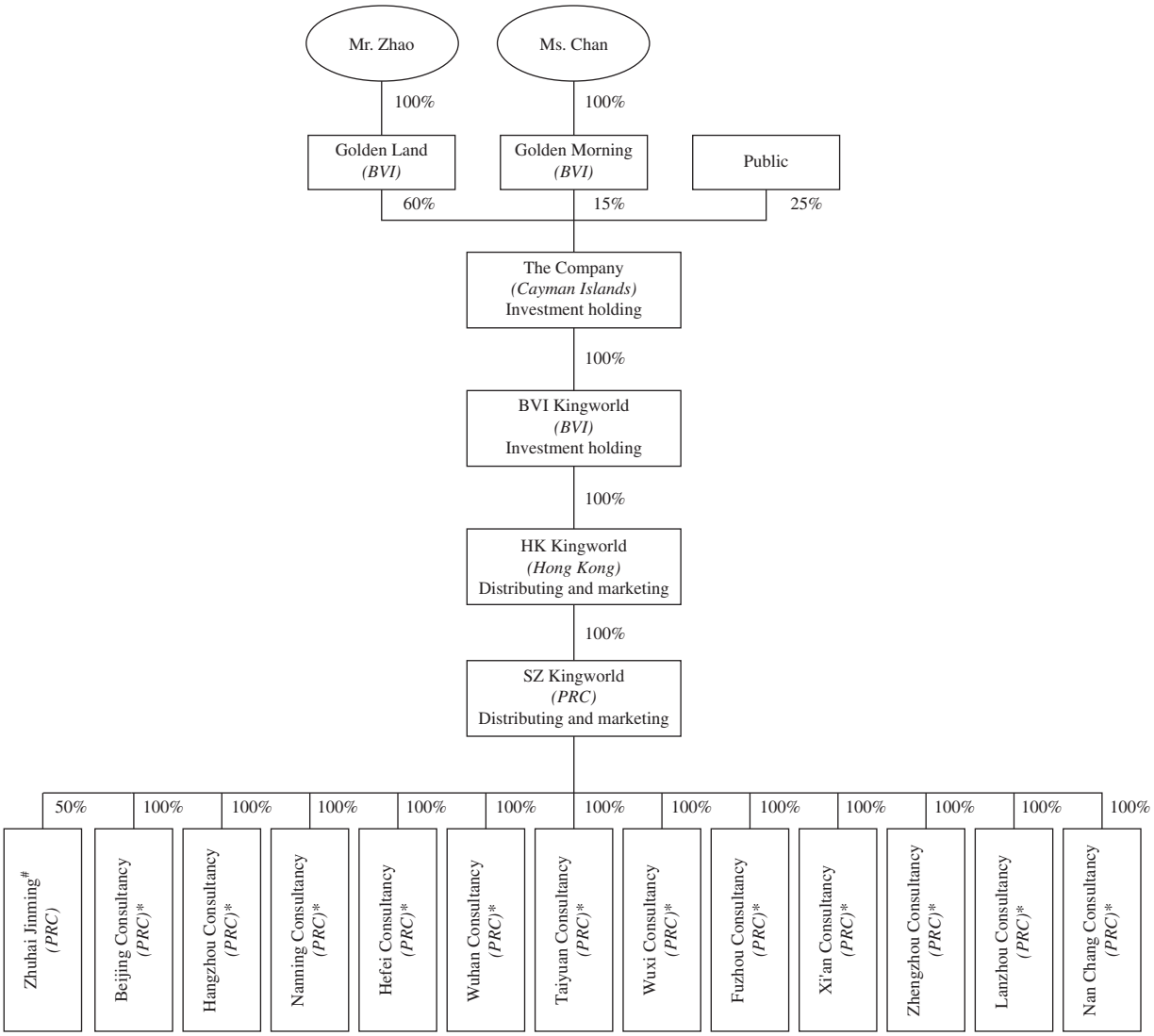
On 3 November 2010, a shareholders' resolution was passed to increase the authorised share capital of the Company, from HK$380,000 divided into 3,800,000 Shares of par value of HK$0.10 each, to HK$1,000,000,000 divided into 10,000,000,000 Shares of par value of HK$0.10 each.

On 3 November 2010, the Company entered into a sale and purchase agreement with Mr. Zhao and Ms. Chan, under which the Company acquired the entire issued share capital of BVI Kingworld in consideration of the allotment and issuance of 6,864 fully paid up Shares and 1,716 fully paid up Shares to Golden Land and Golden Morning respectively.

As at the Latest Practicable Date, the Group had a total of 12 local subsidiaries established in the PRC, the Twelve Subsidiaries, all of which are directly wholly-owned by SZ Kingworld.

CORPORATE STRUCTURE

The following chart illustrates the corporate structure and the principal activities of each member of the Group upon the Listing:



* The principal activities of each of the Twelve Subsidiaries are sales and marketing.

\# A jointly controlled entity held by SZ Kingworld and Guangdong Minglin in equal proportion. A summary of the financial information in respect of the Group's interest in Zhuhai Jinming is disclosed in note 14 to the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

OVERVIEW

The Group is principally engaged in the distribution of branded imported pharmaceutical and healthcare products in the PRC. During the Track Record Period, a substantial proportion of the Group's revenue was derived from the sale of Nin Jiom Pei Pa Koa, which is a product manufactured by Nin Jiom Medicine and supplied directly by Great Pleasure. During the Track Record Period, the Group's turnover generated from the sales of Nin Jiom Pei Pa Koa was approximately RMB353.8 million, RMB357.1 million, RMB373.7 million and RMB229.2 million respectively, representing approximately 67.1%, 66.6%, 67.1% and 73.0% of the Group's total turnover respectively.

According to the Top 100 Importers of Pharmaceutical and Healthcare Products Report published by CCCMHPIE which was based on the statistics provided by the PRC Customs, in 2009, SZ Kingworld ranked 76th amongst the importers of pharmaceutical and healthcare products in the PRC based on an imported value of USD47.3 million in 2009, as compared to the average imported value of approximately USD292.8 million amongst the top 10 ranking importers and the total imported value of USD9.53 billion of the top 100 importers in 2009. As at the Latest Practicable Date, the Group managed a portfolio of 49 products including 12 pharmaceutical products, seven healthcare products, 28 general foodstuffs and two medical products, which are manufactured in Japan, Canada, Hong Kong, Taiwan, Thailand and the PRC and sourced from 13 different Suppliers.

Products distributed by the Group

Other than entering into the Distribution Agreement in respect of Nin Jiom Pei Pa Koa, the Group has also entered into a number of distribution agreements with various distributors or manufacturers for the distribution of products including Nin Jiom Herbal Candy, Taiko Seirogan, Kawai Product Range, Flying Eagle Wood Lok Medicated Oil, Imada Red Flower Oil, Min Tong Chisionhon Granules, Fenbao Jianfu Capsule, Mentholatum Product Range, Kingworld Product Range, DIA Instant Cooling Get Sheet, Jamieson Product Range and Mentholatum Fever Patch Range. The terms of these distribution agreements range from one year to five years.

Prior to entering into the Herbal Candy Distribution Agreement, SZ Kingworld and Nin Jiom Medicine had entered into an authorisation letter for the distribution of Nin Jiom Herbal Candy. With respect to Kyushin Pill, the Group entered into an authorisation letter dated 29 August 2008 with Tai San, the exclusive agent of Kyushin Pill in the PRC, pursuant to which the Group has the right to distribute Kyushin Pill in the PRC for a term of three years.

During the Track Record Period, the Group had entered into various distribution agreements, authorisation letter and purchase order in respect of the distribution rights of products distributed by the Group in the PRC. The term under the authorisation letter entered into between the Group and the Suppliers during the Track Record Period was for three years while the term under the purchase order obtained by the Group during the Track Record Period was unspecified. The Group typically enters into distribution agreements for products which the Group considers to have market potential and/or products which the Group has been selling for three years or more. The Group will enter into purchase orders for any new products which will be sold by the Group for trial purpose. While the distribution agreements generally set out the price and specification of the products, the credit periods, guidelines for the sale and distribution of the products, including but not limited to restrictions on the

regions in which the products may be sold. The authorisation letters and purchase orders, on the other hand, only specify the conditions such as the price and specification of the products. In order to formalize the arrangement and secure a more stable supply and relationship with the Suppliers, the Group is currently negotiating with the Supplier of Kyushin Pill for the signing of the distribution agreement.

For the three financial years ended 31 December 2009 and six months ended 30 June 2010, the products (excluding Nin Jiom Pei Pa Koa) distributed by the Group contributed to approximately 32.9%, 33.5%, 32.9% and 27% of the Group's turnover for the same period respectively. For the six months ended 30 June 2010, each of the products (excluding Nin Jiom Pei Pa Koa) distributed by the Group contributed to less than 5.4% of the Group's turnover for the same period.

Products distributed pursuant to distribution agreements

	Name of product	Contractual party supplying products to the Group	Major terms of distribution/Supplier agreement	Commencement date of distributorship right of the product	Price controls
1.	Nin Jiom Pei Pa Koa (京都念慈菴蜜煉川貝枇杷膏)	Great Pleasure ● the authorised distributor of Nin Jiom Pei Pa Koa in the PRC ● an Independent Third Party	(a) **Date**: 22 April 2010 (b) **Parties to distribution agreement**: (i) Nin Jiom Medicine, (ii) Great Pleasure, (iii) SZ Kingworld and (iv) HK Kingworld (as guarantor) (c) **Nature of the distributorship**: distributor in the PRC (d) **Geographical coverage**: Shanghai, Jiangsu Province, Zhejiang Province, Fujian Province, Jiangxi Province, Hainan Province, Anhui Province, Henan Province, Shanxi Province, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Inner Mongolia Autonomous Region (the "Authorised Regions") (e) **Term**: three years (from 22 April 2010 to 22 April 2013) and may be extended subject to further negotiation amongst the parties. For detailed terms, please refer to the sub-section headed "Distribution of Nin Jiom Product Series" under the "Business — Business model" section of this prospectus.	12 June 1997	Subject to the highest retail prices set by the PRC government For further details, please refer to the sub-section headed "Price Controls by the PRC Government" under the "Business" section of this prospectus

	Name of product	Contractual party supplying products to the Group	Major terms of distribution/Supplier agreement	Commencement date of distributorship right of the product	Price controls
2.	Taiko Seirogan (喇叭牌正露丸)	Etta Trading Company, Limited ("**Etta**") ● the authorised agent of Taiko Seirogan in the PRC ● an Independent Third Party	(a) **Date**: 1 April 2009 (b) **Parties to distribution agreement**: (i) Etta and (ii) SZ Kingworld (c) **Nature of the distributorship**: distributor in the agreed regions in the PRC (d) **Geographical coverage**: Guangdong Province, Fujian Province, Hainan Province, Shanghai, Zhejiang Province, Jiangsu Province, Beijing, Tianjin, Hubei Province, Shaanxi Province, Yunnan Province and Guangxi Province (e) **Term**: three years (from 1 April 2009 to 31 March 2012)	1 May 1998	Subject to the highest retail prices set by the PRC government For further details, please refer to the sub-section headed "Price Controls by the PRC Government" under the "Business" section of this prospectus
3.	Kawai Product Range (可愛的肝油丸系列) (i) Kawai Kanyu Drop S (ii) Kawai Kanyu Drop C-20 (iii) Kawai Kanyu Drop M400 (iv) Kawai Vitamin EC	Tai San ● the authorised principal agent of the Kawai Product Range in the PRC, Hong Kong, Macao, Taiwan, Malaysia, Singapore, etc. ● an Independent Third Party	(a) **Date**: 18 December 2005 (b) **Parties to distribution agreement**: (i) Tai San and (ii) SZ Kingworld (c) **Nature of the distributorship**: distributor in the PRC (d) **Geographical coverage**: The PRC (except Hong Kong, Macao and Taiwan) (e) **Term**: five years (from 1 January 2006 to 31 December 2010) and may be automatically extended for another five years unless otherwise agreed by the parties	1 October 1996	N/A
4.	Golden 100 Disney Range consisting of a total of 5 flavors (金色100系列)	Sirio Pharma ● the authorised manufacturer of Golden 100 Disney Range ● an Independent Third Party	(a) **Date**: 15 October 2010 (b) **Parties to Supplier agreement**: (i) Sirio Pharma and (ii) SZ Kingworld (c) **Nature of the distributorship**: NA (d) **Geographical coverage**: NA (e) **Term**: two years from 15 October 2010 to 14 October 2012	14 May 2008	N/A

	Name of product	Contractual party supplying products to the Group	Major terms of distribution/Supplier agreement	Commencement date of distributorship right of the product	Price controls
5.	Flying Eagle Wood Lok Medicated Oil (飛鷹活絡油)	Europharm Laboratories Company Limited ("**Europharm**") ● the manufacturer of Flying Eagle Wood Lok Medicated Oil ● an Independent Third Party	(a) **Date**: 7 March 2008 (b) **Parties to distribution agreement**: (i) Europharm and (ii) SZ Kingworld (c) **Nature of the distributorship**: distributor in the PRC (d) **Geographical coverage**: The PRC (except Hong Kong and Macao) (e) **Term**: from 7 March 2008 to 31 December 2010	26 August 2003	N/A
6.	Imada Red Flower Oil (依馬打正紅花油)	1. Luen Wah ● the manufacturer of Imada Red Flower Oil (ceased on 31 December 2009) ● an Independent Third Party 2. SZ Kingworld Lifeshine ● the manufacturer of Imada Red Flower Oil upon expiration of the distribution agreement with Luen Wah	As to SZ Kingworld Lifeshine: (a) **Date**: 21 October 2010 (b) **Parties to distribution agreement**: (i) SZ Kingworld Lifeshine and (ii) SZ Kingworld (c) **Nature of the distributorship**: distributor in the PRC (d) **Geographical coverage**: the PRC (e) **Term**: from the Listing Date to 31 December 2012	28 November 2002 with Luen Wah 1 February 2010 with SZ Kingworld Lifeshine	N/A
7.	Min Tong Chisionhon Granules (明通治傷風顆粒)	Pearl Shining ● the authorised agent of Min Tong Chisionhon Granules in the PRC and Hong Kong	(a) **Date**: 21 October 2010 (b) **Parties to distribution agreement**: (i) Pearl Shining and (ii) SZ Kingworld (c) **Nature of the distributorship**: Distributor in the PRC (d) **Geographical coverage**: the PRC (e) **Term**: from the Listing Date to 31 December 2012	25 November 1998	N/A
8.	Fengbao Jianfu Capsule (鳳寶牌健婦膠囊)	Yuen Tai ● the manufacturer of Fengbao Jianfu Capsule	(a) **Date**: 21 October 2010 (b) **Parties to distribution**: (i) Yuen Tai and (ii) SZ Kingworld (c) **Nature of the distributorship**: distributor in the PRC (d) **Geographical coverage**: the PRC (e) **Term**: from the Listing Date to 31 December 2012	1 December 1999	N/A

	Name of product	Contractual party supplying products to the Group	Major terms of distribution/Supplier agreement	Commencement date of distributorship right of the product	Price controls
9.	Mentholatum Product Range (i) Mentholatum Deep Heating Rub (曼秀雷敦複方水楊酸甲酯乳膏) (ii) Compound Mentholatum Ointment (曼秀雷敦複方薄荷腦軟膏) (iii) Mentholatum Compound Menthol Nasal Inhalation (曼秀雷敦複方薄荷鼻用吸入劑) *Note: distribution of the Mentholatum Eye Drop Range has been ceased since 1 January 2010*	Mentholatum (China) Pharmaceutical Company Limited ● the manufacturer of the Mentholatum Product Range ● an Independent Third Party	(a) **Date**: 14 May 2010 (b) **Parties to distribution agreement**: (i) Mentholatum (China) Pharmaceutical Company Limited and (ii) SZ Kingworld (c) **Nature of the distributorship**: Distributor in the PRC (d) **Geographical coverage**: The PRC (e) **Term**: two years (from 1 March 2010 to 28 February 2012)	30 April 2001	N/A
10.	Kingworld Product Range (i) Kingworld Gan Mao Qing Capsule (金活感冒清膠囊) (ii) Kingworld American Ginseng Capsule (金活洋參膠囊) (iii) Kingworld Gen-seng Capsule (金活西洋參膠囊) (iv) Kingworld American Ginseng Tablets (金活洋參含片)	SZ Kingworld Lifeshine ● the manufacturer of the Kingworld Product Range	(a) **Date**: 21 October 2010 (b) **Parties to distribution agreement**: (i) SZ Kingworld Lifeshine and (ii) SZ Kingworld (c) **Nature of the distributorship**: Distributor in the PRC (d) **Geographical coverage**: The PRC (e) **Term**: from the Listing Date to 31 December 2012	1 January 2007	Kingworld Gan Mao Qing Capsule ,Subject to the highest retail prices set by the PRC government For further details, please refer to the sub-section headed "Price Controls by the PRC Government" under the "Business" section of this prospectus
11.	DIA Instant Cooling Gel Sheet	Serene Trading Co. H.K. ● the authorised distributor ● an Independent Third Party	(a) **Date**: 8 July 2009 (b) **Parties to the distribution agreement:** (i) Serene Trading Co. H.K. and (ii) SZ Kingworld (c) Nature of the distributorship: Distributor in the PRC (d) Geographical coverage: The PRC (e) **Term:** five years (from 1 August 2009 to 31 July 2014)	1 August 2009	N/A

	Name of product	Contractual party supplying products to the Group	Major terms of distribution/Supplier agreement	Commencement date of distributorship right of the product	Price controls
12.	Jamieson Product Range which consists of a total of 22 products (please refer to the sub-section "Brands and Products" under the heading "Business" of this prospectus for the description of the 22 products)	Nanjing IDS • the principal agent of the Jamieson Product Range in the PRC • an Independent Third Party	(a) **Date**: 27 March 2010 (b) **Parties to distribution agreement**: (i) Nanjing IDS and (ii) SZ Kingworld (c) **Nature of the distributorship**: distributor in the PRC (d) **Geographical coverage**: Pharmacies located in Shenzhen, Guangzhou, Dongguan and Foshan; department stores, supermarkets and pharmacies located in Beijing and Tianjin (e) **Term**: five years (from 27 March 2010 to 26 March 2015)	27 March 2010	N/A
13.	Nin Jiom Herbal Candy (京都念慈菴枇杷糖)	China Capital • the authorised distributor of Nin Jiom Herbal Candy in the PRC • an Independent Third Party	(a) **Date**: 3 November 2010 (b) **Parties to the Herbal Candy Distribution Agreement**: (i) Nin Jiom Medicine, (ii) China Capital, (iii) SZ Kingworld and (iv) HK Kingworld (as guarantor) (c) **Nature of the distributorship**: distributor in the PRC (d) **Geographical coverage**: Shanghai, Jiangsu Province, Zhejiang Province, Fujian Province, Jiangxi Province, Hainan Province, Anhui Province, Henan Province, Shanxi Province, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Inner Mongolia Autonomous Region (e) **Term**: commencing from 3 November 2010 and up to 22 April 2013 which may be extended subject to further negotiation amongst the parties	8 July 2002	N/A
14	Mentholatum Fever Patch Range	Mentholatum (China) Pharmaceutical Company Limited • the manufacturer of the Mentholatum Fever Patch Range • an Independent Third Party	(a) **Date**: 14 May 2010 (b) **Parties to distribution agreement**: (i) Mentholatum (China) Pharmaceutical Company Limited and (ii) SZ Kingworld (c) **Nature of the distributorship**: distributor in the PRC (d) **Geographical coverage**: the PRC (e) **Term**: two years from 24 March 2010 to 23 March 2012	24 March 2010	N/A

Products distributed pursuant to authorisation letter

	Name of product	Contractual party supplying products to the Group	Major terms of authorisation letter	Commencement date of distributorship right of the product	Price controls
15.	Kyushin Pill (救心丸)	Tai San • the exclusive agent of Kyushin Pill in the PRC • an Independent Third Party	(a) **Date**: 29 August 2008 (b) **Parties to authorisation letter**: Tai San (c) **Nature of the distributorship**: Distributor in the PRC (d) **Geographical coverage**: The PRC (e) **Term**: three years (from 29 August 2008 to 28 August 2011)	17 March 1997	Subject to the highest retail prices set by the PRC government For further details, please refer to the sub-section headed "Price Controls by the PRC Government" under the "Business" section of this prospectus

Products distributed pursuant to purchaser order

	Name of product	Source of product	Major terms of purchaser order	Commencement date of distributorship right of the product	Price controls
16.	Bifina Probiotic Capsule (美菲娜益生菌複合無縫膠囊)	Remeje • the authorised distributor of Bifina Probiotic Capsule in the PRC • an Independent Third Party	(a) **Date**: 26 May 2009 (b) **Parties to purchase order**: (i) Remeje and (ii) SZ Kingworld	26 May 2009	N/A

The following table sets out the expiry dates of (i) the distribution rights; and (ii) the relevant Imported Drug Registration Certificate or the Pharmaceutical Product Registration Certificate of each of the products distributed by the Group with over 5% contribution to the revenue of the Group for the year ended 31 December 2009 and/or the six months ended 30 June 2010:-

Name of product	Expiry date of the distribution rights	Expiry date of the relevant Pharmaceutical Product Registration Certificate	Revenue contribution to the Group (for the year ended 31 December 2009)	Revenue contribution to the Group (for the six months ended 30 June 2010)
Nin Jiom Pei Pa Koa	22 April 2013	14 March 2015	67.1%	73.0%
Taiko Seirogan	31 March 2012	21 February 2015	7.6%	3.5%
Kawai Product Range	31 December 2010	N/A*(Note 1)*	5.2%	3.3%
Flying Eagle Wood Lok Medicated Oil	31 December 2010	5 December 2010	5.1%	4.0%
Nin Jiom Herbal Candy	22 April 2013	N/A*(Note 1)*	4.0%	5.3%

Note:

1. Kawai Product Range and Nin Jiom Herbal Candy are healthcare products. As confirmed by the PRC Lawyer, the approval certificate of imported healthcare foods for these two products, which were issued prior to 2003, do not have any specific expiry dates and are valid under the PRC laws.

Renewal of expiring distribution rights

The Group will discuss with the respective Suppliers for the extension of the distribution rights of the relevant products approximately three months before their respective expiry date. The Group has contacted the respective Suppliers for the renewal of the distribution rights of the Kawai Product Range and Flying Eagle Wood Lok Medicated Oil.

Renewal of expired and expiring registration certificates

The Pharmaceutical Product Registration Certificate for each of Fengbao Jianfu Capsule and Min Tong Chisionhon Granules has expired and their respective application for the renewal of the Pharmaceutical Product Registration Certificate has been submitted before the expiry of each of their certificate. As the relevant PRC authorities requested SZ Kingworld to submit extra documents in relation to the drug registration application of Fengbao Jianfu Capsule, SZ Kingworld had only received the notice of acceptance from such authorities approximately six months after the expiry of the license of Fengbao Jianfu Capsule. The notice confirmed that the drug registration application of Fengbao Jianfu Capsule had been accepted and should be processed by the relevant PRC authorities. As at the Latest Practicable Date, no renewed certificate has been issued so far as their registration applications are still under review by the relevant PRC authorities.

The application for the renewal of the Pharmaceutical Product Registration Certificate of Flying Eagle Wood Lok Medicated Oil, which is due to expire on 5 December 2010, was received by the relevant PRC authority on 17 August 2010. As confirmed by the PRC Lawyer, the Group has no legal impediment to the renewal of such Pharmaceutical Product Registration Certificates and the Company will follow up with the renewal progress. Also, the Company may apply for an Import Drugs Approval Notice for the importation of Flying Eagle Wood Lok Medicated Oil, Fengbao Jianfu Capsule and Min Tong Chisionhon Granules into the PRC during the renewal of the Pharmaceutical Product Registration Certificates.

Although the Group has experienced delays in renewing the distribution rights and registration certificates, the Group did not encounter any refusals of non-renewal of such distribution rights and registration certificates during the Track Record Period.

The portfolio of products managed by the Group include 12 pharmaceutical products, seven healthcare product ranges, 28 general foodstuffs and two medical products. These products can be grouped under seven functional categories, namely, cough and phlegm relieving, gastrointestinal, vitamin, orthopaedics, cardiovascular, influenza and others. The turnover by products which the Group distributed and the corresponding amount as a percentage of the Group's turnover during the Track Record Period are set out below:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Pharmaceutical products										
Nin Jiom Pei Pa Koa	353,775	67.1	357,121	66.6	373,720	67.1	186,728	67.9	229,196	73.0
Taiko Seirogan	53,755	10.2	61,623	11.5	42,325	7.6	26,002	9.4	11,034	3.5
Flying Eagle Wood Lok Medicated Oil	4,345	0.8	10,130	1.9	28,591	5.1	10,388	3.8	12,587	4.0
Imada Red Flower Oil	28,259	5.4	28,573	5.3	26,131	4.7	12,289	4.5	4,363	1.4
Mentholatum Product Range[(Note 1)]	37,026	7.0	20,432	3.8	27,519	4.9	16,611	6.0	15,201	4.8
Kyushin Pill	7,886	1.5	16,918	3.2	1,202	0.2	1,159	0.4	9,921	3.2
Kingworld Product Range 1[(Note 3)]	3,810	0.7	221	0.1	2,879	0.5	740	0.3	2,384	0.8
Min Tong Chisionhom	580	0.1	128	—	549	0.1	484	0.2	101	—
Fengbao Jianfu Capsule	833	0.2	312	0.1	1,329	0.2	23	—	—	—
Healthcare products, foodstuffs and medical product										
Nin Jiom Herbal Candy	12,692	2.4	14,266	2.6	22,387	4.0	8,276	3.0	16,741	5.3
Kawai Product Range	23,910	4.5	25,842	4.8	29,127	5.2	11,893	4.3	10,442	3.3
Kingworld Product Range 2[(Note 3)]	366	0.1	—	—	216	—	19	—	164	0.1
Other products[(Note 2)]	361	0.1	980	0.1	992	0.4	545	0.2	1,855	0.6
Gross sales	527,598	100.0	536,546	100.0	556,967	100.0	275,157	100.0	313,989	100.0
Less: Sales tax	(271)		(525)		(550)		(362)		(279)	
Net sales	527,327		536,021		556,417		274,795		313,710	

Notes:

1. SZ Kingworld has not distributed the Mentholatum Eye Drop Range since 1 January 2010.

2. Other products include Golden 100 Disney Range, Bifina Probiotic Capsule, Jamieson Product Range and DIA Instant Cooling Gel Sheet. Golden 100 Disney Range, Bifina Probiotic Capsule and Jamieson Product Range are under the category of general foodstuffs distributed by the Group. DIA Instant Cooling Gel Sheet and Mentholatum Fever Patch Range are medical products.

3. Kingworld Product Range 1 includes Kingworld Gan Mao Qing Capsule and Kingworld Gen-seng Capsule. Kingworld Product Range 2 includes Kingworld American Ginseng Capsule and Kingworld American Ginseng Tablets.

Many of the products distributed by the Group are established brand names including Nin Jiom Pei Pa Koa, Taiko Seirogan, Kawai Product Range, Flying Eagle Wood Lok Medicated Oil, Kyushin Pill and Mentholatum Product Series. Amongst these brands, "Nin Jiom" was awarded the Chinese Well-known Mark under the fifth category by the PRC Trademark Office in 2006. Based on a market analysis conducted by Speedroad, in 2009, Nin Jiom Pei Pa Koa accounted for a total sales of approximately RMB1.03 billion, representing approximately 24.09% of the proprietary Chinese medical Cough Relieving Products market in the PRC. According to the Speedroad Report, in June 2010, there were four licensed imported proprietary Chinese medical Cough Relieving Products in the PRC OTC market and amongst those, Nin Jiom Pei Pa Koa was the leading product with over 95% share of the market for imported proprietary Chinese medical Cough Relieving Products in the PRC. Nin Jiom Pei Pa Koa was also the Group's all-time best-seller during the Track Record Period, which accounted for approximately 67.1%, 66.6%, 67.1% and 73.0% of the Group's turnover for the three financial years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively. According to the Speedroad Report, the Group's sales of Nin Jiom Pei Pa Koa during the Track Record Period accounted for approximately 42.6%, 41.1% and 42.8% of the total turnover of Nin Jiom Pei Pa Koa in the PRC market for the three financial years ended 31 December 2007, 2008 and 2009 respectively.

Since the commencement of its business in October 1996, the Group has established an extensive distribution network in the PRC, which as at the Latest Practicable Date, consisted of approximately 190 Distributor Customers having a network of 400 Sub-distributor Customers, which are not direct customers of the Group, and approximately 1,500 Product Display Booths which have been set up in 12 provinces covering a total of 38 cities in the PRC. The Group only distributes products to the Distributor Customers. During the Track Record Period, the revenue contributed by the top five Distributor Customers accounted for 19.8%, 24.3%, 23.0% and 17.6% of the Group's turnover, respectively. For more effective management and co-ordination of the distribution network, the Group has segmented the PRC market into 34 Regions, each overseen by one or more of the Twelve Subsidiaries or a regional representative office, each staffed with a sales and marketing team. These representative offices and the Twelve Subsidiaries have been set up to assist the Group in product sales and marketing, customer management, pricing management and brand promotion. Details of the roles and responsibilities of the regional representative offices and the Twelve Subsidiaries are set out in the sub-section headed "Segmentation of distribution network" under the "Business" section in this prospectus. Moreover, a jointly controlled entity in the name of Zhuhai Jinming was established in 2004 by SZ Kingworld and Guangdong Minglin solely for the distribution of the Nin Jiom Product Series in the Guangdong Province. Since May 2009, the Group has set up Product Display Booths at retail outlets in the PRC featuring two products, namely Taiko Seirogan and Flying Eagle Wood Lok Medicated Oil under the name of "Kingworld Healthy Family (金活健康之家)" as a means of brand promotion.

As at the Latest Practicable Date, the Group had a total of 378 staff, 70 of whom worked in the Group's Shenzhen head office while 308 were deployed across the 34 Regions, mainly to perform sales and marketing duties. Each year the Group issues the Annual Sales Guideline setting out the annual sales target, and sets seasonal marketing strategies to provide sales and marketing directions to be followed by all representative offices and its staff. The Group's experienced managerial team,

including sales directors and product managers, are responsible for co-ordinating the frontline sales and marketing team to meet the annual sales target. Moreover, the Group continuously seeks to broaden its portfolio of products it distributes, by introducing new products from international markets.

OBJECTIVE AND STRATEGIES

The principal objective of the Group is to increase the sales and market share in the distribution of branded pharmaceutical and healthcare products and general foodstuffs in the PRC. To achieve this, the Directors intend to apply the following strategies:

Maintaining and increasing the market share of the existing products

The Group will continue to maintain the leading position of Nin Jiom Pei Pa Koa in the Cough Relieving Product market in terms of its sales volume by introducing Nin Jiom Pei Pa Koa into the second and third-tier cities in the PRC and identifying new customer categories and demographics.

The Group also plans to achieve a substantial growth in turnover for each of Taiko Seirogan and Flying Eagle Wood Lok Medicated Oil in the PRC market in the coming two to three years.

Prospects of new products

The Group will continue to expand its product portfolio in order to strengthen its existing market position and further increase its market share. In addition to the existing products from Japan, Thailand, Taiwan and Hong Kong, the Group intends to extend its scope by sourcing products from North American countries. The Group entered into a distribution agreement with Nanjing IDS on 27 March 2010 pursuant to which the Group has the right to distribute 22 general foodstuffs in the PRC, which are imported from Canada. Details of these 22 products are set out in the sub-section headed "Brands and Products" under the "Business" section in this prospectus. Pursuant to the Deed of Non-Competition, the Controlling Shareholders will procure their associates not to engage in any activities in the PRC or overseas which may compete with the Group, including the distribution of all products by the Group, which include the 22 new general foodstuffs imported through Nanjing IDS from Canada. Further particulars of the Deed of Non-Competition are set forth under the paragraph headed "Deed of Non-Competition" in the section headed "Relationship with Controlling Shareholders" in this prospectus.

Continued expansion of the Group's distribution network

The Group's distribution network is of great importance to its distribution business of pharmaceutical and healthcare products. The Group continues to expand its distribution network in both vertical and horizontal dimensions. In the vertical dimension, the Group aims to boost the sales volume of the products it distributes by co-operating directly with the retail outlets within the network of the Distributor Customers and Sub-distributor Customers. Such retail outlets mainly include local pharmacies where Product Display Booths are set up under the name of "Kingworld Healthy Family" (金活健康之家) as a means of brand promotion. These booths give the Group control over the selection of products for display. This strategy will assist the Group in enhancing the market presence

and recognition of the Group and the products it distributes. As at the Latest Practicable Date, the Group had set up approximately 1,500 Product Display Booths for the marketing and promotion of Taiko Seirogan and Flying Eagle Wood Lok Medicated Oil. It is expected that the number of Product Display Booths will continue to increase to approximately 3,000 in approximately 3,000 retail outlets, such as pharmacies, supermarket, clinics and chain stores in Guangdong, Fujian, Jiangxi, Hunan, Hubei, Beijing and other provinces in the PRC from 2010 to 2011.

In the horizontal dimension, the Group plans to expand its market presence beyond the PRC, specifically targeting Hong Kong and Macao. HK Kingworld entered into an agreement on 2 July 2009 with Kakki Corporation Limited for the distribution of healthcare products in Hong Kong and Macao. As at the Latest Practicable Date, no specific product had yet been identified and/or considered by the Group for distribution in Hong Kong and Macao. Under the Distribution Agreement, the Group is not allowed to distribute Nin Jiom Pei Pa Koa in Hong Kong and Macao.

The Group also plans to acquire up to three distribution businesses, principally engaged in the distribution of imported pharmaceutical and healthcare products in the PRC, for the purpose of expanding horizontally and improving its distribution network and enlarging its scale of operation in the PRC. The Directors currently expect that each of these three distribution businesses to be acquired will have an established distribution network in the eastern and/or southern provinces in the PRC comprising sub-distributor customers such as pharmacies, supermarkets or clinics, a proven record of sales turnover of approximately RMB100 million in 2009 and good credit terms with financial institutions. The Directors expect that the acquisition targets will not own or be engaged in the retail business.

Upon completion of the said acquisition, the Directors expect that (i) the customers of the three distribution businesses to be acquired will become the customers of the Group and therefore the number of Distributor Customers will be increased; (ii) the number of products distributed by the Group will be increased as the products that are originally distributed by the three distribution businesses to be acquired will become part of the portfolio of products distributed by the Group; and (iii) the acquired distribution businesses will bring in additional revenue and profit to the Group resulting from additional sales generated from the potential increase in the number of Distributor Customers and increased profit margin by taking up the profit originally earned by the distribution businesses to be acquired.

The Group will try to keep the status quo of the distribution businesses to be acquired by retaining all existing staff in order to avoid any sudden increase in the demand for human resources. In addition, the Group will also maintain the existing distribution network and operation model of each of the distribution businesses to be acquired with a view to ensure stability and continuity of such businesses and the Group as a whole. Nonetheless, the Group will assign two personnel to assist in the management of each of such distribution businesses. In the event that the distribution businesses to be acquired may have a larger distribution network and/or products which are not previously distributed by the Group, resulting in an increase of promotion and marketing activities, the Group may be required to recruit additional staff with the relevant experience to manage the work and may have to incur additional operating expenses. As the customers of the three distribution businesses to

be acquired will become the customers of the Group upon completion of the said acquistion, the Group would have to assess the credibility of these new customers and if they are found to be less credible than the existing Distributor Customers, may consider giving them credit terms less favourable than those given to the existing Distributor Customers.

The Directors confirm that it is not the current intention of the Group to acquire any retail business and the three distribution businesses to be acquired will not own any retail business. As such, the Directors do not expect that there will be a sharp increase in inventory level of the Group upon acquisition of these distribution businesses. As at the Latest Practicable Date, the Company had not identified any acquisition targets with respect to potential distribution businesses. For further details please refer to the sub-section headed "Use of proceeds" under the section headed "Future Plans and Use of Proceed" in this prospectus.

Consolidation of Distributor Customers and/or Sub-distributor Customers

In addition to developing its business through the expansion of its distribution network, the Group aims to acquire well-established distributors with stable cash flow in the PRC. In order to qualify as a well-established distributor, the Group expects that such distributor will have a stable cash flow and an established distribution network of retail outlets in the PRC. The Group anticipates a more vertically integrated and organized distribution network so that its sales and marketing strategies can be carried out more effectively to boost its sales.

Active exploration of new markets

As at the Latest Practicable Date, the Product Display Booths at the retail outlets covered by the Group's existing distribution network mainly included pharmacies in the PRC. In order to capture new end-users, the Group together with its Distributor Customers and Sub-distributor Customers will try to explore and develop new markets such as local clinics, supermarkets and beauty salons in residential areas including city communities and villages in remote areas so as to reach out to a larger population that is not currently covered.

COMPETITIVE STRENGTHS

Over the years, the Directors believe that the Group has established its reputation in the pharmaceutical and healthcare products distribution sector in the PRC. The Directors also consider that the Company has established a competitive foothold with a well-established customer base where a majority of them have a wide distribution network in the PRC.

The Directors consider that the Group possesses the following competitive strengths.

Well established distribution network and strong sales and marketing team

Over the years, the Group had established an organized and cohesive distribution network which, as at the Latest Practicable Date, comprised approximately 190 Distributor Customers having a network of approximately 400 Sub-distributor Customers and a chain of approximately 1,500 Product Display Booths at the retail outlets in the PRC from the network of the Distributor Customers and

Sub-distributor Customers. It is estimated that the current distribution network of the Group covers a total number of more than 17,000 retail outlets throughout the PRC of which the Group has no control. Nonetheless, the distribution network of the Group does not cover the Xinjiang Uyghur Autonomous Region and Tibet Autonomous Region. As at the Latest Practicable Date, the Group had geographically segmented the PRC market into 34 Regions which are managed by one or more of the Twelve Subsidiaries and other regional representative offices. These offices are frontline executors of the Group's sales and marketing strategies. They are responsible for organizing marketing campaigns, which include placing advertisement, liaising for public promotions, attending industry exhibitions and organizing product launch and other promotional events for Suppliers. They also work closely with the Group's customers in the development of sales strategies and techniques, case studies sharing, and collecting invaluable sales data for market analysis and strategy review and adjustment.

Product portfolio with well-known brands

As at the Latest Practicable Date, the products distributed by the Group included a total of 49 products, which can be further divided into seven functional categories. Established brand names include, but are not limited to, Nin Jiom, Kawai, Taiko, Kyushin, and Mentholatum and general foodstuff bearing the Disney Licensed Materials. Recognition of the brand names is evidenced in the awards which they have received. For example, "Nin Jiom" has been awarded the honour of the Chinese Well-known Mark by the PRC Trademark Office in 2006; the Kawai Product Range was awarded with best sales performance products by Watsons in both 2006 and 2007; while Kawai and Kyushin were awarded the Superbrand status in 2002 and 2004, respectively. Detailed information of the awards and recognition in relation to the Group is set out under the sub-section headed "Awards and Recognition" under the "Business" section in this prospectus.

SZ Kingworld has growth potential for the distribution of pharmaceutical and healthcare products

The Group has throughout the years imported pharmaceutical and healthcare products of established brand names. According to the Top 100 Importers of Pharmaceutical and Healthcare Products Report published by CCCMHPIE which was based on the statistics provided by the PRC Customs, SZ Kingworld ranked the 76th in 2009 among the top 100 importers of pharmaceutical and healthcare products in the PRC based on its total import value. By introducing and distributing its portfolio of products, the Group has also earned its recognized operation in the pharmaceutical and healthcare product distribution industry. Over the years, the Group had been awarded with some major honours such as Shenzhen Top 100 Business Superbrands (深圳百強商業超級品牌) and Top 100 Chinese Brand Enterprises (中國品牌百企業榜上榜企業) in 2006, and Top 50 Private Enterprises in Shenzhen (深圳市50強民營企業) in 2004.

Proven historical business relationships with key Suppliers and customers

The Group succeeded in acquiring several significant distributorships from Suppliers in the early years of its establishment and has established long-term relationships with these Suppliers. These relationships with Tai San (the Supplier of the Kawai Product Range and Kyushin Pills) have begun since 1995 (in the capacity of SZ Industry before the establishment of SZ Kingworld, both being wholly-owned by the Controlling Shareholders), Nin Jiom Medicine and Great Pleasure since 1997

and Etta Trading Company Limited (the Supplier of Taiko Seirogan) since 1998. Moreover, the Group has been co-operating with its top five customers over the Track Record Period for a period of seven to 14 years since the establishment of SZ Kingworld.

Well-educated workforce

As at the Latest Practicable Date, the Group employed a total of 378 staff, over 81% of whom have obtained post-secondary education and 15% have received a bachelor's degree or above from university. Amongst the four executive Directors Ms. Chan and Mr. Lin Yusheng have master's degrees in business-related disciplines, while the Group's quality control personnel are all professionally qualified either as licensed pharmacist or qualified GSP officers.

BUSINESS MODEL

The Group is engaged in, and the Group's revenue is principally generated from, the distribution of branded imported pharmaceutical and healthcare products in the PRC and does not manufacture any products. SZ Kingworld, being an indirect wholly-owned subsidiary of the Company, is the Group's primary operating company in conducting the distribution business of pharmaceutical and healthcare products.

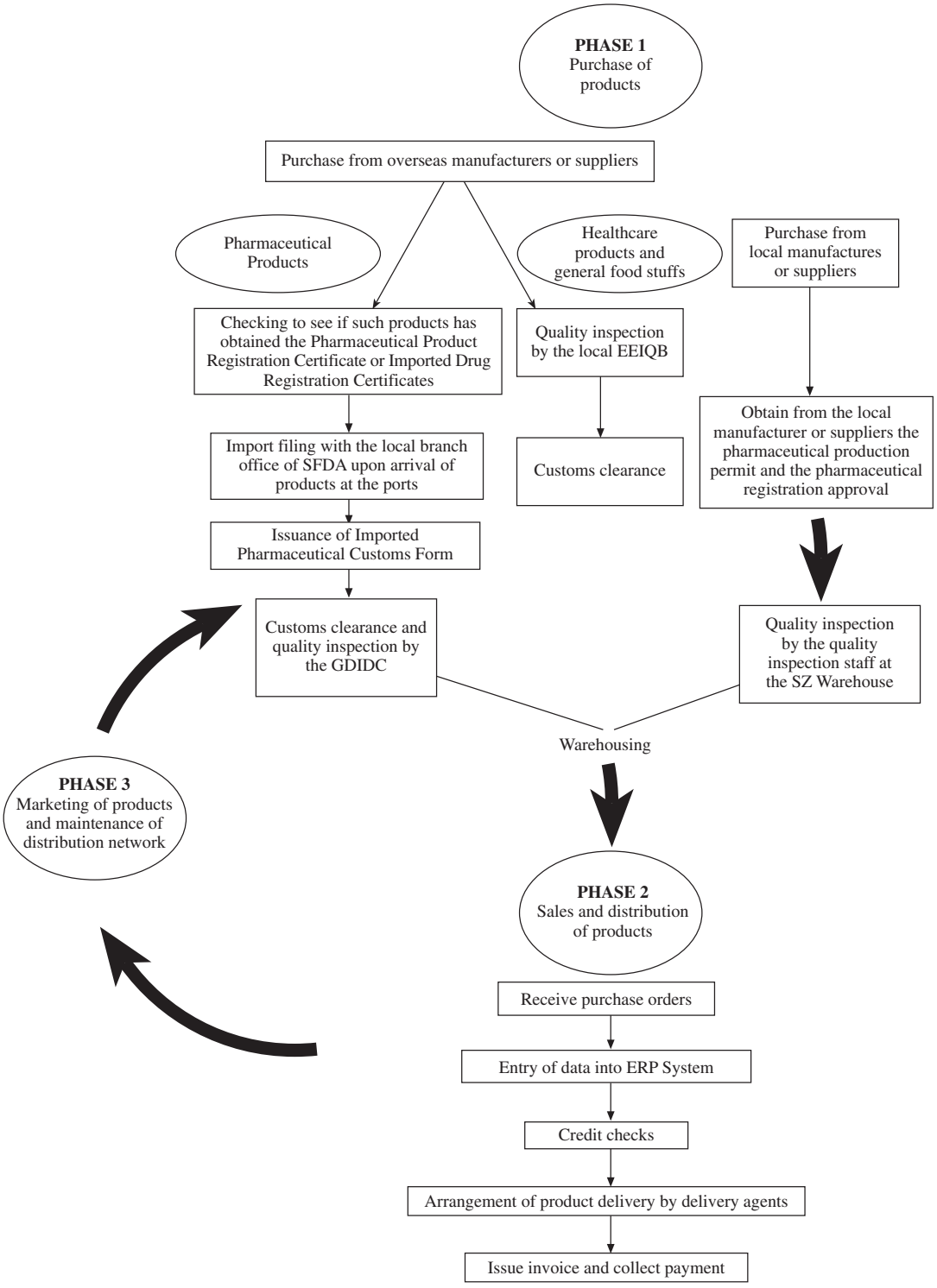
Out of the 49 products distributed by the Group, 16 of which are sourced or purchased directly from the manufacturers and the remaining products are sourced from authorised agents or distributors. The Group does not have the right to choose whether to source the products directly from the manufacturers or the authorised agents/distributors for distribution in the PRC market.

SZ Kingworld has entered into arrangements with the Suppliers, pursuant to which SZ Kingworld has been granted the right to distribute such pharmaceutical and healthcare products in the agreed regions in the PRC. In some cases, SZ Kingworld has been granted with an exclusive distribution right in certain agreed regions in the PRC. For certain pharmaceutical and healthcare products, SZ Kingworld has entered into license arrangement whereby SZ Kingworld is authorised to produce and distribute products. SZ Kingworld will then contract with the approved manufacturers for the production of such pharmaceutical and healthcare products.

SZ Kingworld distributes the pharmaceutical and healthcare products in the PRC through the Distributor Customers, which, in turn, sub-distribute the products to their respective networks of sub-distributors. For the above arrangement, SZ Kingworld enters into distribution agreements with the Distributor Customers and, for only two specific products, namely, Nin Jiom Product Series and Taiko Seirogan, SZ Kingworld enters into tripartite agreements with the Distributor Customers and the Sub-distributor Customers for the purposes of (i) regulating the pricing; (ii) preventing cross-region sourcing and sales; and (iii) setting out the sales targets for the Sub-distributor Customers.

Another source of revenue of the Group is generated from the business of Zhuhai Jinming, which is a jointly controlled entity set up by SZ Kingworld and Guangdong Minglin in 2004. Zhuhai Jinming is set up for the distribution of Nin Jiom Product Series in the Guangdong Province. The daily operation of Zhuhai Jinming is independent of the Group.

As at the Latest Practicable Date, SZ Kingworld was responsible for the distribution of the products the Group distributes in the PRC. The Group's distribution business principally involves merchandising, distributing and marketing of products in the PRC. SZ Kingworld focuses its resources in the distribution and marketing of the products it distributes, while other functions such as the delivery and manufacture of the products are contracted out to or sourced from third parties. The following diagram illustrates the flow of the operating process under which the Group operates.



Phase 1 — Purchase of products

The Group manages a product portfolio purchased from overseas and local Suppliers. The international sourcing department of SZ Kingworld is responsible for researching, identifying and introducing new products from international markets to diversify the Group's product portfolio. The sourcing criteria for new products are based on the proven sales records and profitability as well as the reputation, safety and reliability of such new products. Following the obtaining of the pharmaceutical trade license (藥品經營許可證) and GSP Certificate (葯品經營質量管理規範認證證書) from the local Food SFDA, SZ Kingworld is legally entitled to carry out distribution of pharmaceutical products in the PRC.

The term of the distribution agreements for the distribution of pharmaceutical and healthcare products range from one year to five years. During the Track Record Period, the Group did not experience any difficulty in renewing the agreements with Suppliers.

The distribution agreements generally set out the specifications and prices for the pharmaceutical and healthcare products, credit periods and guidelines for the sale and distribution of the products, including but not limited to restrictions on the regions in which the products may be sold. Under some of the distribution agreements, the Suppliers are responsible for ensuring the quality of, and the intellectual property rights to, their pharmaceutical products. The Group is responsible to make payments to Suppliers as well as to comply with guidelines set by the Suppliers, especially the suggested distribution price. In some circumstances, Suppliers would prescribe a minimum or target purchase amount. The distribution agreement may be renewed or extended upon mutual agreement in writing before the expiry date. The Suppliers may terminate such agreements if the Group is in breach of major contract terms, such as if the Group fails to comply with the distribution guidelines specified in the agreements or if the Group is delinquent in making payment. Once the distributorship has been established, the products are purchased from the Suppliers either by importing the products from overseas or purchasing the products within the borders of the PRC.

Purchase of products from overseas Suppliers

Import procedures are involved for purchase of products from overseas Suppliers. In respect of imported pharmaceutical products, the Group must, upon arrival of the pharmaceutical products at the ports, file such materials as required by law to the pharmaceutical supervisory and administrative department of the place where the port is located. Upon passing inspection, the Group will be issued an imported pharmaceutical customs form《進口藥品通關單》, which will be presented to the local PRC Customs in order to complete the customs declaration, inspection and release procedures. Quality inspection will be conducted by the GDIDC. Article 38 of the Implementation Details provides that importers must, upon arrival of the pharmaceutical products at the Approved Ports, present the Imported Drug Registration Certificate and/or the Pharmaceutical Product Registration Certificate, together with the proof of origin of the imported pharmaceutical products, copy of the purchase agreement of the imported pharmaceutical products, packaging and transport receipts , freight invoice, ex factory quality examination certificate as well as usage directions of the imported pharmaceutical products to the pharmaceutical supervisory and administrative department of the place where the port is located for filing. After inspection of the imported pharmaceutical products, the local pharmaceutical supervisory and administrative department will issue an Imported Pharmaceutical

Customs Form《進口藥品通關單》, which must be presented to the Customs by the importer in order to complete the customs declaration, inspection and release procedures. Based on the above, the Directors consider that the Group is able to rely on the local pharmaceutical supervisory and administrative department for the inspection of the imported pharmaceutical products.

For further details, please refer to the sub-sections headed "(v) Administration of Imported Pharmaceutical Products" and "(vi) Rules and Regulations Governing the Import of Pharmaceutical Products and Penalties on Non-compliance" under the "Regulatory Overview" section of this prospectus.

In respect of imported healthcare products and general food stuffs, the Group shall present the necessary certificates and relevant approval documents such as contracts, invoices, packaging receipts, delivery notes and Approval Certificate for Imported Health Food《進口保健食品註冊申請表》for inspection by the EEIQB at the PRC Customs. Upon meeting the requisite standards after inspection by the EEIQB, imported health care products and general food stuffs shall be allowed to enter the PRC. For further details, please refer to the sub-sections headed "Import Administration of Food and Healthcare Food" under the "Regulatory Overview" section of this prospectus.

For SZ Kingworld, such import procedures are generally conducted via the Wenjindu cross-border control point for pharmaceutical products and healthcare products and general foodstuffs. The procedures for the import of pharmaceutical products and import of healthcare products and general foodstuff are different in respect of their respective quality inspection phase. The pharmaceutical products are delivered directly to the warehouse of SZ Kingworld for inspection by the GDIDC, while Wenjindu EEIQB conducts the inspection of the healthcare products and general foodstuff at the port. Upon receipt of the inspection report for the pharmaceutical product from the GDIDC and the sanitary certificate for the healthcare product and general foodstuff from the Wenjindu EEIQB, the products are moved to another part of the SZ Warehouse to indicate that they are ready for distribution.

Purchase of products within the PRC

PRC manufacturers of pharmaceutical products must obtain the pharmaceutical production permit (藥品生產許可證) and the pharmaceutical registration approval (藥品註冊批件) for selling products to the Group. Products purchased by the Group in the PRC include Imada Red Flower Oil and Kingworld Product Range which are manufactured by SZ Kingworld Lifeshine, and Mentholatum Product Range and Mentholatum Fever Patch Range which are manufactured by Mentholatum (China) Pharmaceutical Company Limited. Quality inspection of these products was conducted by inspection staff at the SZ Warehouse. SZ Kingworld Lifeshine was engaged in the processing of Imada Red Flower Oil for Luen Wah for the period between October 2004 and December 2009. SZ Kingworld Lifeshine commenced the manufacturing of Imada Red Flower Oil in August 2010 after obtaining the pharmaceutical production permit (藥品生產許可証) issued by GDFA on 1 January 2006 and the pharmaceutical registration approval (藥品註冊批件) issued by SFDA on 7 March 2006.

As confirmed by the PRC Lawyer, under the laws of the PRC, SZ Kingworld Lifeshine has the right to manufacture Imada Red Flower Oil and no consent is required to be obtained from Luen Wah to manufacture such product from August 2010 onwards.

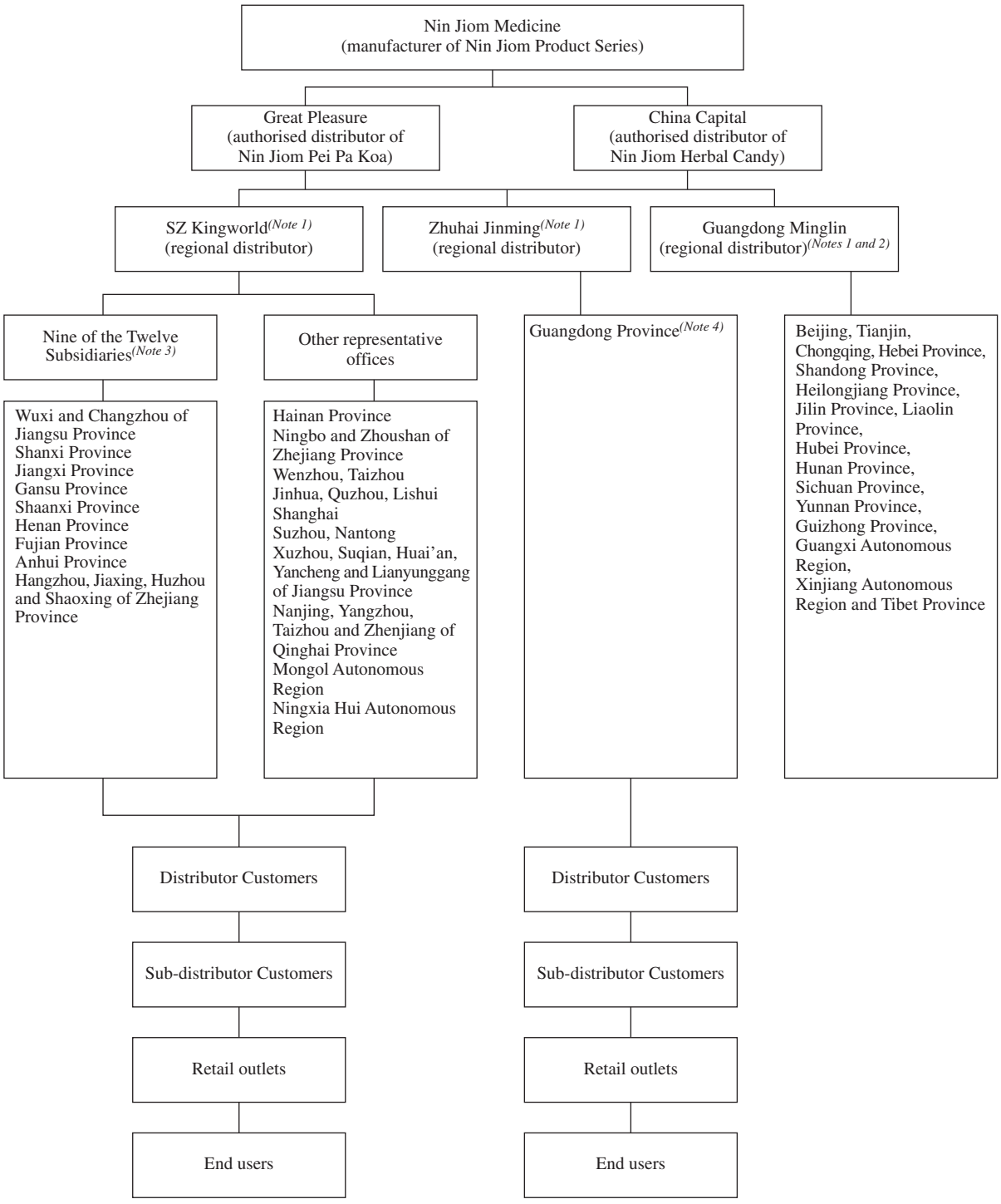
Payment terms for Suppliers

SZ Kingworld's purchases are mainly made in HKD (and the remaining by RMB or USD) by telegraphic transfer with a general credit period of 90 days granted by the various Suppliers during the Track Record Period. For the three financial years ended 31 December 2009 and six months ended 30 June, 2010, approximately 83.9%, 89.4%, 92.7% and 93.6% respectively of SZ Kingworld's total purchases were settled in Hong Kong dollars, and the rest purchases were settled in RMB or US dollars.

The Group has entered into forward foreign exchange contracts with certain banks in the PRC for the management of risks in relation to future movements in exchange rates arising from settling payment to Suppliers in Hong Kong dollars.

Distribution of Nin Jiom Product Series

The following diagram sets out the distribution flow of the Nin Jiom Product Series:



Notes:

1. To the best of the Directors' knowledge, as at the Latest Practicable Date, there were three regional distributors, namely, SZ Kingworld, Guangdong Minglin and Zhuhai Jinming, distributing the Nin Jiom Product Series in the PRC without any

overlapping regions. To the best of the Directors' knowledge, since 1997 and up to the Latest Practicable Date, the Directors were not aware of other regional distributors distributing the Nin Jiom Product Series in the PRC, apart from the above three regional distributors.

2. Other than Guangdong Minglin's interests in Zhuhai Jinming, SZ Kingworld and Guangdong Minglin are independent in terms of their shareholders, directors and senior management. As such, Guangdong Minglin declined to confirm the structure of its distribution network.

3. Nine of the Twelve Subsidiaries are Wuxi Consultancy, Taiyuan Consultancy, Nanchang Consultancy, Lanzhou Consultancy, Xi'an Consultancy, Zhengzhou Consultancy, Fuzhou Consultancy, Hefei Consultancy and Hangzhou Consultancy.

4. Prior to 2004, SZ Kingworld and Guangdong Minglin distributed Nin Jiom Pei Pa Koa in Guangdong Province on a several basis.

According to the latest public search records, Nin Jiom Medicine, Great Pleasure and China Capital are companies incorporated in Hong Kong with limited liability and are Independent Third Parties. Great Pleasure engages in the import and export business and China Capital engages in the general trading business. According to the latest public search records, Nin Jiom Medicine, Great Pleasure and China Capital have common shareholders and common directors. Great Pleasure and China Capital have three common directors and three common shareholders. The following chart sets out the common directorship and common shareholding amongst Nin Jiom Medicine, Great Pleasure, China Capital, SZ Kingworld and Guangdong Minglin.

	Role	**Common shareholders**[*(Note)*]	**Common directors**
Nin Jiom Medicine	manufacturer of Nin Jiom Product Series	A, B	D, E
Great Pleasure	authorised distributor of Nin Jiom Pei Pa Koa	A, B, C	C, D, E
China Capital	authorised distributor of Nin Jiom Herbal Candy	A, B, C	C, D, E
SZ Kingworld	regional distributor of Nin Jiom Product Series and a holder of 50% equity interest in Zhuhai Jinming	Nil	Nil
Guangdong Minglin	another regional distributor of Nin Jiom Product Series and a holder of 50% equity interest in Zhuhai Jinming	Nil	Nil

Note: "Common shareholders" refer to individuals whose interests in Nin Jiom Medicine, Great Pleasure and/or China Capital, as the case may be, are held through their shareholdings in certain companies. Based on the Directors' understanding, Nin Jiom Medicine, Great Pleasure and China Capital do not form a group of companies, and there are common directors among them.

SZ Kingworld is authorised to distribute two of the various products of Nin Jiom Medicine, namely, Nin Jiom Pei Pa Koa in three different sizes of 300ml, 150ml, and 75ml and Nin Jiom Herbal Candy in two packaging sizes of 20g and 45g. According to the website of Nin Jiom Medicine, its products are categorized into three series, namely, pei pa koa, herbal candy and traditional Chinese medicine granules. The table below shows the number of products in each of these series and the series to which the products distributed by the Group belong:

	Category of products as shown on the website of Nin Jiom Medicine	**Number of products as shown on the website of Nin Jiom Medicine**	**Products which the Group distributes**
1.	Pei pa koa	Three different kinds of packaging	Bottle sizes of 300ml, 150ml and 75ml
2.	Herbal candy	Three flavors with two different kinds of packaging	One flavor in 20g and 45g
3.	Traditional Chinese medicine granules	Five kinds for flu, cough, cold and health enhancement	—

As confirmed by Nin Jiom Medicine, Nin Jiom Pei Pa Koa is their principal product. SZ Kingworld and Zhuhai Jinming directly source the Nin Jiom Product Series from Great Pleasure and China Capital respectively. To the best of the Directors' knowledge, Guangdong Minglin also sources the Nin Jiom Product Series from Great Pleasure and China Capital directly.

The prices of Nin Jiom Pei Pa Koa (i) offered to SZ Kingworld, Guangdong Minglin and Zhuhai Jinming were the same from September 2008 and up to the Latest Practicable Date; and (ii) offered to the Distributor Customers by the Group and to the Sub-distributor Customers by the Distributor Customers, are set by Nin Jiom Medicine and Great Pleasure and are subject to their regular review.

To the best of the Directors' knowledge, as at the Latest Practicable Date, there were three regional distributors, namely, SZ Kingworld, Guangdong Minglin and Zhuhai Jinming, distributing the Nin Jiom Product Series in the PRC without any overlapping regions. To the best of the Directors' knowledge, since 1997 and up to the Latest Practicable Date, the Directors were not aware of other regional distributors distributing the Nin Jiom Product Series in the PRC, apart from the above three regional distributors.

Guangdong Minglin is a company incorporated in the PRC with limited liability. The principal business of Guangdong Minglin is the distribution of pharmaceuticals. None of the Controlling Shareholders or any member of the Group have any shareholding interests in Guangdong Minglin. Other than Guangdong Minglin's interests in Zhuhai Jinming, SZ Kingworld and Guangdong Minglin are independent in terms of their shareholders, directors and senior management. According to the

latest public search records, there are no common shareholders and directors among Nin Jiom Medicine, Great Pleasure, China Capital and Guangdong Minglin. For further details of Zhuhai Jinming, please refer to the sub-section headed "Zhuhai Jinming" in the "Business" section of this prospectus.

On 22 April, 2010, Nin Jiom Medicine, Great Pleasure, SZ Kingworld, and HK Kingworld (as guarantor) entered into the Distribution Agreement in relation to the non-exclusive distribution of Nin Jiom Pei Pa Koa in certain agreed regions of the PRC, pursuant to which (i) Nin Jiom Medicine shall appoint Great Pleasure as, and Great Pleasure accepts the appointment of, the distributor of Nin Jiom Pei Pa Koa in the PRC; (ii) Great Pleasure shall, and Nin Jiom Medicine has consented to, appoint SZ Kingworld as, and SZ Kingworld shall accept the appointment of, the regional distributor in respect of the non-exclusive distribution of Nin Jiom Pei Pa Koa in the Authorised Regions; and (iii) SZ Kingworld shall purchase Nin Jiom Pei Pa Koa from Great Pleasure. A summary of the principal terms of the Distribution Agreement is as follows:

Duration	Three years from 22 April 2010 to 22 April 2013 and may be extended subject to further negotiation amongst the parties.
Principal responsibilities and obligations of SZ Kingworld	(1) distributing the Nin Jiom Pei Pa Koa to Distributor Customers and Sub-distributor Customers holding valid pharmaceutical trade licence (藥品經營許可證) and GSP Certificate (藥品經營質量管制規範認證證書) in the Authorised Regions; (2) unless with the prior consent of Nin Jiom Medicine, SZ Kingworld cannot distribute or provide assistance to any third party to distribute the Nin Jiom Pei Pa Koa, whether directly or indirectly or through itself or any other jointly controlled entities or entities in which SZ Kingworld has any equity or shareholding interest or by any other means, within the Authorised Regions (other than the distribution of the Nin Jiom Pei Pa Koa in the Guangdong Province through Zhuhai Jinming); (3) submitting a written purchase order forecast for the coming month to Great Pleasure between the 15th to 20th day of each month, whereby the quantity of such monthly purchase order forecast shall not be less than 75% of the average monthly purchase of the previous year; (4) handling all import procedures as required by the PRC Customs and be responsible for paying all related fees and taxes (if any); (5) assuming all risk upon delivery of the Nin Jiom Pei Pa Koa by Great Pleasure at the SZ Warehouse;

(6) distributing Nin Jiom Pei Pa Koa at an agreed price in accordance with the Distribution Agreement which will be subject to regular review by Nin Jiom Medicine and Great Pleasure;

(7) submitting weekly sales report(s) to Nin Jiom Medicine and Great Pleasure in accordance with the Distribution Agreement;

(8) guaranteeing an increase of not less than 5% as compared to the annual sales volume of the previous calendar year; and

(9) making payment to Great Pleasure within 60 days upon delivery, failing which a default interest of 10% of the default amount will be charged.

Right of termination by Nin Jiom Medicine or Great Pleasure

Nin Jiom Medicine or Great Pleasure has the right to terminate the Distribution Agreement immediately from the date when SZ Kingworld is given or deemed to be given a written notice by Nin Jiom Medicine or Great Pleasure (as the case may be) upon the occurrence of any of the following events, where:-

(i) SZ Kingworld or HK Kingworld breaches any provision of the Distribution Agreement;

(ii) any representations or undertakings by SZ Kingworld in the Distribution Agreement are proven to be untrue or incorrect or unable to be enforced or is violated;

(iii) SZ Kingworld breaches or fails to comply with the relevant laws, legislation or government policies for the sale of Nin Jiom Pei Pa Koa in the Authorised Regions;

(iv) the legal representative of SZ Kingworld or more than half of the directors or the chief management staff (including general manager and deputy general manager) of SZ Kingworld as at the date of the Distribution Agreement have changed;

(v) SZ Kingworld raises queries with Nin Jiom Medicine in respective of its intellectual property rights of Nin Jiom Pei Pa Koa;

(vi) SZ Kingworld or HK Kingworld for whatever reason disposes or intends to dispose of any of their material assets;

	(vii) Any assets owned by SZ Kingworld or HK Kingworld are detained, confiscated, frozen, subject to property preservation measures or other limitation measures; (viii) SZ Kingworld or HK Kingworld voluntarily applies for or is subject to application for bankruptcy, liquidation or dissolution; (ix) The Pharmaceutical Product Registration Certificate relating to Nin Jiom Pei Pa Koa (including any specifications of the products of Nin Jiom Medicine) becomes invalid or temporarily invalid for whatever reason, or is revoked, deregistered, cancelled, withdrawn, terminated and encounters other similar circumstances for whatever reason; or (x) The pharmaceutical trade licence《藥品經營許可證》or the GSP Certificate《藥品經營質量管理規範認證證書》obtained by SZ Kingworld within the effective period of the Distribution Agreement becomes invalid or temporarily invalid for whatever reason, or is revoked, deregistered, cancelled, withdrawn, terminated and encounters other similar circumstances for whatever reason.
Liability for breach of contract	The non-defaulting party has the right to claim damages from the defaulting party for the breach of terms under the Distribution Agreement.

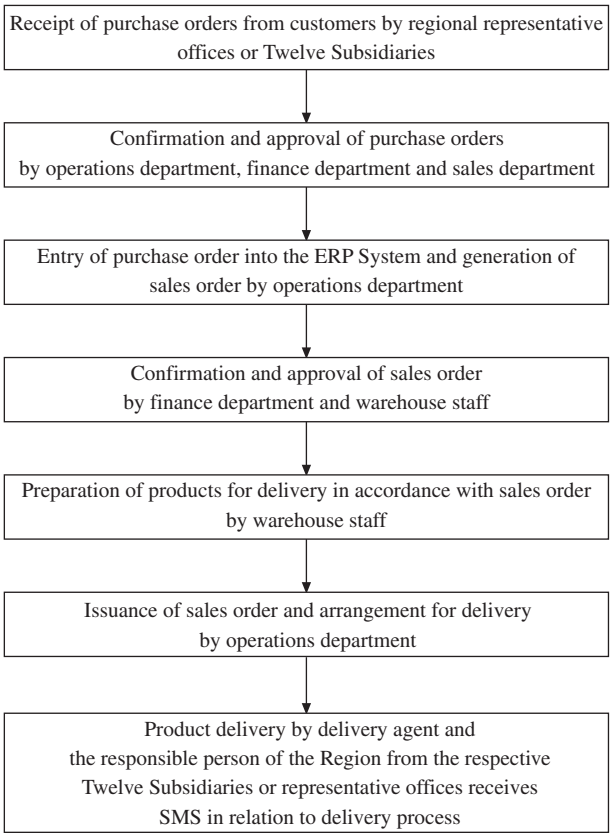
As at the Latest Practicable Date, SZ Kingworld had not breached any of the clauses under the Distribution Agreement. Other than the Distribution Agreement, the Group has not entered into any distribution agreement with Nin Jiom Medicine and/or Great Pleasure for the distribution of Nin Jiom Pei Pa Koa where the Group is required to guarantee any annual sales amount or purchase quantity in order to secure the distributorship right for Nin Jiom Pei Pa Koa.

Relationship with OEM Suppliers

As at the Latest Practicable Date, SZ Kingworld engaged manufacturers to produce the Golden 100 Disney Range in accordance with a license agreement entered into between SZ Kingworld and TWDC (Shanghai) in 2007. Pursuant to the granting of this license, SZ Kingworld has entered into a supply agreement with Sirio Pharma in relation to the production of the Golden 100 Disney Range. The revenue contributed by the Group's OEM business accounted for 0%, 0.11% and 0% for the three financial years ended 31 December 2007, 2008 and 2009 respectively.

Phase 2 — Sales and distribution of products

The Twelve Subsidiaries and the regional representative offices are responsible for collecting purchase orders from the Distributor Customers which will then be faxed to the head office of SZ Kingworld for verification and processing. The following flow chart sets out the major procedures and responsible departments involved in the process of distribution of products for SZ Kingworld.



Distributor Customers and Sub-distributor Customers

To the best of the Directors' knowledge and belief, the Group's Distributor Customers are Independent Third Parties which are distributors who have sales channels reaching other sub-distributors in the PRC, such as retail pharmacies. The Group distributes products only to the Distributor Customers which in turn monitor the Sub-distributor Customers. The Distributor Customers are selected based on their reputation, market coverage, credit record and the scale of their distribution network. Details of the Distributor Customers during the Track Record Period are set out in the table below:

	Total number	Number of new appointments	Number of terminations	Reasons for termination
2007				
Distributor Customers	195	116	15	(a) the sales target was not achieved; or
			38	(b) failed to fulfill the requirements set by SZ Kingworld, such as:— (i) poor payment record; (ii) selling outside the authorised area; (iii) violating the pricing policy; and/or (iv) failing to provide accurate sales record.
2008				
Distributor Customers	181	52	13	(a) the sales target was not achieved; or
			53	(b) failed to fulfill the requirements set by SZ Kingworld, such as:— (i) poor payment record; (ii) selling outside the authorised area; (iii) violating the pricing policy; and/or (iv) failing to provide accurate sales record.

	Total number	Number of new appointments	Number of terminations	Reasons for termination
Distributor Customers	190	51	8	(a) the sales target was not achieved; or
			34	(b) failed to fulfill the requirements set by SZ Kingworld, such as:— (i) poor payment record; (ii) selling outside the authorised area; (iii) violating the pricing policy; and/or (iv) failing to provide accurate sales record.
Six months ended 30 June 2010				
Distributor Customers	190	64	12	(a) the sales target was not achieved;
			52	(b) failed to fulfill the requirements set by SZ Kingworld, such as:— (i) poor payment record; (ii) selling outside the authorised area; (iii) violating the pricing policy; and/or (iv) failing to provide accurate sales record.

Notes:

1. The total number of the Distributor Customers in 2006 was 132.

2. Zhongshan region was established in 2009. It was included in the Guangzhou region prior to 2009.

During the Track Record Period, the Group terminated the arrangement with certain Distributor Customers ("Terminated Distributor Customers") based on the reasons as stated in the above table. The Directors consider that such terminations do not have any material adverse impact on the business of Group for the following reasons:-

(i) for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the percentage of revenue generated from the Terminated Distributor Customers as a whole was approximately 7.2%, 8.6%, 6.4%, and 5.7% respectively of the Group's total turnover. The sales made to these Distributor Customers during the Track Record Period did not form a substantial portion of the Group's revenue during the same period;

(ii) as the Group will monitor the performances of the Distributor Customers by making monthly visits and reviewing reports on their distribution flow and inventory levels, there will not be any accumulation of inventory at the level of the Distributor Customers. Given that the Group's inventory check on the Distributor Customers is conducted on a regular basis, the Directors confirmed that the Terminated Distributor Customers during the Track Record Period did not have an excessive inventory level of products distributed by the Group. Nonetheless, the Group will check on the inventory level of the Terminated Distributor Customers at the time of termination. Should the inventory level of such Terminated Distributor Customers have been found to be excessive, the Group may (i) at the request of such Terminated Distributor Customers, exercise its discretion to repurchase the excessive stocks from such Terminated Distributor Customers; or (ii) take the initiative to negotiate with such Terminated Distributor Customers in respect of repurchasing the excessive stocks to ensure that there will not be any accumulation of inventory at the level of the Distributor Customers. No such request or initiative by the Group had been made during the Track Record Period; and

(iii) the number of Terminated Distributor Customers was sufficiently replenished by the number of newly appointed Distributor Customers.

During the Track Record Period, there were in total 535, 575, 500 and 402 Sub-distributor Customers respectively in the Group's distribution network and the number of terminated Sub-distributor Customers was 349, 213, 283 and 229 respectively during the same period. The termination of the Sub-distributor Customers was at the discretion of the Distributor Customers instead of the Group, and the termination was mainly due to such Sub-distributor Customers failing to meet the sales targets and/or requirements set by the Distributor Customers. The Directors consider that such terminations do not have any material adverse impact on the business of the Group since the Group do not distribute products directly to the Sub-distributor Customers and there had been no direct sales made by the Group to the Sub-distributor Customers. Although the Group has no direct control over the Sub-distributor Customers (other than those who had entered into tripartite distribution agreements with SZ Kingworld and the Distributor Customers, details of which are set out in the sub-section headed "Agreements with the Sub-distributor Customers" in this section of the prospectus), to the best of the Directors' knowledge and belief, the Distributor Customers will monitor the distribution flow and inventory levels of the Sub-distributor Customers.

The Group's distribution and sales of pharmaceutical and healthcare products to Distributor Customers are generally governed by a two-party distribution agreement.

Agreements with the Distributor Customers

The current agreement with each of the Distributor Customers generally specifies, among other things, the following matters:

1. the products to be distributed, the price to be paid for each of the products, the sales target and the sales coverage to be achieved by the Distributor Customers;

2. the region(s) where the products are to be distributed, the one-year term period for distribution, and the minimum price to be sold by the Distributor Customers;

3. the terms of payment and the agreed mechanism and conditions for sales rebate provided by SZ Kingworld to the Distributor Customers;

4. the situation under which the Distributor Customers may return the products subject to the decision of SZ Kingworld; and

5. the marketing activities for certain products to be conducted by SZ Kingworld to facilitate the sales activities to be conducted by the Distributor Customers.

Pursuant to the agreements with certain Distributor Customers, SZ Kingworld and the Distributor Customers shall, depending on the market situation and upon meeting certain criteria set by the Distributor Customers, jointly co-operate in the selection of Sub-distributor Customers for sub-distributing the products distributed by the Group.

Principal obligations of SZ Kingworld and Distributor Customers

The duties and responsibilities of SZ Kingworld and each Distributor Customer pursuant to the distribution agreement they have entered into generally include the following:

1. SZ Kingworld is generally responsible for (i) supplying the products to the Distributor Customers in accordance with the schedules and the relevant quality standards; (ii) maintaining the stability of the selling price(s) and assisting the Distributor Customer in gaining reasonable profits; (iii) cooperating with the Distributor Customers to conduct the marketing and promotional activities and provide after-sales services; (iv) providing technical support and training; and/or (v) handling all matters in relation to the quality of the products and settling any miscellaneous costs so incurred.

2. the Distributor Customer is generally responsible for (i) conducting sales activities and cooperating with SZ Kingworld in relation to the marketing and promotional activities; (ii) collecting the products delivered by SZ Kingworld at the agreed delivery place; (iii) checking the products at the delivery place, and upon identifying any defects, collecting relevant documentary evidence and thereafter informing SZ Kingworld so as to facilitate

the early negotiation and settlement between SZ Kingworld and the delivery agents; (iv) bearing all the economic loss arising from the deficiencies of the products if the Distributor Customer fails to fulfill its obligations as aforesaid; (v) not to sell (a) any similar products that may compete with the products provided by SZ Kingworld and (b) the products in any regions other than the agreed regions; and/or (vi) performing any other works in relation to the sales activities.

Agreements with the Sub-distributor Customers

In order to regulate the prices of the Nin Jiom Product Series and Taiko Seirogan supplied to the Sub-distributor Customers by the Distributor Customers, preventing cross-region sourcing and sales, and setting out the sales targets directly for the Sub-distributor Customers to follow, SZ Kingworld, the Distributor Customers and the Sub-distributor Customers have entered into a tripartite distribution agreement for a term of one year, pursuant to which the Sub-distributor Customers shall be responsible for selling the Nin Jiom Product Series and/or Taiko Seirogan (as the case may be) in accordance with terms similar to those contained in the agreements between SZ Kingworld and the Distributor Customers, in particular, to set a suggested selling price. Although a tripartite agreement has been entered into, the Nin Jiom Product Series and/or Taiko Seirogan (as the case may be) supplied to the Sub-distributor Customers will be directly sourced from the Distributor Customers and the payment will be made by the Sub-distributor Customers directly to the Distributor Customers. If the Sub-distributor Customers fail to meet the sales target and/or other requirements as set out in the tripartite distribution agreement, the Distributor Customers have the right to request for termination of the tripartite distribution agreement.

Revenue recognition

SZ Kingworld recognizes its revenue when the products are delivered at the Distributor Customers' premises which is taken to be the point in time when the customers have accepted the products and the related risks. Each delivery is designated with a specific pre-numbered delivery note. As such, double counting of sales is prevented.

Credit terms for Distributor Customers

Bills are issued upon delivery of products. Payment is primarily settled by telegraphic transfer or letters of credit either in advance or on an open account basis with credit term up to 90 days, depending on product delivery schedule and credit-worthiness of the customers. In order to assess the credit-worthiness of each customer, various considerations are taken into account including but not limited to the length of business relationship, previous transaction and payment records, order volume, reputation and market share of each customer. As at the Latest Practicable Date, SZ Kingworld was not aware of any customers who had experienced any material financial difficulty and resulted in bad debts. SZ Kingworld has on average a relationship of approximately ten years with its major customers. The credit period, in general, offered to customers ranges from 30 to 90 days, except for the receivables in relation to the product distributed by the Group, Flying Eagle Wood Lok Medicated Oil, which are due within 90 days, 90 days and 12 months from the date of billing for the years ended 31 December 2007, 2008 and 2009 respectively.

Since 2009, the Group has been offering a 12-month credit term to all the Distributor Customers for the Flying Eagle Wood Lok Medicated Oil. The implementation of this 12-month credit term policy is a sales strategy put forward by the Group to increase the market share of Flying Eagle Wood Lok Medicated Oil in the PRC as this product is still in its market expansion stage and has a high gross profit margin of approximately 58% as compared to other products of the Group with a gross profit margin in 2009 ranging from 1.5% to 38%. The annual sales of this product has increased from RMB4.3 million in 2007 to RMB10.1 million in 2008 to RMB28.6 million in 2009 and the percentage of its sales representing 0.8% in 2007 to 5.1% of the Group's total sales in 2009. In the year 2010, the Group will continue to offer the Distributor Customers a 12-month credit term as a business strategy to build up a larger customer base for the distribution of Flying Eagle Wood Lok Medicated Oil.

SZ Kingworld's accounts receivables in respect of Flying Eagle Wood Lok Medicated Oil as at 30 June 2010 amounted to RMB14.1 million, over 60.9% of which were settled up to 5 October 2010. The outstanding accounts receivables of RMB5.5 million in respect of Flying Eagle Wood Lok Medicated Oil are still within the credit period and the Directors expect that the outstanding balance will be settled when the outstanding amounts are due.

The Group has a policy to monitor the credit risk on the recoverability of the receivables of Flying Eagle Wood Lok Medicated Oil. The management of the Group evaluates the creditworthiness of the financial position and condition of each customer, which entails assessing the creditworthiness, ageing and past payment history of such customer. During the year ended 31 December 2009, the Group had sold Flying Eagle Wood Lok Medicated Oil to more than 90 Distributor Customers with a total sales amount of RMB28.6 million, of which RMB19.8 million or 69.2% had been settled during the year 2009 and thereafter up to 13 June 2010. During the six months ended 30 June 2010, the Group had sold Flying Wood Lok Medicated Oil with a total sales amount of RMB12.6 million, of which RMB7.1 million or 56.3% had been settled during the six months ended 30 June 2010 and thereafter up to 31 October 2010. During the Track Record Period, all such Distributor Customers have made full payment of their outstanding receivables before or upon the expiry of their credit periods which shows that the Group's Distributor Customers have good payment history. As such, the Directors are of the opinion that no impairment of trade receivables of Flying Eagle Wood Lok Medicated Oil during the year ended 31 December 2009 is required.

For the three financial years ended 31 December, 2007, 2008 and 2009, the debtor's turnover days of the Group were 63 days, 88 days and 71 days respectively. The measure on credit control and collection included (i) reviewing debtor's balance by the management of the Group on a regular basis and immediate notification to the management of the Group by the finance department for any significant late settlements; (ii) frequent visits by the sales team to those late settling debtors to investigate the actual operating situation; and (iii) frequent telephone tracing and follow up by the finance department for late debts.

The Directors confirm that SZ Kingworld does not have a general provision policy on trade debtors based on ageing analysis. Nonetheless, the management/finance department of the Group reviews the long outstanding debtors and their recoverability on a regular basis and provision is made on specific debtors with potential recoverability problem, as and when necessary. The provision for trade debtors for each of the three financial years ended 31 December 2007, 2008, 2009 and six months ended 2010 amounted to approximately RMB2.6 million, RMB2.8 million, RMB2.8 million and RMB2.8 million respectively.

Sales returns

The Distributor Customers may return products that are damaged, with incomplete packaging or inconsistent with the specifications as set out in the purchase orders subject to the decision of SZ Kingworld. During the Track Record Period, the Group's monthly sales to customers were generally stable and did not have a material amount of sales returns from the customers. The Group's sales returns from the Distributor Customers amounted to approximately RMB1.84 million, RMB5.08 million, RMB4.23 million and RMB1.14 million, representing 0.3%, 0.9%, 0.8% and 0.4% respectively, of the Group's turnover during the Track Record Period. As such, in the opinion of the Directors, the Group's sales return and relevant profit have an insignificant impact on the Group's result and no provision has been made for sales returns by customers in the financial statements.

Pricing

Pricing of Nin Jiom Product Series

Pursuant to the Distribution Agreement and the Herbal Candy Distribution Agreement, pricing of the Nin Jiom Product Series distributed by the Group to its Distributor Customers is determined by Nin Jiom Medicine, Great Pleasure and/or China Capital.

In respect of the pricing of the Nin Jiom Product Series, there was a pricing guideline set out in (i) the distribution agreements entered into between SZ Kingworld and the Distributor Customers and (ii) the tripartite distribution agreements entered into between SZ Kingworld, the Distributor Customers and the Sub-Distributor Customers for the distribution of the Nin Jiom Product Series in the PRC (the "Nin Jiom Pricing Guideline"). As confirmed by the Directors, the Nin Jiom Pricing Guideline is determined by Nin Jiom Medicine, Great Pleasure and/or China Capital setting out the selling prices of the Nin Jiom Product Series by the Distributor Customers and the Sub-distributor Customers to their customers (including but not limited to their sub-distributors, chain stores, supermarkets, clinics, and retail outlets) and the retail prices of the Nin Jiom Product Series. As confirmed by the PRC Lawyer, non-compliance of the Nin Jiom Pricing Guideline by the Distributor Customers and the Sub-distributor Customers would not constitute a breach of duty by the Group under the Distribution Agreement. Nonetheless, the Group may take into account such compliance by the Distributor Customers in relation to the Nin Jiom Pricing Guideline when determining (i) the offering of cash rebate to its customers and/or (ii) the renewal of the distribution agreements with its customers. The retail price of Nin Jiom Pei Pa Koa is also subject to the PRC government price control, as confirmed by the PRC Lawyer, only the Party which sells Nin Jiom Pei Pa Koa at a price

higher than the retail price ceiling set by the PRC government would be responsible and penalised for the violation of the PRC government regulated retail price control. The Directors confirm that the retail prices set out under the Nin Jiom Pricing Guideline did not exceed the price ceiling set by the relevant PRC government authorities during the Track Record Period.

Pricing of the products distributed by the Group other than the Nin Jiom Product Series

Other than the Nin Jiom Product Series, the selling price of the products distributed by the Group to the Distributor Customers is determined by the Group based on arm's length negotiations with the Suppliers and Distributor Customers. Various factors were taken into account for determining the relevant selling prices. These factors include the Group's procurement cost and gross profit margin, the extensiveness of its distribution network and bargaining power, government policies and regulations, competition, consumer preference and market considerations. During the Track Record Period, for products other than the Nin Jiom Product Series, the Group issued its own pricing guidelines to the Distributor Customers and the Sub-distributor Customers on the (i) selling price of such products by the Distributor Customers and the Sub-distributor Customers to their customers (including but not limited to their sub-distributors, chain stores, supermarkets, clinics, and retail outlets) and (ii) the retail price of such products. Similar to the Nin Jiom Pricing Guideline, which was set by Nin Jiom Medicine, Great Pleasure, and/or China Capital, non-compliance of the Group's own pricing guideline by the Distributor Customers and the Sub-distributor Customers would not constitute a breach of duties by the Group under the various distribution agreements with the Group's Suppliers. Nonetheless, the Group may take into the account the compliance of such pricing guideline by the Distributor Customers and Sub-distributor Customers when determining (i) the offering of cash rebate to its customers and/or (ii) the renewal of the distribution agreements with its customers.

Sales Rebate

When 70% or above of the annual sales target is reached by a Distributor Customer, a cash rebate calculated based on a percentage scale in proportion to the total annual sales amount for each product sold by the Distributor Customer may be offered to such Distributor Customer. The amount of cash rebate paid to customers amounted to RMB13.0 million, RMB13.0 million, RMB12.8 million and RMB9.8 million for each of the three financial years ended 31 December 2009 and six months ended 30 June 2010 respectively. The cash rebate paid to the Distributor Customers in respect of an individual product distributed by the Group ranged from (i) the highest 8%, 3.2%, 3.2% and 5% of the total annual sales amount for such product sold by the Distributor Customers respectively; and (ii) the lowest of 1%, 1%, 1% and 1% of the total annual sales amount for such product sold by the Distributor Customers respectively during the Track Record Period. As at the Latest Practicable Date, sales rebate was offered on all products distributed by the Group.

The amount of sales rebate paid to largest recipient of sales rebate for each of the three financial years ended 31 December 2009 and six months ended 30 June 2010 amounted to approximately RMB0.91 million, RMB0.65 million, RMB0.76 million and RMB0.69 million, representing approximately 7.06%, 4.99%, 5.92% and 7.06% of the Group's total sales rebate, and 0.17%, 0.12%, 0.14%, and 0.22% of the Group's turnover, and 3.11%, 1.89%, 2.04% and 6.50% of the Group's net profit for the same period respectively.

The aggregate amount of sales rebate paid to the top five recipients of sales rebates for each of the three financial years ended 31 December 2009 and six months ended 30 June 2010 amounted to approximately RMB2.79 million, RMB2.40 million, RMB2.29 million and RMB1.79 million, representing approximately 21.64%, 18.42%, 17.84% and 18.30% of the Group's total sales rebate, and 0.53%, 0.45%, 0.41% and 0.57% of the Group's turnover, and 9.54%, 6.98%, 6.15% and 16.87% of the Group's net profit for the same period respectively.

The sales rebate paid by the Group to the largest Distributor Customer for each of the three financial years ended 31 December 2009 and six months ended 30 June 2010 amounted to approximately RMB62,353, nil, RMB287,247 and RMB418,623, representing approximately 0.01%, 0%, 0.05% and 0.13% of the Group's turnover, and 0.21%, 0%, 0.77% and 3.94% of the Group's net profit for the same period respectively.

The aggregate sales rebate paid by the Group to the top five Distributor Customers for each of the three financial years ended 31 December 2009 and six months ended 30 June 2010 amounted to approximately RMB2.67 million, RMB716,782, RMB906,637 and RMB1.62 million, representing approximately 0.51%, 0.13%, 0.16% and 0.52% of the Group's turnover, and 9.15%, 2.08%, 2.43% and 15.28% of the Group's net profit for the same period respectively.

Based on the above, the Directors confirm that there was no undue reliance on any of the Distributor Customers in relation to sales rebate paid during the Track Record Period.

Price controls by the PRC Government

As confirmed by the PRC Lawyer, the prices of the healthcare products currently distributed by the Group are not subject to government restrictions, and four kinds of pharmaceutical products among those distributed by the Group are under government price restrictions, specific restrictions of which are as follows:

1. Kingworld Gan Mao Qing Capsule: This is the pharmaceutical called "Gan Mao Qing Capsules (tablets)" under "(2) Chinese patent medicines category" (No.8 and Health Insurance No.12) in Schedule 1 titled "Price-controlled Pharmaceutical Products Catalog of National Development and Reform Commission (國家發展改革委定價藥品目錄)" of "Circular of the National Development and Reform Commission on adjustment of Price-controlled Pharmaceutical Products Catalog of National Development and Reform Commission (國家發展改革委關於調整<國家發展改革委定價藥品目錄>等有關問題的通知) (Fa Gai Jia Ge [2010] No. 429);

2. Nin Jiom Pei Pa Koa: This is the pharmaceutical called "Mi Lian Chuan Bei Pei Pa Koa" under "(2) Chinese patent medicines category" (No. 106 and Health Insurance No.205) in Schedule 2 titled "Catalog for Non-prescription Pharmaceuticals included in the Pricing Range set by Pricing Regulatory Departments of Provinces, Autonomous Regions and Municipalities (納入各省、自治區、直轄市價格主管部門定價範圍的非處方藥劑型目錄)" of the aforesaid document (Fa Gai Jia Ge [2010] No. 429);

3. Taiko Seirogan: This is the pharmaceutical called "Seirogan" under "(2) Chinese patent medicines category" (No. YZ23) in the annex titled "Catalog for the First Batch of New Pharmaceuticals under Government Price Ceiling Management (廣東省第一批新增政府最高限價管理藥品目錄)" to "Circular of Guangdong Provincial Price Bureau on Issue of Catalog for the First Batch of New Pharmaceuticals under Government Price Ceiling Management (廣東省物價局關於印發廣東省第一批新增政府最高限價管理藥品目錄的通知)" (Yue Jia (2009) 177);

4. Kyushin Pill: This is the pharmaceutical called "Kyushin Pill" under "(2) Chinese patent medicines category" (No. YZ95) in the above mentioned "Catalog for the First Batch of New Pharmaceuticals under Government Price Ceiling Management (廣東省第一批新增政府最高限價管理藥品目錄)";

The form of government pricing of the above products distributed by the Group is the setting of the highest retail prices. However, the price ceiling of the retail price for Taiko Seirogan had not yet been promulgated by the relevant authorities as at the Latest Practicable Date and the pricing of Taiko Seirogan shall remain market-regulated until promulgation of the relevant notice.

As advised by the PRC Lawyer, apart from the four pharmaceuticals mentioned above, the pricing of the healthcare products and other pharmaceutical products distributed by the Group is determined by the market, that is, the pricing is determined by the enterprises and no restriction by government departments is imposed on the prices of the products.

The following table sets forth (i) the price ceiling for the retail prices as set by the relevant government authorities in the PRC; (ii) the current retail selling price range; and (iii) the product sale price offered by the Group to the Distributor Customers during the Track Record Period:

Name of product distributed by the Group	Specification	Price ceiling for retail prices set by the relevant PRC government authorities (and its effective date)	Current retail selling price range	Product sale price offered by the Group to the Distributor Customers during the Track Record Period		
				2007	2008	2009
		RMB	*RMB*	*RMB*	*RMB*	*RMB*
Nin Jiom Pei Pa Koa	300 ml	40	35~40	29	29	29
	150 ml	23	20~23	17	17	17
	75 ml	16.5 (26 December 2003)	15~16.5	12.5	12.5	12.5
Kingworld Gan Mao Qing Capsules	12 capsules	3 (15 March 2007)	2.9~3.0	1.40	N/A *(Note 2)*	1.40
Kyushin Pill	20 capsules	131 (1 April 1999)	125~131	94.3	99	99
	50 capsules	282 (1 July 1999)	275~282	204.5	217	217
Taiko Seirogan	100 capsules	N/A *(Note 1)*	33~36.3	25.10	25.10 (increased to 25.85 from May 2008)	25.85
	50 capsules	N/A *(Note 1)*	18~20.2	14	14 (increased to 14.70 from May 2008)	14.70

Notes:

1. The price ceiling of the retail prices for Taiko Seirogan had not yet been promulgated by the relevant PRC authorities as at the Latest Practicable Date.

2. During the year 31 December ended 2008, the Kingworld Product Range (including Kingworld Gan Mao Qing Capsules) was not distributed by the Group.

The revenue contribution to the Group from each of the above four regulated products, namely, Nin Jiom Pei Pa Koa, Kingworld Gan Mao Qing Capsules, Kyushin Pill and Taiko Seirogan was RMB373.7 million, RMB2.4 milion, RMB1.2 million and RMB42.3 milion, representing 67.1%, 0.4%, 0.2% and 7.6% of the Group's turnover, respectively for the financial year ended 31 December 2009 and RMB229.2 million, RMB1.8 million, RMB9.9 million and RMB11.0 million, representing 73.0%, 0.4%, 3.2% and 3.5% of the Group's turnover respectively for the six months ended 30 June 2010.

According to the PRC Lawyer, no revision of the price ceiling for the retail prices of the above four regulated products is expected by the relevant government authorities in the PRC. However, the relevant regulatory price control over the products distributed by the Group will continue to be imposed after the Share Offer unless otherwise ordered by the relevant PRC authorities.

Nonetheless, the purchase prices of Nin Jiom Pei Pa Koa and Taiko Seirogan had been raised by the respective Suppliers during the Track Record Period. The purchase prices of Nin Jiom Pei Pa Koa were increased because its cost of production had increased during the Track Record Period. As shown in the table above, SZ Kingworld was able to raise the price of Taiko Seirogan supplied to the Distributor Customers to maintain its profit margin but was not able to increase the prices of the Nin Jiom Pei Pa Koa supplied to the Distributor Customers at the request of Great Pleasure, resulting in a decrease in the Group's gross profit margin in 2009 as compared to the year 2008. To the best of the Directors' understanding Great Pleasure requested SZ Kingworld not to increase the price of the Nin Jiom Pei Pa Koa supplied to the Distributor Customers, it was due to the reason for (i) maintaining a reasonable profit margin for the Distributor Customers; (ii) preventing the disincentive of the Distributor Customers to purchase Nin Jiom Pei Pa Koa from the Group; (iii) providing incentive for them to remain as the Group's customers so as to maintaining the market share of Nin Jiom Pei Pa Koa in the PRC and (iv) avoiding non-compliance of the government price ceiling of Nin Jiom Pei Pa Koa by the retailers. As a result, SZ Kingworld directed more resources to promote products with a higher gross profit margin with a view to making up for the decrease in revenue due to the increase in the unit price of the Nin Jiom Pei Pa Koa. Please refer to the sub-section headed "Risks Relating to the Industry" under the "Risk Factors" section of this prospectus for details of risk the Group may face in relation to the price controls by the PRC Government.

Warehouse and Delivery

SZ Kingworld maintains and operates its own warehouse which has obtained the GSP Certificate. GSP Standards《藥品經營質量管理規範》, which comprise a set of quality guidelines for operations (including wholesale and retail) related to pharmaceutical products, regulate pharmaceutical enterprises to ensure the quality of pharmaceutical products in China. The current applicable GSP standards require pharmaceutical enterprises to implement strict controls on the operation of pharmaceutical products, including but not limited to standards regarding staff qualifications, premises, warehouses, inspection of equipment and facilities, management and quality control.

The product delivery procedure has been contracted out to independent delivery agents. Upon the issuance of a delivery note, the delivery agents will collect the products from the SZ Warehouse and deliver them to the customers. In the event of that there are product damages or losses during delivery, SZ Kingworld will be compensated for such damage or loss by either the delivery agent or by its insurance policy.

Warehouse

SZ Kingworld operates and manages the two-storey SZ Warehouse in Shenzhen, Guangdong Province, the PRC which stores all products to be distributed to the Group's customers throughout the Regions. Details of the tenancy agreement of the SZ Warehouse are set out below:

Location	Duration	Consideration	Area
301A, 302B, 303A, 304B, 401A and 402B of Xinyi Logistics Complex Building, Shabeili, Longdong, Longgang District, Shenzhen, PRC	1 March 2009 – 28 February 2013	RMB38,438.52 per month for the first 3 years, the rent for the 4th year is to be negotiated by both parties	6,406.42 sq.m.

Delivery

As at the Latest Practicable Date, SZ Kingworld had engaged Shenzhen Wu Yue Logistic Limited (深圳市吳越物流有限公司) and Shenzhen Hai Yun Logistic Limited (深圳市海運物流有限公司), which are all Independent Third Parties, as delivery agents, for the delivery of products to its customers in accordance with the designated time and location. The agreement between SZ Kingworld and Shenzhen Wu Yue Logistic Limited for the delivery of products is valid until 18 June 2011 and the agreement between SZ Kingworld and Shenzhen Hai Yun Logistic Limited for the delivery of products is valid until 14 May 2011.

Phase 3 — Management of distribution network

Since its inception in 1996, SZ Kingworld has developed its distribution network throughout the PRC market. As at the Latest Practicable Date, SZ Kingworld had a network coverage of over 29 provinces and 660 cities with approximately 190 Distributor Customers, which in turn had a network of approximately 400 Sub-distributor Customers, who are not direct customers of the Group, and covering approximately 17,000 retail outlets, of which the Group has no control in the PRC. The Group does not have control over the operation of those retail outlets as the Group does not have any contractual relationship (other than agreements in relation to the setting up of the Product Display Booths) with such retail outlets. Nonetheless, the Group will provide product support services to them.

To achieve better management of its distribution network, SZ Kingworld selects and manages its Distributor Customers and works with such customers in the development and maintenance of the Sub-distributor Customers to avoid any overlapping of resources in their distribution networks. Moreover, SZ Kingworld deploys its sales team throughout the PRC market to manage and maintain regular and close contact with these customers within its network.

Over the years of development, SZ Kingworld has secured a relatively stable Distributor Customer network over the Region. The number of Distributor Customers was approximately 195, 181, 190 and 190 respectively during the Track Record Period. The sales managers of each Region collect purchase orders from the respective Distributor Customers, while the sales and marketing team of each Region liaises with the Distributor Customers and their respective customers to market the products and to gather market data for research and analysis purposes.

At the beginning of each year, based on the Annual Sales Guideline, the Group agrees with the Distributor Customers on the regional sales and marketing plan for each product including but not limited to, the amount of sales for each region, pricing strategies and policy, product distribution coverage, delivery time schedule, promotional and marketing support, advertising plan, rebate standard and to avoid competition amongst the Distributor Customers.

The Group and the Distributor Customers would independently assess the market demand for the products which the Group distributes before agreeing on the sales targets as set out in the distribution agreements between them. Upon achieving the relevant sales targets, the Group would reward the Distributor Customers with rebates. As such, these sale rebates may serve as an incentive for the Distributor Customers to enhance their sales efforts in order to boost their sales of the products purchased from the Group. Notwithstanding that there are sales targets set out in the distribution agreements between the Group and the Distributor Customers, these distribution agreements do not contain any clause which make the Group and/or the Distributor Customers liable in any respect in the event that such sales targets are not achieved. Also, the purchase of products by the Distributor Customers from the Group is at the discretion of the Distributor Customers and under no circumstances does the Group have any right to coerce the Distributor Customers to make purchase from the Group. As such, the sales targets set out in the distribution agreements will not cause excessive inventory level at the Distributor Customers' level. Pursuant to the distribution agreements, the Group would also organize marketing and promotional activities on behalf of the Distributor Customers in their respective Regions as an incentive to boost their sales.

Based on the distribution agreements, the Group manages the Distributor Customers and monitors their sales activities through deploying its sales teams at the regional representative offices and the Twelve Subsidiaries who shall report to the management team at the Group's Shenzhen head office.

The sales personnel of the Group's regional representative offices and the Twelve Subsidiaries will monitor the performances of the Distributor Customers by making monthly visits and reviewing reports on the distribution flow and inventory levels of the Distribution Customers to ensure their compliance with the distribution agreements and that there will not be any accumulation of inventory at the level of the Distributor Customers. In the event that their inventory level is found to be excessive by the Group, the Group may consider the feasibility of reducing and/or suspending the supply of products to the Distributor Customers. In addition, the sales team will provide support to the Distributor Customers to ensure service quality and to collect market information, such as prices offered to retailers and end-users. The Directors confirm that the Group's sales to the Distributor Customers are made without recourse. The Directors further confirm that there is no sales return policy imposed on the Distributor Customers except that the Distributor Customers may return

products that are damaged, with incomplete packaging or inconsistent with the specifications as set out in the Distributor Customers' purchase orders subject to the decision of SZ Kingworld. The Group also requires the Distributor Customers to monitor the Sub-distributor Customers with regard to their distribution coverage, implementation of pricing policy, service quality and inventory levels.

Segmentation of distribution network

For ease of management and implementation of marketing policies, SZ Kingworld divided the PRC market into three divisions, namely Sales Region 1, Sales Region 2 and Sales Region 3 as set out in the tables below. Three business directors are appointed to oversee the operations of the three respective divisions and their corresponding regional representative offices and the Twelve Subsidiaries. The Group has given sufficient consideration to the scope of coverage and the differences in product concentration in the different sales regions with a view to demarcating and standardizing the sales strategy and marketing plan.

Under the three divisions, the PRC market is further segmented into 34 Regions, 7 Regions in Sales Region 1 and 13 Regions in Sales Region 2 and 14 Regions in Sales Region 3, each being managed by either one or more of the Twelve Subsidiaries or a regional representative office, as the case may be, which are responsible for managing and liaising with the Distributor Customers and product marketing, such as the organisation of sampling events, distribution of fliers and posters, brand promotion, monitoring of payment, retail pricing of products and compliance with terms under distribution agreements and providing product support services, which include sales returns, introduction of product features to the staff of its customers and their respective retail outlets, including retail outlets with Product Display Booths and provision of marketing materials for promotion. The relevant costs incurred for the provision of such services are RMB1.0 million, RMB1.2 million and RMB1.2 million in 2007, 2008 and 2009 respectively.

Sales Region 1

	Region	Representative Office	Responsible province-level area(s)	Responsible area(s)
1	Shenzhen	Shenzhen office	Guangdong Province *(Note 1)*	Shenzhen Dongguan Huizhou Heyuan
2	Guangzhou	Guangzhou office	Guangdong Province *(Note 1)*	Guangzhou Foshan Qingyuan Zhaoqing Yunfu Shaoguan
3	Zhongshan	Zhongshan office	Guangdong Province *(Note 1)*	Zhongshan Jiangmen Zhuhai
4	Shantou	Shantou office	Guangdong Province *(Note 1)*	Shantou Chaozhou Meizhou Jieyang Shanwei
5	Zhanjiang	Zhanjiang office	Guangdong Province *(Note 1)*	Zhanjiang Maoming Yangjiang
6	Fujian	Fuzhou Consultancy	Fujian Province	
7	Hainan	Hainan office	Hainan Province	

Sales Region 2

	Region	Representative Office	Responsible province-level area(s)	Responsible city(ies)
1	Hangzhou	Hangzhou Consultancy	Zhejiang Province *(Note 1)*	Hangzhou Jiaxing Huzhou Shaoxing
2	Ningbo	Ningbo office	Zhejiang Province *(Note 1)*	Ningbo Zhoushan
3	Wentai	Wentai office	Zhejiang Province *(Note 1)*	Wenzhou Taizhou
4	Jinhua	Jinhua office	Zhejiang Province *(Note 1)*	Jinhua Quzhou Lishui
5	Shanghai	Shanghai office	Shanghai	
6	Yunnan	Yunnan office	Yunnan Province	
7	Guizhou	Guizhou office	Guizhou Province	
8	Guangxi	Nanning Consultancy	Guangxi Zhuang Autonomous Region	
9	Sichuan	Sichuan office	Sichuan Province	
10	Chongqing	Chongqing office	Chongqing	
11	Hunan	Hunan office	Hunan Province	
12	Hubei	Wuhan Consultancy	Hubei Province	
13	Jiangxi	Nanchang Consultancy	Jiangxi Province	

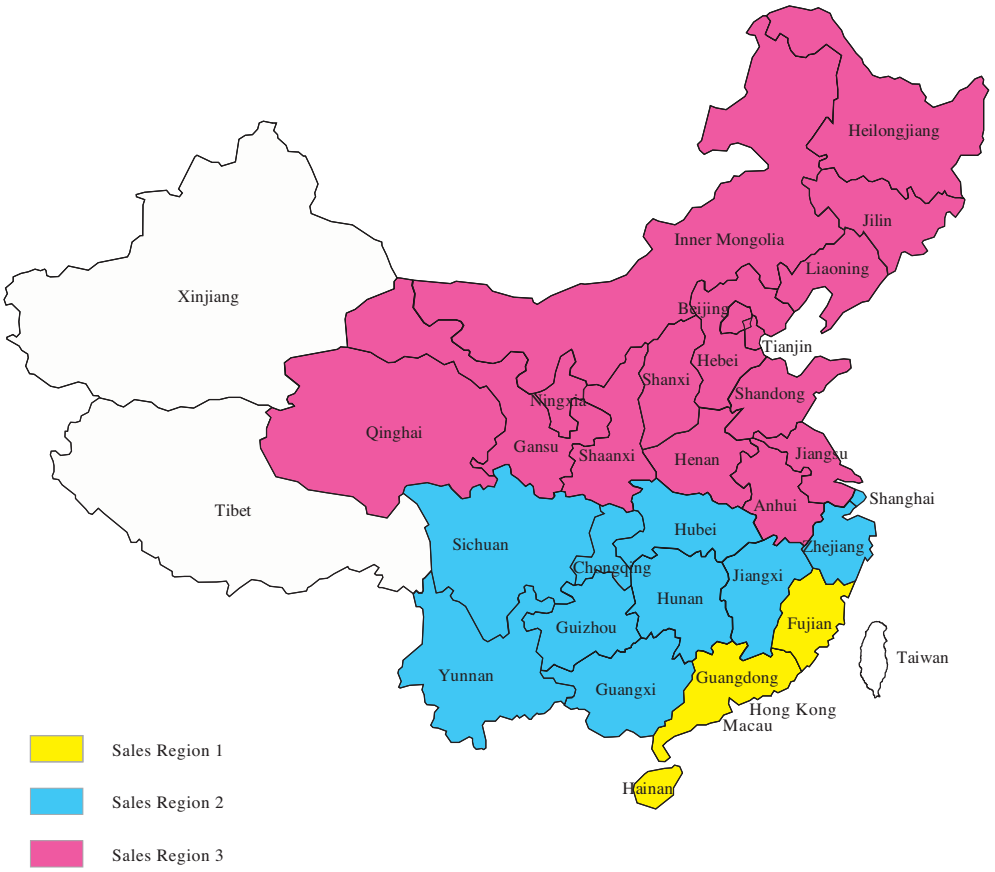
Sales Region 3

	Region	Representative Office	Responsible province-level area(s)	Responsible area(s)
1	Wuxi	Wuxi Consultancy	Jiangsu Province *(Note 1)*	Wuxi Changzhou
2	Suzhou	Suzhou office	Jiangsu Province *(Note 1)*	Suzhou Nantong
3	Xuzhou	Xuzhou office	Jiangsu Province *(Note 1)*	Xuzhou Suqian Huai'an Yancheng Lianyunggang
4	Nanjing	Nanjing office	Jiangsu Province *(Note 1)*	Nanjing Yangzhou Taizhou Zhenjiang
5	Henan	Zhengzhou Consultancy	Henan Province	
6	Shanxi	Taiyuan Consultancy	Shanxi Province	
7	Gansu	Lanzhou Consultancy	Gansu Province	
8	Anhui	Hefei Consultancy	Anhui Province	
9	Qinghai	Qinghai office	Qinghai Province	
10	Inner Mongolia	Inner Mongolia office	Mongol Autonomous Region	
11	Ningxia	Ningxia office	Ningxia Hui Autonomous Region	
12	Shaanxi	Xi'an Consultancy	Shaanxi Province	
13	Beijing	Beijing office	Beijing Tianjin Hebei Province Shandong Province	
14	Beijing	Beijing Consultancy *(Note 2)*	Heilongjiang Province Jilin Province Liaoning Province *(Note 1)*	

Notes:

1. Due to the importance of the markets in the Jiangsu Province, Zhejiang Province and Guangdong Province, they are sub-divided into smaller Regions for more effective management; while the Beijing Region covers a boarder area since it does not distribute the Nin Jiom Product Series, contributing a smaller portion to the Group's turnover.

2. The Beijing Consultancy is responsible for managing the sales and distribution in the three provinces above and serving as a liaison office for renewal of licences with various bureaux and departments of the PRC Government for the Group.



Segmentation of the PRC market into Regions is not only for administrative purposes such as human resources deployment and capital allocation, but more importantly it assists the Group in systematically keeping track of the performances of each of the 34 Regions. The Group's extensive database includes information such as the number of customers and retail outlets, their locations and respective sales performance on each product which are stored in the ERP System. These information provides the management with a clear overview and a solid basis in formulating its business strategies. Each year financial budgets and sales targets are set and assigned to each Region in the Group's Annual Sales Guideline. Moreover, delivery schedules are set out under the ERP System to provide the relevant dates for the delivery of products to each and every city within the Group's distribution network.

Revenue by geographical regions

Sales Region 1

Areas of coverage	Subsidiary representative office	Products distributed by SZ Kingworld	Sales in 2007 *RMB'000*	Sales in 2008 *RMB'000*	Sales in 2009 *RMB'000*	Sales in the six months ended 30 June 2010 *RMB'000*
Shenzhen	Shenzhen office	Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Kingworld Product Range, Golden A+ Disney Range, Golden 100 Disney Range, Fengbao Jianfu Capsule, Kyushin Pill, Mentholatum Product Range, Min Tong Chisionhon Granules, Taiko Seirogan, Bifina Probiotic Capsule, Jamieson Product Range, Mentholatum Fever Patch Range, Imada Red Flower Oil	33,851	22,626	20,435	9,468
Guangzhou	Guangzhou office	Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Kingworld Product Range, Golden A+ Disney Range, Golden 100 Disney Range, Fengbao Jianfu Capsule, Kyushin Pill, Mentholatum Product Range, Min Tong Chisionhon Granules, Taiko Seirogan, Bifina Probiotic Capsule, Jamieson Product Range, Mentholatum Fever Patch Range, Imada Red Flower Oil	44,459	65,308	39,446	15,640
Zhongshan	Zhongshan office	Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Kingworld Product Range, Golden A+ Disney Range, Golden 100 Disney Range, Fengbao Jianfu Capsule, Kyushin Pill, Mentholatum Product Range, Min Tong Chisionhon Granules, Taiko Seirogan, Mentholatum Fever Patch Range, Imada Red Flower Oil	687	404	11,452	12,086
Shantou	Shantou office	Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Kingworld Product Range, Golden A+ Disney Range, Golden 100 Disney Range, Fengbao Jianfu Capsule, Kyushin Pill, Mentholatum Product Range, Min Tong Chisionhon Granules, Taiko Seirogan, DIA Instant Cooling Gel Sheet, Imada Red Flower Oil	3,196	8,735	7,299	2,523

Areas of coverage	Subsidiary representative office	Products distributed by SZ Kingworld	Sales in 2007 *RMB'000*	Sales in 2008 *RMB'000*	Sales in 2009 *RMB'000*	Sales in the six months ended 30 June 2010 *RMB'000*
Zhanjiang	Zhanjiang office	Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Kingworld Product Range, Golden A+ Disney Range, Golden 100 Disney Range, Fengbao Jianfu Capsule, Kyushin Pill, Mentholatum Product Range, Min Tong Chisionhon Granules, Taiko Seirogan, Imada Red Flower Oil	403	550	2,251	2,069
Fujian	Fuzhou Consultancy	Nin Jiom Pei Pa Koa, Nin Jiom Herbal Candy, Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Kingworld Product Range, Golden A+ Disney Range, Golden 100 Disney Range, Fengbao Jianfu Capsule, Kyushin Pill, Mentholatum Product Range, Min Tong Chisionhon Granules, Taiko Seirogan, Imada Red Flower Oil	47,337	48,193	56,921	28,722
Hainan	Hainan office	Nin Jiom Pei Pa Koa, Nin Jiom Herbal Candy, Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Kingworld Product Range, Golden A+ Disney Range, Golden 100 Disney Range, Fengbao Jianfu Capsule, Kyushin Pill, Mentholatum Product Range, Min Tong Chisionhon Granules, Taiko Seirogan, Imada Red Flower Oil	10,110	7,702	6,519	5,755
Sales Region 2						
Hangzhou	Hangzhou Consultancy	Nin Jiom Pei Pa Koa, Nin Jiom Herbal Candy, Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Kingworld Product Range, Golden A+ Disney Range, Golden 100 Disney Range, Fengbao Jianfu Capsule, Kyushin Pill, Mentholatum Product Range, Min Tong Chisionhon Granules, Taiko Seirogan, Imada Red Flower Oil	22,268	17,403	24,038	15,610

Areas of coverage	Subsidiary representative office	Products distributed by SZ Kingworld	Sales in 2007 *RMB'000*	Sales in 2008 *RMB'000*	Sales in 2009 *RMB'000*	Sales in the six months ended 30 June 2010 *RMB'000*
Ningbo	Ningbo office	Nin Jiom Pei Pa Koa, Nin Jiom Herbal Candy, Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Kingworld Product Range, Golden A+ Disney Range, Golden 100 Disney Range, Fengbao Jianfu Capsule, Kyushin Pill, Mentholatum Product Range, Min Tong Chisionhon Granules, Taiko Seirogan, Imada Red Flower Oil	13,208	9,663	10,960	8,214
Wentai	Wentai office	Nin Jiom Pei Pa Koa, Nin Jiom Herbal Candy, Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Kingworld Product Range, Golden A+ Disney Range, Golden 100 Disney Range, Fengbao Jianfu Capsule, Kyushin Pill, Mentholatum Product Range, Min Tong Chisionhon Granules, Taiko Seirogan, Imada Red Flower Oil	10,957	14,504	17,092	8,786
Jinhua	Jinhua office	Nin Jiom Pei Pa Koa, Nin Jiom Herbal Candy, Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Kingworld Product Range, Golden A+ Disney Range, Golden 100 Disney Range, Fengbao Jianfu Capsule, Kyushin Pill, Mentholatum Product Range, Min Tong Chisionhon Granules, Taiko Seirogan, Imada Red Flower Oil	4,256	4,549	5,755	3,788
Shanghai	Shanghai office	Nin Jiom Pei Pa Koa, Nin Jiom Herbal Candy, Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Kingworld Product Range, Golden A+ Disney Range, Golden 100 Disney Range, Fengbao Jianfu Capsule, Kyushin Pill, Mentholatum Product Range, Min Tong Chisionhon Granules, Taiko Seirogan, Imada Red Flower Oil	63,095	46,490	53,015	33,573
Yunnan	Yunnan office	Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Kingworld Product Range, Golden A+ Disney Range, Golden 100 Disney Range, Fengbao Jianfu Capsule, Kyushin Pill, Mentholatum Product Range, Min Tong Chisionhon Granules, Taiko Seirogan, Imada Red Flower Oil	1,860	305	558	359

Areas of coverage	Subsidiary representative office	Products distributed by SZ Kingworld	Sales in 2007 *RMB'000*	Sales in 2008 *RMB'000*	Sales in 2009 *RMB'000*	Sales in the six months ended 30 June 2010 *RMB'000*
Guizhou	Guizhou office	Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Kingworld Product Range, Golden A+ Disney Range, Golden 100 Disney Range, Fengbao Jianfu Capsule, Kyushin Pill, Mentholatum Product Range, Min Tong Chisionhon Granules, Imada Red Flower Oil	508	319	482	—
Guangxi	Nanning Consultancy	Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Kingworld Product Range, Golden A+ Disney Range, Golden 100 Disney Range, Fengbao Jianfu Capsule, Kyushin Pill, Mentholatum Product Range, Min Tong Chisionhon Granules, Taiko Seirogan, Imada Red Flower Oil	3,003	2,877	1,351	570
Sichuan	Sichuan office	Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Kingworld Product Range, Golden A+ Disney Range, Golden 100 Disney Range, Fengbao Jianfu Capsule, Kyushin Pill, Mentholatum Product Range, Min Tong Chisionhon Granules, Imada Red Flower Oil	805	246	84	35
Chongqing	Chongqing office	Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Kingworld Product Range, Golden A+ Disney Range, Golden 100 Disney Range, Fengbao Jianfu Capsule, Kyushin Pill, Mentholatum Product Range, Min Tong Chisionhon Granules, DIA Instant Cooling Gel Sheet, Mentholatum Fever Patch Range, Imada Red Flower Oil	2,902	4,578	8,188	141
Hunan	Hunan office	Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Kingworld Product Range, Golden A+ Disney Range, Golden 100 Disney Range, Fengbao Jianfu Capsule, Kyushin Pill, Mentholatum Product Range, Min Tong Chisionhon Granules, Imada Red Flower Oil	4,908	4,475	5,811	1,863

Areas of coverage	Subsidiary representative office	Products distributed by SZ Kingworld	Sales in 2007 *RMB'000*	Sales in 2008 *RMB'000*	Sales in 2009 *RMB'000*	Sales in the six months ended 30 June 2010 *RMB'000*
Hubei	Wuhan Consultancy	Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Kingworld Product Range, Golden A+ Disney Range, Golden 100 Disney Range, Fengbao Jianfu Capsule, Kyushin Pill, Mentholatum Product Range, Min Tong Chisionhon Granules, DIA Instant Cooling Gel Sheet, Mentholatum Fever Patch Range, Taiko Seirogan, Imada Red Flower Oil	7,562	13,262	21,973	1,048
Jiangxi	Nanchang Consultancy	Nin Jiom Pei Pa Koa, Nin Jiom Herbal Candy, Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Kingworld Product Range, Golden A+ Disney Range, Golden 100 Disney Range, Fengbao Jianfu Capsule, Kyushin Pill, Mentholatum Product Range, Min Tong Chisionhon Granules, Mentholatum Fever Patch Range, Imada Red Flower Oil	30,124	32,718	35,246	13,585
Sales Region 3						
Wuxi	Wuxi Consultancy	Nin Jiom Pei Pa Koa, Nin Jiom Herbal Candy, Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Kingworld Product Range, Golden A+ Disney Range, Golden 100 Disney Range, Fengbao Jianfu Capsule, Kyushin Pill, Mentholatum Product Range, Min Tong Chisionhon Granules, Taiko Seirogan Mentholatum Fever Patch Range, Imada Red Flower Oil	21,018	25,204	28,002	16,392
Suzhou	Suzhou office	Nin Jiom Pei Pa Koa, Nin Jiom Herbal Candy, Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Kingworld Product Range, Golden A+ Disney Range, Golden 100 Disney Range, Fengbao Jianfu Capsule, Kyushin Pill, Mentholatum Product Range, Min Tong Chisionhon Granules, Taiko Seirogan, Imada Red Flower Oil	11,601	14,024	15,624	10,615

Areas of coverage	Subsidiary representative office	Products distributed by SZ Kingworld	Sales in 2007 *RMB'000*	Sales in 2008 *RMB'000*	Sales in 2009 *RMB'000*	Sales in the six months ended 30 June 2010 *RMB'000*
Nanjing	Nanjing office	Nin Jiom Pei Pa Koa, Nin Jiom Herbal Candy, Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Kingworld Product Range, Golden A+ Disney Range, Golden 100 Disney Range, Fengbao Jianfu Capsule, Kyushin Pill, Mentholatum Product Range, Min Tong Chisionhon Granules, Taiko Seirogan, Mentholatum Fever Patch Range, Imada Red Flower Oil	15,898	19,048	16,758	9,970
Xuzhou	Xuzhou office	Nin Jiom Pei Pa Koa, Nin Jiom Herbal Candy, Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Kingworld Product Range, Golden A+ Disney Range, Golden 100 Disney Range, Fengbao Jianfu Capsule, Kyushin Pill, Mentholatum Product Range, Min Tong Chisionhon Granules, Taiko Seirogan, Mentholatum Fever Patch Range, Imada Red Flower Oil	21,182	26,712	27,429	13,470
Qinghai	Qinghai office	Nin Jiom Pei Pa Koa, Nin Jiom Herbal Candy, Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Kingworld Product Range, Golden A+ Disney Range, Golden 100 Disney Range, Fengbao Jianfu Capsule, Kyushin Pill, Mentholatum Product Range, Min Tong Chisionhon Granules, Imada Red Flower Oil	2,170	2,726	2,444	1,973
Gansu	Lanzhou Consultancy	Nin Jiom Pei Pa Koa, Nin Jiom Herbal Candy, Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Kingworld Product Range, Golden A+ Disney Range, Golden 100 Disney Range, Fengbao Jianfu Capsule, Kyushin Pill, Mentholatum Product Range, Min Tong Chisionhon Granules, Imada Red Flower Oil	4,777	6,058	6,684	4,729

Areas of coverage	Subsidiary representative office	Products distributed by SZ Kingworld	Sales in 2007 *RMB'000*	Sales in 2008 *RMB'000*	Sales in 2009 *RMB'000*	Sales in the six months ended 30 June 2010 *RMB'000*
Ningxia	Ningxia office	Nin Jiom Pei Pa Koa, Nin Jiom Herbal Candy, Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Kingworld Product Range, Golden A+ Disney Range, Golden 100 Disney Range, Fengbao Jianfu Capsule, Kyushin Pill, Mentholatum Product Range, Min Tong Chisionhon Granules, Imada Red Flower Oil	1,750	2,119	2,566	1,370
Shaanxi	Xi'an Consultancy	Nin Jiom Pei Pa Koa, Nin Jiom Herbal Candy, Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Kingworld Product Range, Golden A+ Disney Range, Golden 100 Disney Range, Fengbao Jianfu Capsule, Kyushin Pill, Mentholatum Product Range, Min Tong Chisionhon Granules, Taiko Seirogan, Imada Red Flower Oil	16,944	19,238	18,747	14,833
Henan	Zhengzhou Consultancy	Nin Jiom Pei Pa Koa, Nin Jiom Herbal Candy, Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Kingworld Product Range, Golden A+ Disney Range, Golden 100 Disney Range, Fengbao Jianfu Capsule, Kyushin Pill, Mentholatum Product Range, Min Tong Chisionhon Granules, Mentholatum Fever Patch Range, Imada Red Flower Oil	25,160	20,485	23,317	13,809
Anhui	Hefei Consultancy	Nin Jiom Pei Pa Koa, Nin Jiom Herbal Candy, Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Kingworld Product Range, Golden A+ Disney Range, Golden 100 Disney Range, Fengbao Jianfu Capsule, Kyushin Pill, Mentholatum Product Range, Min Tong Chisionhon Granules, Mentholatum Fever Patch Range, Imada Red Flower Oil	18,289	17,306	16,740	10,581
Shanxi	Taiyuan Consultancy	Nin Jiom Pei Pa Koa, Nin Jiom Herbal Candy, Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Kingworld Product Range, Golden A+ Disney Range, Golden 100 Disney Range, Fengbao Jianfu Capsule, Kyushin Pill, Mentholatum Product Range, Min Tong Chisionhon Granules, Mentholatum Fever Patch Range, Imada Red Flower Oil	6,968	9,863	8,150	4,703

Areas of coverage	Subsidiary representative office	Products distributed by SZ Kingworld	Sales in 2007 *RMB'000*	Sales in 2008 *RMB'000*	Sales in 2009 *RMB'000*	Sales in the six months ended 30 June 2010 *RMB'000*
Inner Mongolia	Inner Mongolia office	Nin Jiom Pei Pa Koa, Nin Jiom Herbal Candy, Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Kingworld Product Range, Golden A+ Disney Range, Golden 100 Disney Range, Fengbao Jianfu Capsule, Kyushin Pill, Mentholatum Product Range, Min Tong Chisionhon Granules, Imada Red Flower Oil	4,870	5,571	4,814	3,612
Beijing	Beijing office	Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Kingworld Product Range, Golden A+ Disney Range, Golden 100 Disney Range, Fengbao Jianfu Capsule, Kyushin Pill, Mentholatum Product Range, Min Tong Chisionhon Granules, Taiko Seirogan, Jamieson Product Range, Mentholatum Fever Patch Range, Imada Red Flower Oil	5,987	1,302	1,160	4,355
Beijing	Beijing Consultancy	Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Kingworld Product Range, Golden A+ Disney Range, Golden 100 Disney Range, Fengbao Jianfu Capsule, Kyushin Pill, Mentholatum Product Range, Min Tong Chisionhon Granules, Mentholatum Fever Patch Range, Imada Red Flower Oil	703	Nil	Nil	485
		SZ Kingworld total:	462,813	474,562	501,310	274,732
		Zhuhai Jinming *(Note 1)*	64,785	61,984	55,657	39,257
		Gross sales	527,598	536,546	556,967	313,989
		Less: sales tax	(271)	(525)	(550)	(279)
		Net sales	527,327	536,021	556,417	313,710

Notes:

1. The income of Zhuhai Jinming attributable to the Group as stated in note 14 to the Accountants' Report set out in Appendix I to this prospectus includes sales and other revenue. The sales of Zhuhai Jinming attributable to the Group for each of the three financial years ended 31 December 2009 and for the six months ended 30 June 2010 was RMB64.8 million, RMB62.0 million, RMB55.7 million and RMB39.3 million respectively; and the other revenue attributable to the Group for each of the three financial years ended 31 December 2009 and for the six months ended 30 June 2010 was RMB1.7 million, RMB3.7 million, RMB1.4 million and RMB0.7 million respectively.

2. The Group's distributorship in relation to the Kingworld Product Range started in 2007 but it was temporarily ceased for a period of 13 months from January 2008 to January 2009 as SZ Kingworld Lifeshine, the manufacturer decided to distribute the Kingworld Product Range on its own through its distribution network. The distribution right in relation to the Kingworld Product Range was returned to SZ Kingworld in 2009 due to the unsatisfactory performance of SZ Kingworld Lifeshine in its distribution of the products. The Directors confirm that the financial and operational impact of this arrangement on the Group during the cessation period was minimal.

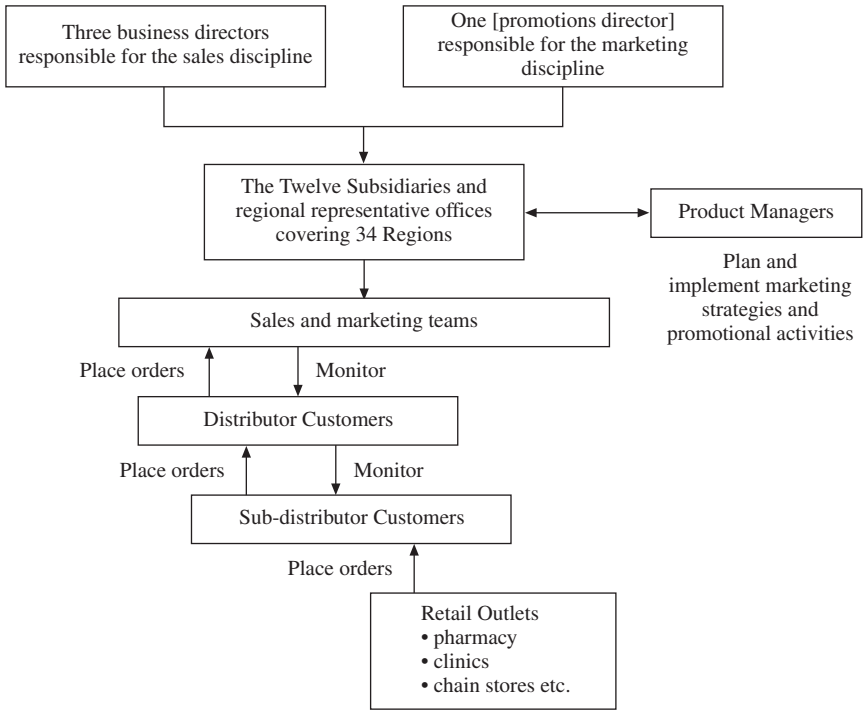
3. The Company has ceased to distribute the Mentholatum Eye Drop Range since 1 January 2010.

4. The Group's distributorship in relation to (i) the Jamieson Product Range started in March 2010, (ii) DIA Instant Cooling Gel Sheet started in 1 August 2009 and (iii) Mentholatum Fever Patch Range started in 24 March 2010.

FACILITATION OF SALES OF PRODUCTS

SZ Kingworld has committed a large proportion of human resources in the sales and marketing of its products. The sales discipline is overseen by three business directors, each responsible for Sales Region 1, Sales Region 2 and Sales Region 3 respectively; while the marketing discipline is led by a promotions director who works closely with the product managers to plan and implement marketing strategies and promotional activities to support the sales teams at the Twelve Subsidiaries and the regional representative offices with the aim to achieve the sales target set out in the Annual Sales Guideline. According to the policy of SZ Kingworld, the Twelve Subsidiaries have been set up in regions in the PRC with a more established customer base. Apart from assisting the Group in monitoring its distribution network, each of the Twelve Subsidiaries also has personnel dedicated to the implementation of the Group's marketing and promotional activities. On the other hand, the regional representative offices are set up in regions in the PRC with a developing customer base and are responsible for conducting the sales support activities for the Group. As confirmed by the PRC Lawyer, both of the Twelve Subsidiaries and the regional representative offices are not allowed to conduct any direct sales activities. Prior to July 2008, the distribution of the products distributed by the Group in Shanghai was handled by SH Industry. In July 2008, SH Industry ceased to distribute the products for SZ Kingworld and SZ Kingworld assumed the responsibilities of distributing such products. As a transitional arrangement, a representative office of SZ Kingworld was set up in Shanghai to conduct sales support and marketing and promotional activities with respect to the products distributed by the Group in Shanghai which are currently handled by the relevant Twelve Subsidiaries nearby. It is the present intention of the Group that a subsidiary will be set up in Shanghai to conduct both sales support activities and marketing and promotional activities. As at the Latest Practicable Date, a sales and marketing team of 308 staff was deployed to explore, develop and maintain the extensive distribution network of the Group covering the 34 Regions.

The extensive presence of the Group's sales and marketing team over the Regions is shown in the following chart:



Media promotion

The Group works closely with its Suppliers and customers by putting forward advertising ideas and designs to be approved by the suppliers before launching the marketing and promotional campaigns, such as publication of advertorials and interviews in newspapers featuring the Group's corporate identity, and the brand images and effectiveness of the products the Group distributes. The costs of such campaigns are contributed by the Group and/or the Suppliers.

The following table sets out the promotional expenses borne by SZ Kingworld and Nin Jiom Medicine respectively during the Track Record Period in respect of the Nin Jiom Product Series.

	Nin Jiom Pei Pa Koa (HK$)		Nin Jiom Herbal Candy (HK$)	
Track Record Period	Nin Jiom Medicine	SZ Kingworld	Nin Jiom Medicine	SZ Kingworld
For the financial year ended 31 December 2007	8,106,897.78	Nil	536,547.85	178,933.60
For the financial year ended 31 December 2008	7,772,246.72	Nil	609,909.83	203,303.27
For the financial year ended 31 December 2009	5,990,096.37	Nil	442,116.07	147,371.79
For the six months ended 30 June 2010	1,251,287.50	Nil	157,062.94	52,354.30

During the Track Record Period, Nin Jiom Medicine was responsible for bearing all the promotional expenses for Nin Jiom Pei Pa Koa and approximately two-thirds of the promotional expenses for Nin Jiom Herbal Candy, while SZ Kingworld was not required to bear any part of the promotional expenses for Nin Jiom Pei Pa Koa but was responsible for approximately one-third of such expenses for Nin Jiom Herbal Candy. SZ Kingworld must obtain the approval of Nin Jiom Medicine before launching any marketing and promotional campaigns for the Nin Jiom Product Series. The promotional expenses of the Mentholatum Product Range and Taiko Seirogan are borne by their relevant Supplier while the promotional expenses of the rest of the products distributed by the Group are borne by SZ Kingworld.

Marketing and promotional activities

On top of liaising with the retail outlets to put up promotional posters and banners and other publication means in relation to its products, the sales and marketing team of the Group also organize other marketing and promotional activities such as free sample tasting, giving out souvenirs and consumer questionnaires.

Retailer training

The sales and marketing team of the Group also organizes training sessions in collaboration with the respective retail outlets to confer knowledge in relation to the products, such as information on the health benefits of the products and also introduce selling techniques and other general health matters. In 2009, the Group resolved to invest a sum of RMB1 million to set up a training centre in Shenzhen to provide trainings to its staff and customers.

Consumer education

In order to engage the public's interest in pharmaceutical and healthcare products so as to raise awareness of the products the Group distributes, the Group organizes periodical media promotion campaigns and with the resources from the Suppliers, the Group also organizes events relating to specific health topic and publishes booklets and flyers which indirectly market the products.

Product Display Booth Scheme

In May 2009, SZ Kingworld entered into agreements directly with retail outlets such as pharmacies and chain stores to set up Product Display Booths to display, in particular, Taiko Seirogan and Flying Eagle Wood Lok Medicated Oil under the name of "Kingworld Healthy Family" (金活健康之家) as they are the Group's best selling products after Nin Jiom Pei Pa Koa and also the products with the highest gross profit margin of 38.5% and 58.3% respectively in 2009.

Example of Flying Eagle Wood Lok Medicated Oil Product Display Booth

Example of Taiko Seirogan Product Display Booth

These retail outlet participants are sourced from SZ Kingworld's distribution network and were recommended by or contacted through the Group's Distributor Customers and/or Sub-distributor Customers. The Product Display Booths are set up at the initiative of SZ Kingworld. Over 76% of the Product Display Booths are located in the Guangdong Province since the Group has a sizable and established sales team in this province to assist the setting up of the Product Display Booths and to provide supporting services to the retail outlets. The Group is responsible for all the costs in relation to the production and setting up of the Product Display Booths for Flying Eagle Wood Lok Medicated Oil and shares a portion of such costs with the Supplier of Taiko Seirogan while the retail outlets are responsible for maintaining such display booths. The Group, being a distributor and not a retailer, is not involved in the operation of, nor does it sell its products directly through, the Product Display Booths. Flying Eagle Wood Lok Medicated Oil is only one of the products being displayed on the Product Display Booths, and the setting up of such Product Display Booths has no linkage with the provision of the 12-month credit policy for Flying Eagle Wood Lok Medicated Oil. Such credit policy is only offered by the Group to its Distributor Customers but not to the retail outlets. The costs related to the Product Display Booths amounted to approximately RMB1.25 million from 2009 up to the Latest Practicable Date.

The purposes of setting up the Product Display Booths are (i) to promote the products the Group distributes as well as its image as one of the major companies in the pharmaceutical and healthcare products distribution industry; (ii) to assist the Distributor Customers and Sub-distributor Customers to further expand their sales network; (iii) to provide the Group with greater control over the selection of products for display to better achieve its marketing strategies; and (iv) to fulfill the annual sales target of the Group. As at the Latest Practicable Date, SZ Kingworld had set up approximately 1,500 Product Display Booths and the Group plans to set up an addition of 1,000 Product Display Booths for the year 2010 in Fujian, Jiangxi, Hunan, Hubei, Beijing and other provinces in the PRC.

BRANDS AND PRODUCTS

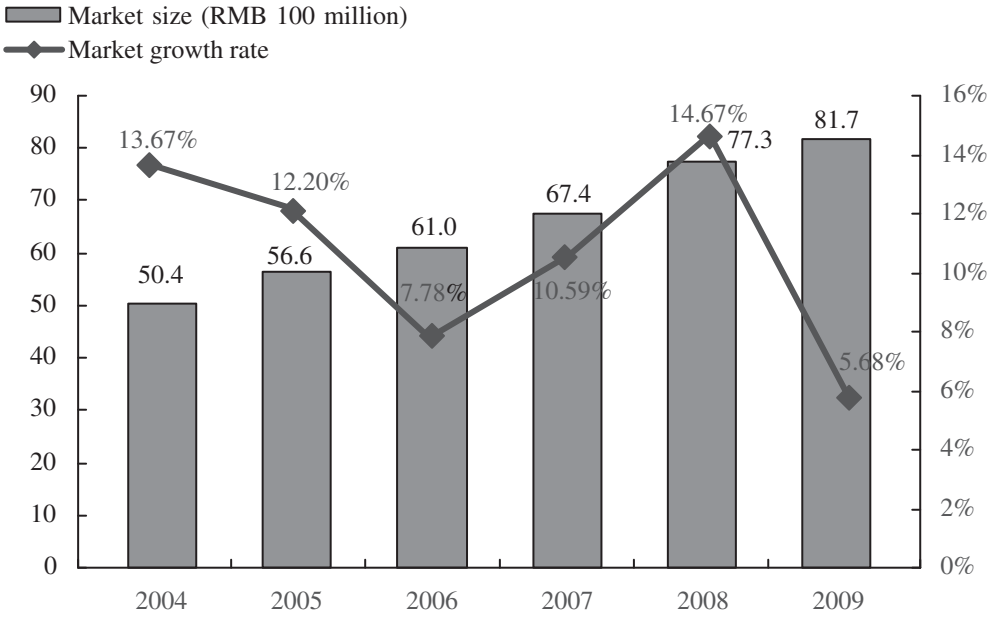
The Group distributes a total of 49 products, which are sourced from 13 different Suppliers from overseas (including Hong Kong) and from the PRC. As per the section headed "Regulatory Overview" in this prospectus, products are classified into different categories subject to the different regulatory requirements and restrictions.

Each of the products the Group distributes will be set out in detail below based on their different functional categories, namely, cough and phlegm relieving, gastrointestinal, vitamin, orthopaedics, cardiovascular, influenza and others.

Cough Relieving Product

According to Speedroad, Cough Relieving Product is one of the ten major pharmaceutical products in the PRC retail market. The market share of the Cough Relieving Product in the pharmaceutical product market increased from 4.5% in 2005 to 6.01% in 2009. The size of the Cough Relieving Products market was RMB8.17 billion in 2009, increasing at an average 9.63% over the past five years. Amongst the various Cough Relieving Products, the decocted extract category (煎膏類) recorded a sales increase of approximately 5% in 2009. In comparison, Nin Jiom Pei Pa Koa, being a product under the decocted extract category (煎膏類), recorded an increase of 4.65% in 2009.

Historical growth in Cough Relieving Products in the PRC from 2004 to 2009



Source: Speedroad PRC Pharmaceutical Products Market Competitiveness Report 2009

Nin Jiom Pei Pa Koa (京都念慈菴蜜煉川貝枇杷膏)

Nin Jiom Pei Pa Koa is a Dual-Specification Cough Relieving Product, which is currently being distributed by the Group as an OTC (A) product, having the highest sales volume and market share in the Cough Relieving Products market in the PRC. It is manufactured in Hong Kong and it is effective in relieving cough and phlegm and soothing sore throats. It is distributed in three different bottle sizes, namely 300ml, 150ml and 75ml.

Nin Jiom Pei Pa Koa was the all-time best selling product of the Group, which accounted for over 67.1%, 66.6%, 67.1% and 73.0% of the Group's turnover during the Track Record Period. The demand for Nin Jiom Pei Pa Koa is particularly high during the winter seasons.

According to the Speedroad Report, in 2009, the sales of Nin Jiom Pei Pa Koa accounted for a total sales of approximately RMB1.03 billion, representing approximately 24.09% of the proprietary Chinese medical Cough Relieving Products market in the PRC. Nin Jiom Pei Pa Koa was the leading product among the four licensed imported proprietary Chinese medical Cough Relieving Products in the PRC OTC market in June 2010 and had over 95% share of the market for the imported proprietary Chinese medical Cough Relieving Products in the PRC. According to the Speedroad Report, amongst the three distributors of Nin Jiom Pei Pa Koa in the PRC, namely Guangdong Minglin, Zhuhai Jinming and SZ Kingworld, during the Track Record Period, SZ Kingworld ranked first in 2007 (with market share of 42.56%), second in both 2008 and 2009 (with market share of 41.06% and 42.83% respectively), and first for the six months ended 30 June 2010 (with market share of 42.61%) in terms of sales of Nin Jiom Pei Pa Koa in the PRC.

In addition, according to the Chinese retail medicine analysis system (中國藥品零售用藥分析系統) produced by the SFDA Southern Medicine Economic Institute, Nin Jiom Pei Pa Koa was one of the best-sellers amongst the pharmaceutical products being sold in the PRC market in 2007 and 2008.

Nin Jiom Herbal Candy (京都念慈菴枇杷糖)

Nin Jiom Herbal Candy is a healthcare product manufactured in Thailand and imported from Hong Kong. The Group first distributed this product in 2002. It is made of a variety of natural herbs which relieves sore throats and freshens the mouth. It is distributed in two packaging sizes, namely 20g and 45g.

Gastrointestinal

Taiko Seirogan (喇叭牌正露丸)

Taiko Seirogan is an OTC (A) pharmaceutical product distributed by SZ Kingworld in two sizes, namely 50 capsules or 100 capsules per bottle. It is effective against diarrhea and other common ailments of the digestive system. The product is manufactured in Japan.

SZ Kingworld has been the distributor of this product in the PRC market since 1998. Although the sales of Taiko Seirogan dropped from RMB62 million in 2008 to RMB42 million in 2009 due to the delayed renewal of the import permit which affected the supply of this product in the PRC, Taiko

Seirogan was the second best selling product of the Group for the year ended 31 December 2009. This product is one of the key products which the Group displays in the Product Display Booths. The Directors expect that there will be an increase in turnover in this product due to the expansion of the Product Display Booth Scheme.

According to Speedroad, the total size of the gastrointestinal product market in the PRC in 2009 was around RMB1.29 billion which has increased by an average of 10.86% over the past five years. It is expected that the total size of the gastrointestinal product market will grow to RMB1.8 billion by the year 2012. The growth is mainly due to the sharp increase of enterogastritis in 2008 in both urban and rural areas according to the Ministry of Health of the PRC.

As stated in Speedroad, Taiko Seirogan ranked fourth in the gastrointestinal product market in the PRC from 2007 to 2009, accounting for approximately 7.45%, 7.53% and 5.8% of the total market sales volume respectively.

Bifina Probiotic Capsule (美菲娜益生菌複合無縫膠囊)

Bifina Probiotic Capsule is a dietary supplement distributed in two kinds of packages of which one is 10 packs per box and another is 60 packs per box. It is manufactured in Japan and has beneficial effects on gastrointestinal dysfunctions, including constipation and diarrhea, as well as the immune system.

Vitamins

According to the Chinese retail medicine analysis system (中國藥品零售用藥分析系統) produced by the SFDA Southern Medicine Economic Institute, the market share of vitamins and mineral supplements in the PRC pharmaceutical and healthcare market increased from 11.45% in 2004 to 14.49% in 2008. The market size for vitamins and mineral supplement product in 2009 was RMB16.78 billion. According to Speedroad, the market size for vitamins and mineral supplement product will maintain a growth rate of approximately 8%. It is estimated by Speedroad that the market size for vitamins and mineral supplement product may reach approximately RMB20 billion in 2010.

Kawai Product Range (可愛的肝油丸系列)

The Kawai Product Range is a healthcare product. The Kawai Product Range maintained a steady growth rate throughout the Track Record Period. This is evidenced by the fact that the market share of the Kawai Product Range in the PRC amongst vitamins and mineral supplement products for the

three years ended 2009 were 0.49%, 0.55% and 0.64% respectively according to the Speedroad Report.The series include four variants of fruit-flavored chewable jelly tablets, each of which offers a different composition of vitamins, namely:

Kawai Kanyu Drop S provides a rich supplement of vitamins A and D, ideal for improving appetite and eye-sight and strengthening bone density. SZ Kingworld distributes two sizes, namely 300 or 100 tablets per can.

Kawai Kanyu Drop C20 provides a rich supplement of vitamins A, D and C, which aids in the development of healthy bones and teeth, maintains healthy vision and relieves dry eyes. SZ Kingworld only distributes the size of 180 tablets per can.

Kawai Kanyu Drop M400 provides a rich supplement of calcium and vitamins A and D. Vitamin D fosters the absorption of calcium which is ideal for the growth of teeth and bones. SZ Kingworld distributes two sizes, namely 180 or 100 tablets per can.

Kawai Vitamin EC provides a rich supplement of vitamins E and C, both of which are essential for healthy skin, teeth, gums and bones, and is a highly effective antioxidant that protects body and skin and is crucial to the creation of collagen. SZ Kingworld distributes one size, namely 200 tablets per can.

The Group first gained the distributorship of the Kawai Product Range in 1996. The Guangdong province is the principal market for the Kawai Product Range. The Kawai Product Range has been actively promoted in the Jiangsu Province and Zhejiang Province, and the development of the Kawai Product Range to the whole PRC market has been maintained at a steady pace. The Kawai Product Range is currently one of the ten major vitamins and supplement products in Guangzhou and Shenzhen, ranking seventh and fourth respectively according to Speedroad. It accounted for no less than 5% of the Group's total sales turnover for the year ended 31 December 2009. This product range has received many awards throughout the years.

Tai San has been the agent of the Kawai Product Range since 1996. Jinbaoli was the import agent of the Kawai Product Range during the period between June 2007 and September 2009. During that period of time, SZ Kingworld imported the Kawai Product Range through Jinbaoli from Tai San for distribution in the PRC. Such arrangement was terminated in September 2009 as Jinbaoli ceased to be an import agent of the Kawai Product Range since September 2009. Currently, SZ Kingworld imports the Kawai Product Range directly from Tai San for distribution in the PRC.

Jinbaoli was not an Independent Third Party when it imported the Kawai Product Range for the Group during the period between June 2007 and September 2009. For further information of Jinbaoli, please refer to the paragraph headed "Information in relation to Jinbaoli" under the section headed "History and Development" in this prospectus.

Golden 100 Disney Range (金色100系列)

This PRC produced general foodstuff range offers a total of five flavors including multi-vitamins in orange flavour, calcium in lemon flavour, vitamin C in orange flavour, vitamin-AD in pineapple flavour and dairy calcium (乳鈣) in yogurt flavour for children aged three to twelve. The Group first gained the distributorship of the range in 2007.

The Jamieson Product Range

The Jamieson Product Range consists of a total of 22 products which are set out as follows:

Vitamin E 100iu (天然維生素E100)

This product is an antioxidant for the maintenance of good health and it is offered in one size of 100 capsules per bottle. It helps prevent the oxidation of free radicals that may result in cell damage and it works to protect the body from tissue damage that may lead to degenerative diseases, such as heart diseases and cancer. It also protects the body from premature aging.

Folic Acid 1,000mg/1mg (葉酸營養片)

This product is a compressed folic acid dry tablet offered in one size of 100 tablets per bottle. It helps prevent neural tube defects when taken prior to becoming pregnant and during early pregnancy and supports cardiovascular health by reducing homocysteine levels.

Stress Plex™ (植物油複合營養片)

Stress Plex™ is a multivitamin product formulated using a combination of the water soluble B vitamins, vitamin C and zinc. It is offered in one size of 90 caplets per bottle. It helps support a healthy nervous system, increases energy to help the body cope with stress, and maintains the health of the immune system.

Glucosamine Sulfate 500mg 150 (硫酸葡糖胺膠囊)

This product is formulated using glucosamine in the form of sulfate and is offered in one size of 150 capsules per bottle. It helps to relieve joint pain associated with osteoarthritis and supports vital joint and bone health. It also protects against the deterioration of cartilage.

Coral Calcium 1,250mg (珊瑚鈣提取物複合片)

Coral Calcium 1,250 mg is composed of over 70 trace minerals and 2 essential minerals, calcium and magnesium. It is offered in one size of 100 caplets per bottle. It helps to maintain strong bones and healthy teeth. In addition, it supports a healthy functioning of nerves, a healthy metabolism, muscle and heart rhythm. It also helps alleviate insomnia.

Cholestanol™ 60 (植物甾醇複合片)

Chotestamol™ 60 is offered in one size of 60 caplets per bottle. It contains Policosanol and other vitamins which help to reduce cholesterol level and prevent secondary heart disease.

Vitamin C Chewable 500mg (tropical) (維生素C水果複合嚼嚼片)

This product is in one size of 100 tablets per bottle. It contains Vitamin C which is an antioxidant and this product helps to prevent common cold, protects against cell damage, helps speed tissue healing and boosts the immune system.

Grape Seed 500mg (葡萄籽提取物片)

Grape Seed 500 mg is an antioxidant for the maintenance of good health which is offered in one size of 60 caplets per bottle. It helps increase blood flow and circulation and improve vision. It also helps to reduce varicose veins and may help slow premature aging by helping to repair damaged collagen.

Apple Cider Vinegar (蘋果醋片)

This is a natural digestive acidifer which is offered in one size of 90 tablets per bottle. It aids in the body's metabolism so that the energy derived from food is used and not stored as fat.

Evening Primrose Oil (月見草油軟膠囊)

This product contains a source of essential fatty acids which is offered in one size of 90 capsules per bottle. It helps to relieve premenstrual syndrome (PMS) symptoms and reduce pain and inflammation associated with rheumatoid arthritis. It also assists in normalizing hormones estrogen levels and supports healthy hair, skin and nails.

Omega 3 Brain™ (奧米加-3膠囊)

This product contains a high concentration of docosahexaenoic acid (DHA) which is offered in one size of 60 capsules per bottle. It acts as a maternal supplementation during pregnancy and lactation such that it may assist with proper development of the brain and eyes in the fetus and newborn infant. It also prevents age-related cognitive decline and may be useful in the treatment of attention deficit/hyperactivity disorder (ADHD).

Milk Thistle 4,500mg (乳果草提取物複合片)

Milk Thistle 4,500 mg provides nutritional support for the liver and blood and helps to repair and regenerates liver cells. This product also acts as an antioxidant to protect cells from free radical damage and protects the kidneys, spleen and gallbladder. It is offered in one size of 60 caplets per bottle.

CoQ10 (CoQ10(輔梅)膠囊30)

CoQ10 helps to maintain and/or support cardiovascular health which also acts as an antioxidant for the maintenance of good health. It is offered in one size of 80 capsules per bottle.

Vita-Vim for Women (西蘭花苗植物複合營養膠囊)

Vita-Vim for Women is a multivitamin composed of 20 vitamins, minerals and other nutrients promoting the body's immune defense system and supporting bone, breast and urinary tract health. It is offered in one size of 90 capsules per bottle.

Wild Salmon Oil 1,000mg (三文魚魚油提取物膠囊)

Wild Salmon Oil 1,000mg acts as a source of omega-3 fatty acids for the maintenance of good health. It also helps to support cognitive health/brain function. It is offered in one size of 90 capsules bottle size.

Joints + Bones (氨基葡萄糖複合膠囊)

Joints + Bones helps to relieve joint pain and osteoarthritis symptoms and to build healthy cartilage protecting against the deterioration of cartilage. It is offered in one size of 60 capsules per bottle.

Saw Palmetto (銀棕櫚提取物複合膠囊)

This is a herbal capsule offered in one size of 30 capsules per bottle. This is a herbal medicine for the relief of prostatitis (inflammation and infection of the prostate gland). It also acts as a preventive treatment for problems of the prostate and a natural urinary tract disinfectant.

Vitamin C Chewable (orange) (維生素C咀嚼片)

Vitamin C 50 mg Chewable (orange) contains Vitamin C which helps to promote healthy gum, teeth and capillaries and helps form collagen in connective tissue. It also acts as an antioxidant which protects the cells from free radical change. It is offered in one size of 100 tablets per bottle with the flavour of oranges.

Bilberry (藍莓提取物複合膠囊)

Bilberry is a source of antioxidants for the maintenance of good health, which also helps to improve collagen integrity and capillary permeability. It also has protective effect on capillary fragility and it supports vision and circulatory health. It is offered in one size of 60 capsules per bottle.

Silica (馬尾草提取物複合片)

Silica contains silica and zinc which help to maintain healthy skin, hair and nail. It also helps to maintain immune function. It is offered in one size of 60 caplets per bottle.

Lutein-Z™ (金盞花提取物複合膠囊)

Lutein-Z™ contains a complex of concentrated lutein and zeaxanthin derived from marigold flowers to support eye health. It also helps to treat and protect against macular degeneration and cataract conditions. It is offered in one size of 30 capsules per bottle.

Super Garlic Oil 3,000mcg (大蒜提取物軟膠囊)

Super Garlic Oil 3,000 mcg contains unrefined garlic oil which provides antibiotic, antifungal and antiviral activity to help fight infections. It also helps to support cardiovascular health by helping to reduce cholesterol levels and a healthy immune system. It is offered in one size of 100 capsules per bottle.

Orthopedics

The market size for the orthopedics product in 2009 was RMB5.64 billion in the PRC. The compound annual growth rate of such PRC market in the past five years was 17.1%, which was higher than the total growth rate of the total market size for the pharmaceutical product, which was at 16.7% for the same period. According to Speedroad, it is expected that in the coming 3 to 5 years, the market size for the orthopedics product will maintain a growth rate of approximately 17% in the PRC. In 2012, it is expected by Speedroad that the market size for the orthopedics product will be not less than RMB8 billion.

Flying Eagle Wood Lok Medicated Oil (飛鷹活絡油)

Flying Eagle Wood Lok Medicated Oil is a prescription pharmaceutical liniment manufactured in and imported from Hong Kong for treatment of rheumatism, sore muscles and faintness. It is offered only in one 20ml bottle size.

The Group first gained the distributorship of this product in 2003 and is also one of the Group's key products to be displayed on the Product Display Booths. Over the Track Record Period, the sales volume of this product has risen from 0.8% for the year ended 31 December 2007 to 5.1% for the year ended 31 December 2009. Total sales of this product in 2009 have already exceeded the entire sales volume for the whole of 2008. In 2007, 2008 and 2009, the market share of this product made up of approximately 0.43%, 0.87% and 2.08% of the orthopedics product markets. The Directors believes that such growth will persist in the coming years, making the product as the Group's third to reach an annual turnover of RMB100 million.

Imada Red Flower Oil (依馬打正紅花油)

Imada Red Fowler Oil is another prescription pharmaceutical liniment offered in two sizes, namely 25ml and 12ml sized bottles. It provides immediate relief of all kinds of external pains, such as rheumatism, neck and backache, sprains and bruises, spasms, burns and cuts, swelling limbs, insect bites, stomach-ache and all kinds of joints pains.

The Group first gained the distributorship of this product in 2002 which was the top-five best-seller of the Group in 2007 and 2008. In 2007, 2008 and 2009 the market share of this product made up 2.36%, 2.50% and 1.95% respectively in the orthopedic product markets.The Group had decided to purchase Imada Red Flower Oil from SZ Kingworld Lifeshine after expiry of the distribution agreement between SZ Kingworld and Luen Wah on 31 December 2009 as the price of Imada Red Flower Oil offered by SZ Kingworld Lifeshine is lower than that offered by Luen Wah.

The two orthopedics liniments are supplementary to each other in the Group's product portfolio despite their similar usage. Imada Red Flower Oil targets a wider and more popular clientele which is priced below RMB10 while Flying Eagle Wood Lok Medicated Oil targets the middle to high income group with a price of RMB10 and above.

In general, the liniment market has expanded rapidly over the past five years with an average increase of 17.1% per year. It is expected that the market growth shall maintain its momentum due to an ageing population and the increase of minor accidents. It is expected that by 2012, the market for the sale of liniment will reach approximately RMB8 billion.

Cardiovascular

Kyushin Pill (救心丸)

Kyushin Pill is a prescription pharmaceutical product which SZ Kingworld offers in two sizes, namely, 50 capsules or 20 capsules per bottle. It is a preventive and treatment medicine for coronary heart disease manufactured in Japan. Kyushin Pill was awarded the Superbrand status by the Hong Kong Superbrands Council in 2004. The Group being the distributor of the Kyushin Pill in the PRC market first gained the distributorship of this product in 1997.

According to the Speedroad Report, Kyushin Pill is positioned as a high-end cardiovascular product which is sold at the highest price comparing to the ten most popular products of its kind.

According to IMS Health, cardiovascular medicine ranked first in the total sales volume of pharmaceutical products worldwide in 2003, accounting for 16.09% of the whole market of USD75 billion. It is expected that the market shall exceed USD100 billion by the end of 2010. The cardiovascular products market is second only to the influenza products market in the PRC with a volume of RMB88.4 billion in 2009, 36.15% of which are Chinese medicine products. The growth of Chinese cardiovascular products in the PRC market had a CAGR of 16.48% over the past five years.

Tai San has been the agent of the Kyushin Pill since 1995. Jinbaoli was the import agent of the Kyushin Pill during the period between March 2007 and September 2009. During this period, SZ Kingworld imported the Kyushin Pill through Jinbaoli from Tai San for distribution in the PRC. Such arrangement was terminated in September 2009 as Jinbaoli ceased to be an import agent of the Kyushin Pill since September 2009. Currently, SZ Kingworld imports the Kyushin Pill directly from Tai San for distribution in the PRC.

Jinbaoli was not an Independent Third Party when it imported the Kyushin Pill for the Group during the period between March 2007 and September 2009. Please refer to the sub-paragraph headed "Kawai Product Range (可愛的肝油丸系列)" in this section of this prospectus for further details.

As at the Latest Practicable Date, Jinbaoli was an Independent Third Party.

Influenza

Min Tong Chisionhon Granules (明通治傷風顆粒)

Min Tong Chisionhon Granules is a Dual-Specification pharmaceutical product which is currently being distributed as an OTC (A) product in a six-pack package of two grams each. This Taiwan developed product is effective in alleviating symptoms of influenza, especially coughs, sneezing, sore throat, fever and headache. The Group first gained the distributorship of this product in 1998.

Kingworld Gan Mao Qing Capsule (金活感冒清膠囊)

Kingworld Gan Mao Qing Capsule is a prescription pharmaceutical product, one of the four products of the PRC-manufactured Kingworld Product Range. It is distributed in two packages, namely, 12 or 24 capsules per box. This product is effective in alleviating symptoms of influenza, fever, runny nose and headache.

Other Categories

Gynecological

Fengbao Jianfu Capsule (鳳寶牌健婦膠囊)

Fengbao Jianfu Capsule is a Dual-Specification pharmaceutical product which is now being distributed by the Group as an OTC (A) product in one size of 24 or 48 capsules per box. It is manufactured in and imported from Hong Kong and is effective in prevention of blood loss during menstruation. SZ Kingworld first gained the distributorship of this product in the year 1999.

Ointment

Mentholatum Deep Heating Rub (曼秀雷敦複方水楊酸甲酯乳膏)

Mentholatum Deep Heating Rub is an OTC (B) pharmaceutical product for external use only. It is manufactured in the PRC for the relief of aches and pains of muscles and joints associated with arthritis, simple backache, strains and sprains.

Compound Mentholatum Ointment (曼秀雷敦複方薄荷腦軟膏)

Compound Mentholatum Ointment is an OTC (B) pharmaceutical product for external use only. It is an aid to cold symptoms manufactured in the PRC and offered in 2 sizes namely, 10g and 28g.

Ginseng

Kingworld Gen-seng Capsule (金活西洋參膠囊)

Kingworld Gen-seng Capsule is an OTC (B) pharmaceutical product offered in one size of 12 capsules per box. This product is one of the product under the PRC-manufactured Kingworld Product Range. As a premium supplement, it enhances the immune system and helps to combat stress and fatigue.

Kingworld American Ginseng Capsule (金活洋參膠囊)

Kingworld American Ginseng Capsule is a healthcare product of the PRC-manufactured Kingworld Product Range offered in one size namely 12 capsules per box. The capsule is effective in boosting immune system.

Kingworld American Ginseng Tablets (金活洋參含片)

Kingworld American Ginseng Tablets is the second healthcare product under the PRC-manufactured Kingworld Product Range offered in one size namely 12 tablets per box. The product's main raw material is American ginseng which is useful for resisting fatigue.

Inhalation

Mentholatum Compound Menthol Nasal Inhalation (曼秀雷敦複方薄荷鼻用吸入劑)

Mentholatum Compound Menthol Nasal Inhalation is an OTC (B) pharmaceutical product manufactured in the PRC. It is effective in relieving nasal discomforts caused by flu.

Product with cooling effect

DIA Instant Cooling Gel Sheet ("大樹腳" 即時退熱貼 (8小時))

DIA Instant Cooling Gel Sheet is a medical product manufactured in Japan and registered in the PRC pursuant to the Regulations on the Supervision and Administration of Medical Device (醫療器械監督管理條例). It provides instant cooling effect for fever.

Mentholatum Fever Patch Range (曼秀雷敦樂兒退熱貼系列)

Mentholatum Fever Patch Range comprises fever patches for adult and kid, which are medical products manufactured in the PRC and registered in the PRC pursuant to the Regulations on the Supervision and Administration of Medical Device (醫療器械監督管理條例). Such patches provide cooling effect for fever or high temperature.

Eye Drop

As of 1 January 2010, SZ Kingworld ceased the distribution of the four products under the Mentholatum Eye Drop Range, which include (i) Mentholatum Compound Aspartate, Vitamin B6 and Dipotassium Glycyrrhetate Eye Drops (曼秀雷敦新樂敦眼藥水); (ii) Mentholatum Compound Taurine Eye Drops (曼秀雷敦小樂敦眼藥水); (iii) Mentholatum Compound Sodium Sulfamethoxazole Eye Drops (曼秀雷敦樂敦康眼藥水); and (iv) Mentholatum Compound Chondroitin Sulfate Eye Drops (曼秀雷敦樂敦瑩眼藥水), due to the low profit margin of 1.5% that they generate when compared to the average gross profit margin of 21.8% of the products the Group distributes for the financial year ended 31 December 2009. As such, the Directors decided to re-deploy the Group's resources to other products with higher gross profit margins, such as Flying Eagle Wood Lok Medicated Oil and Taiko Seirogan.

INVENTORY MANAGEMENT

Inventory control is vital to the Group's distribution business. The Group monitors the inventory level of various products in compliance with the requirements of its Suppliers and the demand of its customers. In this connection, SZ Kingworld invests in and maintains an ERP System to record and manage the inflow and outflow of products and the purchase order and delivery procedures to ensure the Group's product distribution are well-managed. In particular as the various regional representative offices, the Twelve Subsidiaries and the SZ Warehouse are geographically scattered throughout the PRC, the ERP System facilitates communication and co-operation within the Group.

Inventories are stated at cost calculated using the weighted average method or net realizable value, whichever is lower. The Group has an inventory provisioning procedure to value the inventories and to write off inventories when they become obsolete or damaged or expired. During the Track Record Period, the aggregate amount of inventory written off by the Group was approximately RMB0, RMB0, RMB559,023 and RMB0 respectively. The Group closely monitors the storage conditions of these products and will re-examine the packaging and the expiry date of these products before the Group delivers them to the Distributor Customers.

As at 31 December 2007, 2008, 2009 and for the six months ended 30 June 2010, the Group's inventory balances were approximately RMB99.1 million, RMB98.6 million, RMB75.9 million and RMB35.0 million respectively while its average inventory turnover days were 84, 89, 64 and 25 for the three financial years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 respectively. The decrease was mainly attributable to the Group's plan to reduce the inventory turnover days in order to improve the cash flow management. The Group intends to maintain one month's inventory and replenish its Nin Jiom Products Series every two to three weeks and other products every two months. According to the policy of the Group, the Group makes regular visits to and discusses with the Distributor Customer in relation to their purchase amount and requirements in request for the products distributed by the Group. The Group will estimate their purchase from its Suppliers based on its understanding of the requirements of the Distributor Customers through such visits and purchase orders received from the Distributor Customers. The Directors estimate that in general the Group is able to distribute products within three months from the time of delivery of the products by its Suppliers. Nevertheless, the valid period before expiry for the products distributed by the Group generally ranges from 18 months to 60 months, particularly the majority of the products

distributed by the Group (including the Nin Jiom Product Series) have a valid period longer than or equal to 36 months. The Directors confirm that the Group would not distribute expired products to its Distributor Customers. Based on the above, the Directors expect that it is unlikely for the Group to have slow moving or obsolete stocks. Nonetheless, the Group maintains a reasonable stock level to ensure adequate supply to its customers.

GOOD SUPPLY PRACTICES

SZ Kingworld has obtained the GSP Certificate from GDFA on 21 September 2008, which is valid until 20 September 2013. SZ Kingworld maintains a quality control team comprising six experienced and qualified staff which is responsible for ensuring that SZ Kingworld is in compliance with all applicable regulations, standards and internal policies and, in particular, the GSP requirements. The quality control team is also responsible for setting and updating quality control policies covering a wide range of areas such as management of the SZ Warehouse, maintenance of the products the Group distributes, regular quality checks on the products the Group distributes and staff training.

SZ Kingworld sources products from Suppliers which have good credentials and product quality track records. The quality control department at the head office of SZ Kingworld and the quality inspection officers at the SZ Warehouse are responsible for implementing quality control measures in its distribution operations. The SZ Warehouse is also well-equipped with suitable storage conditions to maintain quality and ensure safety of the products.

The quality inspection staff at the SZ Warehouse conducts inspection upon the delivery of products from the Suppliers to the SZ Warehouse in accordance with the packages and products descriptions under the purchase order form/delivery note. Upon completion of the said inspection procedures, the products are delivered and transported to the designated location of the SZ Warehouse for storage. If such products do not pass the examination, or if the quantities, packages and descriptions of the products are not in line with the purchase order, the quality inspection staff at the SZ Warehouse will move such products to a designated area and will then notify the respective Suppliers as soon as possible for product exchange. For imported products, the quality inspection staff will notify the GDIDC upon receipt of such products. The inspection staff of the GDIDC will visit the SZ Warehouse and conduct spot inspections to examine the products in accordance with the prescribed requirements and standards. After passing the examination, GDIDC will issue the imported pharmaceutical product inspection report to SZ Kingworld, which is a requisite document prior to the delivery of the imported products to the Group's customers.

In relation to the products purchased from local PRC Suppliers, the quality inspection staff at the SZ Warehouse will ensure the products delivered are attached with a Certificate of Analysis, which details the test results of the products. SZ Kingworld will only accept products that meet the specification as required by the relevant PRC rules and regulations.

A computer system have been installed at the SZ Warehouse to maintain records of inspection conducted by the quality inspection staff.

The quality inspection staff at the SZ Warehouse is also responsible for (i) ensuring that the quality control system are in line with the GSP requirements during the validity period of the GSP Certificate by conducting routine maintenance and holding staff training; (ii) conducting daily warehouse management sampling inspection; and (iii) conducting quarterly product quality sampling inspection. Currently, the Group does not engage independent professionals to conduct quality inspection upon receiving products from the Suppliers. The Group will engage such independent professionals to conduct such quality inspection if necessary.

INSURANCE

The Group is covered by various insurance policies in respect of different areas of operations, they include:

Insurance for transportation of products in the PRC (貨物運輸保險協議)

SZ Kingworld obtained insurance for potential loss and damages caused by accidents or natural hazards during delivery (both by land and by sea) of products, the insurance policy is valid for three years covering products such as Nin Jiom Pei Pa Koa, Imada Red Flower Oil and other pharmaceutical and healthcare products during their transportation from Shenzhen to all other destinations in the PRC.

Property all risks insurance (財產險保險)

To offer better protection to the Group's products stored in the SZ Warehouse, SZ Kingworld has obtained the property all risks insurance which covers against the risk of direct physical loss of or damage to such property caused by accidents or natural hazards not excluded from the policy. This insurance policy is valid for one year.

Insurance for motor vehicles (機動車輛保險)

SZ Kingworld owns seven motor vehicles, one of which is under the name of Mr. Zhao. The insurance coverage for these seven motor vehicles include (i) standard motor vehicle insurance (機動車商業保險單); and (ii) mandatory traffic accident insurance (機動車交通事故責任強制保險單).

Mandatory traffic accident insurance generally covers claims for (a) death and bodily injury; (b) medical expenses; and (c) loss of properties; while standard motor vehicle insurance generally covers the legal liabilities for (a) death or bodily injury of third parties and third party property damage; (b) driver and passengers on board the vehicle; and (c) any accidental loss or damage to the insured vehicle. These insurance policies are valid for one year.

Social security insurance (社會保險)

SZ Kingworld has complied with the relevant PRC laws and regulations in relation to the social security insurance for all of its respective employees by making contributions to a pension contribution plan, a medical insurance plan, an unemployment insurance plan, a worker compensation plan and a maternity plan. The Group also make contributions to an employee housing fund according to applicable PRC regulations.

Accident and casualty insurance (團體意外傷害保險)

A total of 18 staff of the Group (the "Insured") who travel frequently for work are currently covered by a one-year accident and casualty insurance policy taken out by SZ Kingworld. This insurance policy covers several areas such as casualties caused by accidents, hospitalization allowance and medical treatment caused by accidents.

Under existing PRC laws, where a defective product causes personal injury and damage to properties, a victim may seek compensation from the manufacturer or the seller of the product; where a seller commits faults which results in a defective product and causes personal injury and damage, the seller shall be liable for compensation. Where the responsibility lies with the manufacturer, the seller shall, after settling compensation, have the right to recover such compensation from the manufacturer, and vice versa. As a distributor, the Group does not maintain any product liability insurance and it did not have any product liability claims made against it during the Track Record Period. During the Track Record Period, the Group did not submit any material insurance claims. The Directors believe that the coverage of the current insurance policies taken out by the Group is adequate and sufficient for its operations. The Group will continue to review and assess the risks and make necessary adjustments to its insurance practice to go in line with the operation needs and industry practice. For details, please refer to the paragraph headed "The Group may incur losses resulting from product liability claims as the quality of the products distributed by the Group is not under its control" in the section headed "Risk Factors" in this prospectus.

LICENSES AND PERMITS

The Directors and the PRC Lawyer confirm that the Group has obtained all licenses, permits or certificates necessary (if any) to conduct its operations from the relevant governmental authorities in the PRC since its establishment. For details of the licences and permits obtained by members of the Group relating to the Group's operations and their expiry dates, please refer to the section headed "Further Information about the Business of the Group" in Appendix V of this prospectus.

As required by the relevant PRC laws and regulations, all the imported pharmaceutical products distributed by the Group may only be imported into the PRC after (i) an Imported Drug Registration Certificate is obtained if it is produced by a foreign manufacturer; or (ii) a Pharmaceutical Product Registration Certificate is obtained if it is produced by the manufacturer in Hong Kong, Macao, or Taiwan.

The following table sets out the imported pharmaceutical products distributed by the Group in the PRC during the Track Record Period, the respective type of registration certificate obtained and their expiry dates:-

No.	Name of imported product	Type of registration certificate	Expiry date of the registration certificate
1	Nin Jiom Pei Pa Koa	Pharmaceutical Product Registration Certificate	14 March 2015

No.	Name of imported product	Type of registration certificate	Expiry date of the registration certificate
2	Taiko Seirogan	Imported Drug Registration Certificate	21 February 2015
3	Flying Eagle Wood Lok Medicated Oil	Pharmaceutical Product Registration Certificate	5 December 2010
4	Min Tong Chisionhon Granules	Pharmaceutical Product Registration Certificate	11 April 2010
5	Fengbao Jianfu Capsule	Pharmaceutical Product Registration Certificate	14 August 2008
6	Kyushin Pill	Imported Drug Registration Certificate	8 October 2015

Notes:

1. The Imported Drug Registration Certificate for Taiko Seirogan expired on 4 August 2009 and was renewed on 22 February 2010. The renewed certificate shall expire on 21 February 2015.

2. The Imported Drug Registration Certificate for Kyushin Pills expired on 28 August 2008 and was renewed on 9 October 2010. The renewed certificate shall expire on 8 October 2015.

3. The Pharmaceutical Product Registration Certificate for each of Fengbao Jianfu Capsule, Kyushin Pill and Min Tong Chisionhon Granules has expired and their respective application for the renewal of the Pharmaceutical Product Registration Certificate has been submitted before the expiry of each of their certificates. As the relevant PRC authorities requested SZ Kingworld to submit extra documents in relation to the drug registration application of Fengbao Jianfu Capsule, SZ Kingworld had only received the notice of acceptance from such authorities approximately six months after the expiry of the license of Fengbao Jianfu Capsule. As at the Latest Practicable Date, no renewed certificate has been issued so far as their registration applications are still under review by the relevant PRC authorities. The Directors expect that the Pharmaceutical Product Registration Certificate of Fengbao Jianfu Capsule will be issued by November 2010.

During the Track Record Period, some of the Group's imported products were sold in the PRC after the expiry of the relevant Imported Drug Registration Certificate or Pharmaceutical Product Registration Certificate (where applicable). The Company confirms that imported pharmaceutical products currently sold by it under the Imported Drug Registration Certificate or the Pharmaceutical Product Registration Certificate have all been imported before expiry of the above-mentioned registration certificates. The above-mentioned registration certificates are mainly used in import procedures of pharmaceutical products and, upon expiry of such certificates, no importing of these pharmaceutical products into the PRC is allowed unless an Import Drugs Approval Notice has been granted. During the Track Record Period, Import Drugs Approval Notices were granted on (i) 13 August 2009 and 5 June 2010, for the importation of Kyushin Pills into the PRC; and (ii) on 5 June 2010 for the importation of Fengbao Jianfu Capsule into the PRC. SZ Kingworld has applied for an Import Drugs Approval Notice for Min Tong Chisionhon Granules on 22 October 2010. As advised and confirmed by the PRC Lawyer, sales of pharmaceutical products imported before expiry of the

Pharmaceutical Product Registration Certificates or Imported Drug Registration Certificates are not prohibited under relevant PRC laws. Accordingly, import and sales of inventory pharmaceutical products by the Company according to valid import registration certificates do not violate PRC laws.

Renewal of relevant registration certificate

The Company confirms that imported drug re-registration application has been submitted to the relevant PRC authority for Min Tong Chisionhon Granules and Fengbao Jianfu Capsule before the expiry of each of their certificates. As at the Latest Practicable Date, no renewed certificate had been issued so far as their registration applications were still under review by the relevant PRC authorities. The Group expects the renewed Pharmaceutical Product Registration Certificate for each of Min Tong Chisionhon Granules and Fengbao Jianfu Capsule will be obtained in April 2011 and November 2010, respectively.

During the Track Record Period, the Group was able to obtain the relevant licences, certificates and permits for the operation of the Group's business and complied with all applicable laws and regulations although the Group has experienced a delay in renewing certain licence, permits and/or approvals in relation to the import of pharmaceutical products distributed by the Group during the Track Record Period. Save as disclosed, the Group has not encountered any refusal of non-renewals of licences, permits and/or approvals.

AWARDS AND RECOGNITIONS

Over the years, the Group has received awards and obtained recognitions from various PRC government authorities, industry associations, chambers of commerce, trade promotion and professional bodies, community organisations and other business enterprises. These include:

Awards	Awarded by	Awarded to	Year of awards
Business Awards			
2001-2002年度優秀合作夥伴 (Excellent Partner Enterprise in 2001 to 2002)	深圳市海王星辰醫藥有限公司 (Shenzhen Neptune Star Pharmaceuticals Limited)	SZ Kingworld	2002
深圳市工商業系統統計先進集體 (Shenzhen Advanced Statistical Business Systems Group)	深圳市經濟貿易局 (Economic and Trade Bureau of Shenzhen Municipal Government)	SZ Kingworld	2003
深圳市50強民營企業 (Top 50 Private Enterprises in Shenzhen)	深圳市人民政府 (Shenzhen Municipal Government)	SZ Kingworld	2004
2005年度最佳合作伙伴 (Best Partner Enterprise in 2005)	金華市醫藥有限公司 (Jinhua Pharmaceuticals Limited)	SZ Kingworld	2005

Awards	Awarded by	Awarded to	Year of awards
"愛國者"品牌中國總評榜(1980-2005) — 中國品牌百企榜上榜企業 (Top "Patriotic" Chinese Brands (1980-2005) - Top 100 Chinese Brand Enterprises)	品牌中國總評榜組委會 (China Brand Union Association)	SZ Kingworld	2006
首屆深圳百強商業超級品牌 (Top 100 Shenzhen Business Superbrands)	首屆深圳百強商業超級品牌評審委員會/深圳特區報及深圳專家工作聯合會 (Top 100 Shenzhen Business Superbrands Committee Shenzhen Special Zone Daily and Shenzhen Expert Group Federation)	SZ Kingworld	2006
"國大藥房五周年"開拓進取獎 (Fifth Anniversary of "National Pharmacy" — Progressive Expansion Award)	(上海國大藥房連鎖有限公司) (Shanghai National Pharmacy Chain Company Limited)	SZ Kingworld	2006
2005-2006年度中國醫藥保健品行業"金銷獎" (Golden Distributor Award — China Pharmaceutical and Healthcare Industry in 2005-2006)	中國"金銷獎"委員會 (Committee of China Golden Distributor Award)	SZ Kingworld	May 2006
2005-2006年度中國經銷商"金銷獎" (Golden Distributor Award — China Distributors in 2005-2006)	中國"金銷獎"委員會 (Committee of China Golden Distributor Award)	SZ Kingworld	August 2006
2007年度中國醫藥經濟資訊網"榮譽會員 (Honorary member of the 2007 China Pharmaceutical and Economic Information Net)	南方醫藥經濟研究所 (SFDA and Southern Medicine Economic Institute)	SZ Kingworld	2007
屈臣氏2007最佳部門銷售獎 (HWB Award 2007)	屈臣氏 (Watsons)	SZ Kingworld	2007
2007-2008年度最佳合作伙伴/優秀合作伙伴 (Best Partner Enterprise in 2007-2008/Excellent Partner Enterprise)	廣東一致藥店有限公司/深圳市一致醫藥連鎖有限公司 (Guangdong Yizhi Pharmacy Company Limited/Shenzhen Yizhi Pharmaceutical Franchise Company Limited)	SZ Kingworld	2007-2008

Awards	Awarded by	Awarded to	Year of awards
"改革開放三十年廣東省醫藥批發產業20強企業"榮譽證書 (Top 20 Enterprises of the Guangdong Pharmaceutical Wholesale Industry Honours Certificate for 30 years of Reform)	廣東省醫藥行業協會 (Guangdong Pharmaceutical Profession Association)	SZ Kingworld	2008
2008廣東省服務行業100強 (Top 100 Enterprises in the Services Industry of Guangdong Province in 2008)	國家食品藥品監督管理局/廣東省企業聯合會及廣東省企業家協會 (SFDA Guangdong Enterprises Federation/ Guangdong Entrepreneur Association)	SZ Kingworld	2008
2008年品牌合作獎 (Brand Collaboration Award in 2008)	中國海王星晨連鎖藥店有限公司 (China Nepstar Chain Drugstore Company Limited)	SZ Kingworld	2008
2009年度最佳合作伙伴 (Best Partner Enterprise in 2009)	廣東一致恒興醫藥有限公司 (Guangdong Accord Hengxing Medicine Co., Ltd.)	SZ Kingworld	2009
Charity Awards			
關心少年兒童文化事業獎 (Childcare Cultural Business Award)	共青團嘉興市委員會、嘉興市教育局及嘉興市文學藝術聯合會 (Jiaxing Communist Youth League Committee, Jiaxing Education Bureau and Jiaxing Federation of Literature and Arts)	SZ Kingworld	2003
廣東省第六屆少兒藝術花會CIOFF第三屆亞洲兒童民間藝術節 - 關愛兒童健康企業 (Sixth Youth Arts Exhibition and Third Asian Children Folk Art Festival — Childcare Enterprise of the Guangdong Province)	廣東省第六屆少兒暨藝術花會CIOFF第三屆亞洲兒童民間藝術節組委會 (Sixth Youth Arts Exhibition and Third Asian Children Folk Art Festival Organizing Committee)	SZ Kingworld	2004
"抗震救災 衆志成城 - 為汶川賑災"榮譽證書 (Sichuan Earthquake Relief Honorary Certificate)	羅湖區慈善會 (Luo Hu Charity Organization)	The Group	2008

Awards	Awarded by	Awarded to	Year of awards
蘭州市佛教協會"佛心醫心共創和諧" (Lanzhou Buddhist Association — Harmony of Buddhism and Medicare)	蘭州市佛教協會 (Lanzhou Buddhist Association)	SZ Kingworld	2008
Awards accredited to the Group in relation to the distribution of specific product			
南方都市報 3.15讀者最喜愛的品牌 — 喇叭正露丸 (Nanfang City Daily 3.15 Readers' Favorite Brand-Taiko Seirogan)	南方都市報 3.15讀者最喜愛的品牌活動組委會 (Nanfang City Daily 3.15 Readers' Favorite Brand Organizing Committee)	SZ Kingworld	2006
2006年南方都市報讀者最喜愛的品牌 - KAWAI (Nanfang City Daily 2006 Readers' Favorite Brand-Kawai)	南方都市報 3.15讀者最喜愛的品牌活動組委會 (Nanfang City Daily 3.15 Readers' Favorite Brand Organizing Committee)	SZ Kingworld	2006
Membership			
深圳市質量協會團體會員單位(2004-2009) (Member of Shenzhen Association For Quality)	Shenzhen Association For Quality	SZ Kingworld	2004-2009
Member of the Council	The First Council Meeting of China Chamber of International Commerce — Shenzhen	SZ Kingworld	2006
2008年度廣東省企業聯合會、廣東省企業家協會優秀會員 (2008 Outstanding Member of the Guangdong Enterprises Federation and Guangdong Entrepreneur Association)	廣東省企業聯合會及廣東省企業家協會 (Guangdong Enterprises Federation/Guangdong Entrepreneur Association)	SZ Kingworld	2008

SUPPLIERS

For the three financial years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2010, the Group's five largest Suppliers accounted for approximately 91.9%, 94.0%, 92.0% and 84.3% of its total purchases, respectively. Purchases from Great Pleasure, the largest Supplier of the Group for Nin Jiom Pei Pa Koa, accounted for approximately 66.3%, 70.9%, 73.1% and 64.1% of the total purchases of the Group, respectively during the Track Record Period. The Group has commenced its business relationship with Great Pleasure for the supply of Nin Jiom Pei Pa Koa since 1997. For other major Suppliers, such as Etta for the supply of Taiko Seirogan, Tai San for the supply of Kawai

Product Range and Kyushin Pill, Europharm for the supply of Flying Eagle Wood Lok Medicated Oil and Metholatum (China) Pharmaceutical Company Limited for the supply of Mentholatum Product Range and Mentholatum Fever Patch Range, the Group has commenced business with such Suppliers since 1998, 1996, 2003 and 2002 respectively.

None of the Directors, their respective associates or Golden Land, Golden Morning, Mr. Zhao and Ms Chan, or their respective associates has any interest in any of the above mentioned Suppliers.

CUSTOMERS

For the three financial years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2010, the Group's five largest Distributor Customers accounted for approximately 19.8%, 24.3%, 23.0% and 17.6% of its total sales respectively. During the Track Record Period, sales to the largest Distributor Customer accounted for approximately 6.5%, 7.2%, 7.1% and 6.4% of the total revenue of the Group, respectively.

None of the Directors, their respective associates or Golden Land, Golden Morning, Mr. Zhao and Ms Chan, or their respective associates have any interest in any of the above mentioned Distributor Customers.

COMPETITION

The Group is principally engaged in the distribution and marketing of a portfolio of branded imported pharmaceutical, healthcare products and general foodstuff in the PRC and has obtained regional distribution rights on some pharmaceutical and healthcare products in the PRC market. SZ Kingworld ranked 64th and 76th amongst the importers of pharmaceutical and healthcare products in the PRC based on the total imported value in 2008 and 2009 respectively.

The Directors consider that the Group has established a reputation amongst the Distributor Customers and Sub-distributor Customers in the PRC over the past years and is able to operate competitively. However, the Directors also believe that the Group will face competition mainly from distributors which have the financial resources, sales and marketing expertise, and greater retailer and wholesaler network comparable to or better than those of the Group.

Moreover, as Chinese consumers are becoming increasingly health conscious leading to an increase in demand for high quality pharmaceutical and healthcare products in recent years, this may attract more enterprises to enter into the pharmaceutical and healthcare products distribution market in the PRC. The Directors believe that the Group's competitive strengths as set out in this prospectus will allow the Group to differentiate from its competitors and to extend its distribution business into a greater area of the PRC.

INTELLECTUAL PROPERTY RIGHTS OF THE GROUP

For details regarding the trademarks and domain names of the Group, please refer to the section headed "Further Information about the Business of the Group" in Appendix V of this prospectus.

Disney license

SZ Kingworld has entered into a license agreement with TWDC (Shanghai) whereby TWDC (Shanghai) has granted a license to SZ Kingworld to produce and sell sugar confectioneries and nutritional supplements within the health care segment bearing the Licensed Material (as licensed to SZ Kingworld) in the PRC (excluding Hong Kong, Macao and Taiwan) from 1 October 2007 to 30 September 2010.

HK Kingworld has also entered into a license agreement with TWDC (Asia Pacific) whereby TWDC (Asia Pacific) has granted a license to HK Kingworld to produce and sell sugar confectioneries and nutritional supplements within the healthcare segment bearing the Licensed Material (as licensed to HK Kingworld) in Hong Kong and Macao from 1 August 2008 to 30 September 2010.

SZ Kingworld and HK Kingworld are currently negotiating the renewal of the relevant license agreement with TWDC (Shanghai) and TWDC (Asia Pacific).

Information management system

On 29 July 2005, SZ Kingworld entered into a computer system cooperation agreement with an independent software provider (together with agreements for the provision of software and related services under the ERP System, including that of the OA System), pursuant to which a licence was granted to SZ Kingworld and companies of which it has 51% or more interests in, for a fee of RMB490,000, for the use of the software and the provision of relevant services for the setting up and management of the ERP System.

SZ Kingworld has also entered into a mobile service agreement with an independent services provider pursuant to which a software which is integrated into the ERP System is provided to enable the Company to send messages via cell phones ("SMS") to the responsible person of the Region from the respective Twelve Subsidiaries or representative offices upon the delivery of products. Such mobile service software was provided to SZ Kingworld free of charge, while the annual service fee is RMB1,200 starting from the second year and the charge per SMS is RMB0.1.

PROPERTIES

Leased properties

As at the Latest Practicable Date, all offices and warehouses where the Group conducted its business were rental properties. They include (i) the 832.30 sq.m. head office of SZ Kingworld located at Room 1001-1008, 10th Floor, Block A, Tian'an Building, Renmin Nan Road, Shenzhen, Guangdong Province, PRC which is rented from SZ Industry at a rental fee of RMB45,776.50 per month for the period between 1 January 2009 to 31 December 2009 and such monthly rent shall be subject to

adjustment according to the annual guideline issued by the PRC authorities for the period between 1 January 2010 to 31 December 2011; and (ii) the 6,406.42 sq.m. warehouse located at 301A, 302B, 303A, 304B, 401A and 402B of Xinyi Logistics Complex Building, Shabeili, Longdong, Longgang District, Shenzhen, PRC which is rented from an Independent Third Party at a monthly rental of RMB38,438.52 for the period between 1 March 2009 to 28 February 2012 and a monthly rent to be agreed between the parties for the period between 1 March 2012 to 28 February 2013.

Acquired properties

The Group owns a shop with a total area of 956 sq.m. located at the basement floor of Kingworld Department Store (金世界商場) in Luohu, Shenzhen, Guangdong Province, PRC. This property was transferred from SZ Industry on 11 August 2008 to SZ Kingworld to settle a loan in the amount of RMB45,888,000 due by SZ Industry to SZ Kingworld having taking into account an independent valuation report on the property prepared by a qualified valuer. The property is currently leased out to Independent Third Parties with details set out in the table below:

Address of property	**Rent**	**Duration**	**Area**
Shop A028 Basement 1st Floor, Kingworld Department Store, Jie Fang Road, Luo Hu, Shenzhen	RMB62,699.2 per month	8 January 2010 – 7 October 2012	517 sq.m.
Shop A026 Basement 1st Floor, Kingworld Department Store, Jie Fang Road, Luo Hu, Shenzhen	RMB53,239.73 per month subject to 5% increase based on the previous year's rent starting from 1 May 2010	1 January 2010 – 30 April 2012	439 sq.m.

The Group also owns a property with a total area of 1,489 sq.m. located at Unit B on Level 9 West, Yong Xing Office Building, No. 22, Lane 376 Yan'an Road West, Jing'an District, Shanghai, PRC, which was acquired from SH Industry on 28 September 2009 at a consideration of RMB3,820,000. This property is currently used by the Shanghai representative office.

ZHUHAI JINMING

Zhuhai Jinming has been granted with the right to distribute the Nin Jiom Product Series in the Guangdong Province in the PRC.

In order to avoid competition between SZ Kingworld and Guangdong Minglin, Nin Jiom Medicine, Great Pleasure, SZ Kingworld and Guangdong Minglin negotiated between themselves and established Zhuhai Jinming Trading Company in Zhuhai on 7 January 2004 pursuant to the shareholders' resolutions of each of SZ Kingworld and Guangdong Minglin, which were passed on 10 October 2003 for distributing Nin Jiom Product Series in the Guangdong Province. The name of Zhuhai Jinming Trading Company was changed to Zhuhai Jinming on 18 February 2004.

As at the Latest Practicable Date, the registered capital of Zhuhai Jinming was RMB5 million, contributed by both of SZ Kingworld and Guangdong Minglin in equal shares. Accordingly, each of SZ Kingworld and Guangdong Minglin is holding 50% equity interests in Zhuhai Jinming. The principal business and operation of Zhuhai Jinming is to distribute health supplement products and medicines (the Nim Jiom Product Series) in the Guangdong Province.

Zhuhai Jinming has a shareholders' committee, which comprises four representatives from SZ Kingworld and four representatives from Guangdong Minglin and is the highest authority in Zhuhai Jinming. Any shareholders' resolutions must be passed by shareholders that represent more than 50% of the voting rights. Any shareholders' resolutions in relation to the change of the registered capital, merger, dissolution or winding-up, change of the form of organisation, or amendment of the articles of association must be passed by shareholders that represent approximately more than 66% of the voting rights. SZ Kingworld and Guangdong Minglin, being the shareholders of Zhuhai Jinming, will discuss and recommend strategies and plans to the board of directors of Zhuhai Jinming for the business development of Zhuhai Jinming. According to the constitution of Zhuhai Jinming, all decisions regarding the business of Zhuhai Jinming are made by the board of directors of Zhuhai Jinming and SZ Kingworld has been actively participating in management discussions at the board meetings of Zhuhai Jinming.

The board of directors of Zhuhai Jinming comprises nine directors, which are elected by the shareholder committee. The board of directors of Zhuhai Jinming is responsible for running the day-to-day business of Zhuhai Jinming. The term of each director is three years. The chairman of the board of directors, who is also the legal representative of Zhuhai Jinming, is elected by the directors. Any directors' resolution shall be passed in a board meeting with the presence of more than six directors and by a majority of not less than 50% of the directors so present.

The day-to-day operation of Zhuhai Jinming is managed by the senior managers employed by the board of directors, which have been delegated with the power to recruit employees, handle financial matters and operate the business of Zhuhai Jinming. Accordingly, the Group does not exercise direct control over the daily operation of Zhuhai Jinming and no transaction has been entered into between Zhuhai Jinming and the Group during the Track Record Period. The daily operation of Zhuhai Jinming is independent of the Group. As at the Latest Practicable Date, Zhuhai Jinming had a total of 48 employees. During the Track Record Period, the total revenue of Zhuhai Jinming amounted to RMB133.0 million, RMB131.4 million, RMB114.2 million and RMB80.0 million respectively.

As at the Latest Practicable Date, any profits generated from Zhuhai Jinming, after settling the tax payment and assigning the relevant portions for statutory provident funds and pension funds, will be distributed to both SZ Kingworld and Guangdong Minglin in equal shares.

According to the PRC Lawyer, as at the Latest Practicable Date, Zhuhai Jinming legally and validly existed.

As at the Latest Practicable Date, save for the distribution of Nin Jiom Product Series in the Guangdong province, Zhuhai Jinming was not engaged in any other distribution activities.

Zhuhai Jinming is authorised by Nin Jiom Medicine to distribute the Nin Jiom Product Series in the Guangdong province in the PRC. Zhuhai Jinming directly sources Nin Jiom Pei Pa Koa and Nin Jiom Herbal Candy from Great Pleasure and China Capital respectively. Zhuhai Jinming does not have the right to choose whether to source the Nin Jiom Product Series from the manufacturer or from its authorised agents. No distribution agreement has been entered into among Zhuhai Jinming, Nin Jiom Medicine, Great Pleasure and/or China Capital for the distribution of the Nin Jiom Product Series.

In September 2008, Great Pleasure increased the price of Nin Jiom Pei Pa Koa supplied to Zhuhai Jinming. Such increase in pricing was also applicable to SZ Kingworld and Guangdong Minglin. However, Zhuhai Jinming, SZ Kingworld and Guangdong Minglin cannot increase the selling price to their respective customers at the request of Great Pleasure for the reason of trying to preserve the market share of Nin Jiom Pei Pa Koa in the PRC market. As a result, the financial performance of Zhuhai Jinming significantly deteriorated in 2009.

In 2010, the financial performance of Zhuhai Jinming has improved, hence the board of directors of Zhuhai Jinming considers that at this material time, there is no need to formulate any plan with respect to its financial performance.

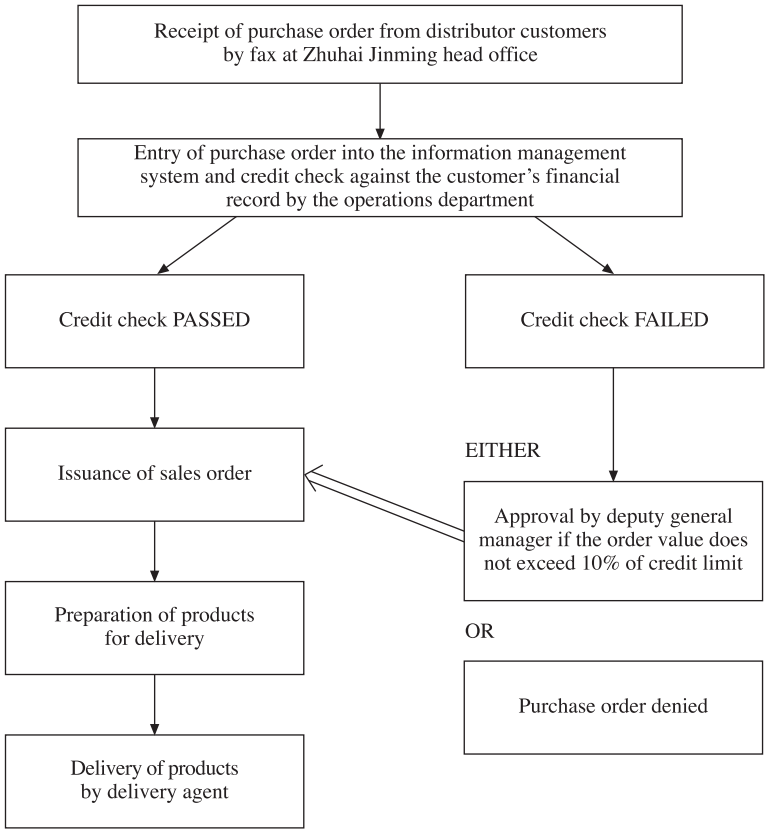
Distribution network

As at the Latest Practicable Date, save for the distribution of the Nin Jiom Product Series, Zhuhai Jinming was not engaged in any other business activities. During the Track Record Period, Nin Jiom Pei Pa Koa accounted for 96.1%, 95.2%, 93.7%, and 94.5% of Zhuhai Jinming's total turnover respectively and Nin Jiom Herbal Candy accounted for 3.9%, 4.8%, 6.3% and 5.5% of Zhuhai Jinming's total turnover respectively.

Zhuhai Jinming distributes the Nin Jiom Product Series through its distributor customers in the Guangdong Province. Since its establishment in the year 2004, Zhuhai Jinming has developed its distribution network in the Guangdong Province, which is divided into five districts, namely Shenzhen district, Guangzhou district, Guangdong East district, Guangdong West district and the Pearl River Delta district, as shown in the table below. Each of the five districts maintains its own sales team who are responsible for sales and marketing of the Nin Jiom Product Series, product pricing management and coordination of promotional activities. Each of the Shenzhen district, Guangzhou district and Guangdong East district has established its own representative offices in Shenzhen, Guangzhou and Shantou respectively. As at the Latest Practicable Date, Zhuhai Jinming has 21 distributor customers. Similar to SZ Kingworld, Zhuhai Jinming enters into agreement with its distributor customers covering the same terms as those specify under the sub-section headed "Agreement with Distributor Customers" in this "Business" section of the prospectus. Zhuhai Jinming does not enter into any agreement with any sub-distributors customers under the network of its distributor customers.

	District	**Representative Office**	**District establishment**	**Responsible cities**
1	Shenzhen	Shenzhen office	Shenzhen	Shenzhen Dongguan Huizhou
2	Guangzhou	Guangzhou office	Guangzhou (office) Foshan (mini storage)	Guangzhou Foshan Qingyuan Shaoguan
3	Pearl River Delta	Zhongshan office	Zhuhai Jinming head office	Zhuhai Zhongshan Zhaoqing Yunfu Jiangmen
4	Guangdong East	Shantou office	Shantou	Shantou Chaozhou Meizhou Jieyang Shanwei
5	Guangdong West	Zhanjiang office	Nil	Zhanjiang Maoming Yangjiang

The following flow chart sets out the major procedures and responsible departments in the process of distributing the Nin Jiom Product Series for Zhuhai Jinming:



According to the company policy of Zhuhai Jinming, in order to assess the credit conditions of the customer, upon the receipt of a purchase order, credit check is conducted through its information management system. In the event that the credit limit of the customer is exceeded, the purchase order will be denied unless the deputy general manager grants an approval specifically to such an order.

During Track Record Period, Zhuhai Jinming issues the sales invoice to its customers after the products are being delivered and settlements are made either by way of telegraphic transfer, letters of credit of 90 days or cash. The credit limit shall be the amount equivalent to its monthly sales target and the credit term on average ranges from 30 to 90 days.

As at the Latest Practicable Date, Zhuhai Jinming was not aware of any customers who had financial difficulty and resulted in bad debts. The customer network of Zhuhai Jinming has been customers of either SZ Kingworld or Guangdong Minglin before the establishment of Zhuhai Jinming in the year 2004, which remained quite stable over the years of development.

Office, warehouse and delivery

Zhuhai Jinming rented two properties from Independent Third Parties for use as its warehouse and office, which are fully utilized. The warehouse has been granted with the GSP Certificate. Details of the relevant tenancy agreements of the warehouse and office of Zhuhai Jinming are respectively set out as follows:

Purpose	Location	Duration	Consideration	Area
Warehouse	Level 1, Block B, Nanping Technology Industrial Park, 7 Pingxi San Lu, Zhuhai, China	8 March 2008 – 7 March 2011	8 March 2008 – 7 March 2009 RMB22,100 per month; and 8 March 2009 – 7 March 2011 RMB23,400 per month	1,300 sq.m.
Office	North Portion, Level 6, News Building, 566 Yinhua Road, Xiangzhou District, Zhuhai, China	1 April 2010 – 1 April 2012	RMB18,573 per month	399 sq.m.

The delivery of the products to the customers is contracted out to Independent Third Parties. The agreements between Zhuhai Jinming and the delivery agents for the delivery of products is valid until 31 August 2011.

Information management system

On 25 March 2007, Zhuhai Jinming entered into a SAP Software Individual End-user License Agreement with a software company (to the best of the Directors' knowledge and belief, an Independent Third Party) pursuant to which a non-exclusive perpetual license has been granted to Zhuhai Jinming to use SAP's proprietary software within the PRC for an unlimited period until the license is terminated by either party at a net price license fee of RMB355,612 together with a maintenance agreement to provide maintenance service with respect to the SAP software at one designated site. The maintenance fee for the service was determined at 17% of RMB345,254 per annum.

Zhuhai Jinming also entered into a service agreement with an independent services provider on 19 March 2007 for the setting up and administration of the SAP ERP system at a service fee of RMB602,000 and the provision of a SMMS software for a fee of RMB70,000.

Insurance

For Zhuhai Jinming, the insurance policy for transportation of products is valid for one year for the delivery service of the Nin Jiom Product Series from ZH Warehouse to other destinations within the Guangdong Province.

Zhuhai Jinming has also obtained the property all risks insurance for its products stored in the ZH warehouse which covers against the risk of direct physical loss of or damage to such property caused by accidents or natural hazards not excluded from the policy. This policy is valid for one year.

Zhuhai Jinming has complied with the relevant PRC laws and regulations in relation to the social security insurance for all its employees.

Zhuhai Jinming owns one motor vehicle with both the standard motor vehicle insurance and the mandatory traffic accident insurance being obtained for such vehicle. These insurance policies are valid for one year.

Land use right

Pursuant to a land use right transfer agreement dated 13 May 2009, Zhuhai Jinming has acquired the right to use a piece of land located at No. 3-1-2 of QianShan Industrial Zone Xiangzhou District, Zhuhai, PRC with a total area of 10,376.67 sq.m. at a transfer price of RMB7,783,000 for the period commencing from 30 June 2009 and up to 19 December 2057 for the construction of a warehouse and an office to replace the current rented properties for the long term development of its distribution business. It is proposed that 15% of the constructed property will be designated for office and staff quarters uses while 42% and 43% of which will be used as the warehouse and other operational facilities, such as car park, security control, show rooms, etc., respectively. The reasons for the acquisition of such land are that (i) the current rented properties provide insufficient space for storage of products; (ii) Zhuhai Jinming plans to expand its product portfolio to include products other than the Nin Jiom Product Series; and (iii) having its own warehouse and office would save the rental expenses incurred otherwise. As at the Latest Practicable Date, the construction on the land was still at the design stage and no construction work had been commenced on the land. As at the Latest Practicable Date, Zhuhai Jinming had not received any notice of non-compliance for not developing such piece of land. The Directors expect that the development of the land will be commenced before the date of expiry of the regulatory timeframe.

Costs of construction of the warehouse and office are estimated to be approximately RMB18 million, which will be incurred in different phases in 2010 and 2011. The source of funding for such construction comes from Zhuhai Jinming's bank borrowings and its own resources.

CONNECTED TRANSACTIONS

During the three financial years ended 31 December 2009 and the six months ended 30 June 2010, the Group had entered into various transactions with certain individuals and entities that will be regarded as connected persons of the Company (as defined under Chapter 14A of the Listing Rules) upon the Listing. As the Group expects to continue such transactions after the Listing, such transactions will constitute connected transactions or continuing connected transactions of the Company (as the case may be) under the Listing Rules. These individuals and entities include:

(a) **Individuals**

- Mr. Zhao, a Controlling Shareholder and an executive Director;
- Ms. Chan, a Controlling Shareholder and an executive Director; and
- Cheng Lok Yam Ella, the sister-in-law of Ms. Chan and the sole proprietor of Pearl Shining. The principal business of Pearl Shining is the export and import of medicine.

(b) **Other businesses**

- Golden Land, a Controlling Shareholder and a company wholly-owned by Mr. Zhao;
- Golden Morning, a Controlling Shareholder and a company wholly-owned by Ms. Chan;
- SZ Industry, a wholly-owned subsidiary of Kingkok International Enterprises, and a holding company of SH Industry and Xin Hua Peng;
- Kingworld Department Store Property Management, a company which is held as to 50%, 45% and 5% by Ms. Chan, Ms. Huang and Mr. Chan Weixiong respectively, and the principal business of Kingworld Department Store Property Management is the provision of property management services.

(c) **Manufacturers of pharmaceuticals**

- Yuen Tai, a company indirectly owned by Mr. Zhao and Ms. Chan through their shareholdings in Morning Gold (Yuen Tai became beneficially owned by Morning Gold pursuant to a trust arrangement between BVI Kingworld as trustee and Morning Gold as beneficiary in December 2007. Such trust arrangement was released after Yuen Tai was acquired by Morning Gold from BVI Kingworld in April 2008. Hence, Yuen Tai was an Independent Third Party until 24 December 2007 when Yuen Tai became beneficially-owned by Morning Gold) which was held by Mr. Zhao and Ms. Chan as to 51% and 49% respectively, and the principal business of Yuen Tai is the manufacturing of pharmaceuticals; and
- SZ Kingworld Lifeshine, a company indirectly owned by Mr. Zhao and Ms. Chan through their shareholdings in Morning Gold, and the principal business of SZ Kingworld Lifeshine is the manufacturing of pharmaceuticals.

EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Each of the continuing connected transactions hereunder is undertaken on an arm's length basis and on normal commercial terms or terms no less favourable to the Group. These continuing connected transactions will constitute exempted continuing connected transactions of the Company under Rule 14A.33(3) of the Listing Rules and will be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules after the Listing.

The following is a summary of the exempted continuing connected transactions:

Exempted Continuing Connected Transactions

	Transaction	Member of the Group	Connected person	Waiver sought	Historical amounts (if applicable)	Annual cap (if applicable)
1.	Deed of Non-Competition and Undertaking Letter	SZ Kingworld	*For the Deed of Non-Competition:* Controlling Shareholders *For the Undertaking Letter:* Cheng Lok Yam, Ella Pearl Shining	Exempted	NA	NA
2.	Letter of Authorisation to Use Trademarks and Trademark License Agreement and their respective supplemental agreements	SZ Kingworld	SZ Industry	Exempted	NA	NA
3.	Letters of Authorisation to Use Domain Names	SZ Kingworld	SZ Industry	Exempted	NA	NA
4.	Office Premises Lease Agreement	SZ Kingworld	SZ Industry	Exempted	RMB549,318 per year	RMB549,318 for the year ending 31 December 2010

Transaction	Member of the Group	Connected person	Waiver sought	Historical amounts (if applicable)	Annual cap (if applicable)
5. Provision of repackaging services on products	SZ Kingworld	SZ Kingworld Lifeshine	Exempted	RMB476,678, RMB446,559, RMB135,038 and RMBnil for each of the three financial years ended 31 December 2009 and the six months ended 30 June 2010	RMB500,000, RMB500,000 and RMB500,000 for each of the three years ending 31 December 2012
6. Authorisation granted by SZ Industry to distribute the Kawai Product Range	SZ Kingworld	SZ Industry	Exempted	NA	NA
7. Provision of property management service to the Group's property by Kingworld Department Store Property Management	SZ Kingworld	Kingworld Department Store Property Management	Exempted	NA	NA

1. **Deed of Non-Competition and Undertaking Letter**

The Company has entered into the Deed of Non-Competition with the Controlling Shareholders. An undertaking letter in respect of non-competition has been provided by Cheng Lok Yam, Ella, the sister-in-law of Ms. Chan, and Pearl Shining in favour of the Company (the "**Undertaking Letter**"). For details of the Deed of Non-Competition and the Undertaking Letter, please refer to the relevant paragraphs headed "Deed of Non-Competition" and "Undertaking Letter" respectively to the section headed "*Relationship with Controlling Shareholders*" of this prospectus.

As the Deed of Non-Competition and the Undertaking Letter were entered into in favor of the Company without any consideration payable by the Company to its Controlling Shareholders and Cheng Lok Yam, Ella and Pearl Shining respectively, the transactions contemplated under the Deed of Non-Competition and the Undertaking Letter constitute de minimis continuing connected transactions under Rule14A.33(3) of the Listing Rules, and are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

2. **Letter of Authorisation to Use Trademarks and Trademark License Agreement**

Pursuant to a letter of authorisation to use trademarks and a trademark license agreement and their respective supplemental agreements respectively entered into between SZ Industry and SZ Kingworld, SZ Industry granted SZ Kingworld an exclusive licence to use certain of its trademarks (some of which are pending registration in the PRC as listed below) on the goods and services as specified therein. Details of the letter of authorisation to use trademarks and the trademark license agreement and their respective supplemental agreements are as follows:

Date of letter of authorisation to use trademarks	**Licensor**	**Licensee**	**Application No.**	**Consideration**	**Period of license**
10 January 2008 and its supplemental agreement dated 27 April 2010	SZ Industry	SZ Kingworld	Application No. 6412368 Application No. 6413656 Application No. 6495497 Application No. 6495498	Nil	10 January 2008 to 9 January 2018

Date of trademark license agreement	**Licensor**	**Licensee**	**Trademark Registration No./ Application No.**	**Consideration**	**Period of license**
1 January 2009 and its supplemental agreement dated 27 April 2010	SZ Industry	SZ Kingworld	Registration No. 1049781 Registration No. 1049782 Application No. 5682706	Nil	1 January 2009 to 6 July 2017 *(Note 1)*

Note:

1. Two applications for filing of such trademark licence agreement relating to the registered trademarks with Registration Nos. 1049781 and 1049782 have been submitted to the PRC Trademark Office on 6 March 2009. On 25 June 2009, the PRC Trademark Office approved the filings of such trademark licence agreement relating to the registered trademarks with Registration Nos.1049781 and 1049782, and the period of license granted is from 1 January 2009 to 31 December 2011.

As the abovementioned letter of authorisation to use trademarks and the trademark license agreement and their respective supplemental agreements were respectively entered into without any consideration payable by SZ Kingworld to SZ Industry and on normal commercial terms, the transactions contemplated under the letter of authorisation to use trademarks and the trademark license agreement and their respective supplemental agreements constitute de minimis continuing connected transactions under Rule 14A.33(3) of the Listing Rules and are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

3. **Letters of Authorisation to Use Domain Names**

Pursuant to two letters of authorisation to use domain names , SZ Industry granted SZ Kingworld a right to use its domain names "kingworld.cn" and "kingworld.com.cn" at nil consideration for the periods from 17 April 2003 to 17 March 2013 and from 24 October 2006 to 24 September 2011 respectively.

As the abovementioned rights to use domain names were granted by SZ Industry to SZ Kingworld without any consideration payable by SZ Kingworld to SZ Industry and on normal commercial terms, the transactions contemplated under such grant of rights to use domain names constitute de minimis continuing connected transactions under Rule 14A.33(3) of the Listing Rules and are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

4. **Office Premises Lease Agreement**

Pursuant to an office premises lease agreement entered into between SZ Kingworld as tenant and SZ Industry as landlord on 31 December 2008, SZ Industry agreed to lease an office premises located at Rooms 1001-1008, 10th Floor, Block A, Tian An International Building, Renminnan Road, Luohu District, Shenzhen, Guangdong province, the PRC (the "**Premises**") to SZ Kingworld for a term of three years commencing from 1 January 2009 and expiring on 31 December 2011 (the "**Office Premises Lease Agreement**"). The monthly rent is RMB45,776.50 for the initial first year of the term of lease and the monthly rent for the second and third years of the term of lease are subject to adjustment as set out in the relevant guidelines issued by the Shenzhen Real Estate Tenancy Association (深圳市房屋租賃協會). As for the period from January 2010 to October 2010, the monthly rent of the Premises has not been adjusted. SZ Kingworld has also been granted a right of first refusal to purchase the Premises under the Office Premises Lease Agreement. The Office Premises Lease Agreement is renewable at the option of SZ Kingworld by giving one month's notice to SZ Industry prior to its expiration. In the event that the Office Premises Lease Agreement shall be renewed, both parties shall enter into a new agreement which shall be re-registered with the relevant PRC authority. The renewal of the lease term, if any, shall comply with the rules applicable to connected transactions under the Listing Rules.

DTZ, the independent property valuer to the Group, confirmed that in view of the prevailing market conditions and the rental level of similar properties in the vicinity, they are of the opinion that the Office Premises Lease Agreement is entered into on normal commercial terms and the rent payable under the Office Premises Lease Agreement is considered to be at market level and is fair and reasonable.

Under the Office Premises Lease Agreement, subject to future adjustment of the rent (if any), the annual rent payable by SZ Kingworld to SZ Industry for the year ending 31 December 2010 is RMB549,318. Given that each of the applicable percentage ratios (other than the profit ratio) is on an annual basis more than 0.1% but less than 5% and the annual consideration is below HK$1,000,000, the transaction under the Office Premises Lease Agreement falls within the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules and is exempted from any of the reporting,

annual review, announcement and independent shareholders' approval requirements under the Listing Rules. The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules if the annual rent exceeds the de minimis threshold under Rule 14A.33(3) of the Listing Rules.

5. **Provision of re-packaging services on products**

During the Track Record Period, SZ Kingworld engaged SZ Kingworld Lifeshine to provide re-packaging services, including re-packaging products for bundle sale and sample tasting for market promotion on its products, such as the Kawai Product Range. The Group will continue to require the re-packaging services provided by SZ Kingworld Lifeshine upon the Listing.

On 21 October 2010, SZ Kingworld entered into a service provision agreement with SZ Kingworld Lifeshine pursuant to which SZ Kingworld Lifeshine agreed to provide re-packaging services to SZ Kingworld for a term commencing from the date of the agreement and expiring on 31 December 2010 (the "**Service Provision Agreement**"). SZ Kingworld and SZ Kingworld Lifeshine shall negotiate for the renewal of the Service Provision Agreement three months prior to its termination and if there are no disputes in relation to such renewal, the Service Provision Agreement will be renewed for another year. The renewal of the Service Provision Agreement, if any, shall comply with the rules applicable to continuing connected transactions under the Listing Rules.

The Service Provision Agreement was negotiated on an arm's length basis and was entered into in the ordinary course of business of SZ Kingworld on normal commercial terms or on terms no less favourable than those SZ Kingworld can obtain from independent third parties. The service fee payable by SZ Kingworld to SZ Kingworld Lifeshine under the Service Provision Agreement is the prevailing market price and on terms no less favourable than those SZ Kingworld can obtain from independent third parties.

For each of the three financial years ended 31 December 2009 and the six months ended 30 June 2010, the service fee paid by SZ Kingworld to SZ Kingworld Lifeshine in relation to the provision of re-packaging services by SZ Kingworld Lifeshine amounted to approximately RMB476,698, RMB446,559, RMB135,038 and RMB0 respectively, representing 0.11%, 0.10%, 0.03% and nil% of the total costs of sales of SZ Kingworld for each of the three financial years ended 31 December 2009 and the six months ended 30 June 2010 respectively.

Under the Service Provision Agreement, the proposed annual service fee payable by SZ Kingworld to SZ Kingworld Lifeshine will not exceed RMB500,000 for the year ending 31 December 2010. In arriving the proposed annual caps, the Directors have considered (i) the historical amounts of service fees paid by SZ Kingworld to SZ Kingworld Lifeshine and (ii) the expected demand for the re-packaging services of the Group.

Given that each of the applicable percentage ratios (other than the profits ratio) in respect of the transactions contemplated under the Service Provision Agreement will on an annual basis be more than 0.1% but less than 5% and the annual consideration is less than HK$1,000,000, the transactions

contemplated under the Service Provision Agreement will fall within the de minimis threshold as stipulated under Rule 14A.33(3) of the Listing Rules and therefore are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

6. **Authorisation granted by SZ Industry to distribute the Kawai Product Range**

Prior to the Listing, SZ Kingworld, SZ Industry and Tai San entered into a memorandum dated 1 October 1996 pursuant to which SZ Industry, as the chief distributor of the Kawai Product Range in the PRC, has authorised SZ Kingworld within the territory of the PRC:-

(i) to distribute the Kawai Product Range and SZ Kingworld be wholly responsible for the profits/losses generated from such distribution;

(ii) to use the various certificates obtained by SZ Industry in relation to the Kawai Product Range;

(iii) to apply for necessary approvals in relation to the import of the Kawai Product Range, including the application for Certificates of Import-Export Food Labelling Verification and to handle all other necessary procedures; and

(iv) to have the name of SZ Industry printed on the product packaging, marketing materials and product labels of the Kawai Product Range indicating SZ Industry as the chief distributor of the Kawai Product Range in the PRC.

The authorisation was granted by SZ Industry to SZ Kingworld at nil consideration and will continue after the Listing.

On 1 January 2009, SZ Kingworld and SZ Industry further entered into a supplemental agreement pursuant to which SZ Industry granted SZ Kingworld a right to use all relevant certificates in connection with the Kawai Product Range including the various Certificates of Imported Health Food for 10 years at nil consideration. Under the supplemental agreement, both parties may negotiate to renew the supplemental agreement upon its expiration and SZ Industry is not entitled to unilaterally revoke the respective certificates during the 10-year authorisation period without the consent of SZ Kingworld.

On 20 February 2010, Tai San, SZ Industry and SZ Kingworld entered into a supplemental agreement which SZ Industry, as the chief distributor of the Kawai Product Range in the PRC, appointed SZ Kingworld as the import and distribution agent of the Kawai Product Range in the PRC until 31 December 2010.

As advised by the PRC Lawyer, the current Certificates of Imported Health Food of the Kawai Product Range were approved and issued by the Ministry of Health in 1997 and the name of the applicant (申報單位) in relation to those certificates has been SZ Industry. Since 2003, SFDA began to be in charge of the approval work for health food. Due to the changes made by SFDA to the relevant PRC laws and regulations in 2005, there is currently no clear provision under the current PRC laws

and regulations on how to change the applicant (申報單位) in relation to the Certificate of Imported Health Food issued by the Ministry of Health. The Directors therefore consider that it is currently practically not possible to transfer the distribution rights of the Kawai Product Range in the PRC to the Group because of the lack of clear guidelines and procedures in the PRC governing the changes made to the applicant (申報單位) imprinted on the Certificates of Imported Health Food of the Kawai Product Range which were issued by the Ministry of Health.

As the abovementioned grant of authorisation and the respective supplemental agreements were entered into without any consideration payable by SZ Kingworld to SZ Industry and on normal commercial terms, the transactions contemplated under such grant of authorisation and the respective supplemental agreements constitute de minimis continuing connected transactions under Rule 14A.33(3) of the Listing Rules and are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

7. **Provision of property management services to the Group's property by Kingworld Department Store Property Management**

Before the Listing, SZ Kingworld acquired certain properties located at Kingworld Department Store (金世界商場) in Luohu District, Shenzhen, Guangdong Province, the PRC (the "**Acquired Properties**") and had remained as the owner of the Acquired Properties as at the Latest Practicable Date.

Under a contract entered into between SZ Industry and Kingworld Department Store Property Management on 1 January 2008, Kingworld Department Store Property Management was appointed for a term of 4 years commencing from 1 January 2008 and expiring on 31 December 2011 to provide property management services to the owners or the users of the office building and commercial properties of Kingworld Department Store, which includes the Acquired Properties, at a monthly management service fee (the "**Property Management Contract**"). Pursuant to the Property Management Contract, it will be automatically terminated upon entering into another property management contract by the owner's committee with another property management company.

As at the Latest Practicable Date, the Acquired Properties were leased to independent third parties by SZ Kingworld under two lease agreements pursuant to which the monthly management service fee is borne by the respective tenants. Under the Property Management Contract, if the tenants fail to pay the management service fee, SZ Kingworld, being the owner of the Acquired Properties, will be jointly responsible for the payment of such outstanding management fee. In light of this, the annual management service fee in respect of the Acquired Properties is potentially payable by SZ Kingworld, if any, to Kingworld Department Store Property Management and amounts to a maximum of approximately RMB370,500. For more details of the lease agreements, please refer to the sub-section headed "*Properties*" to the section headed "Business" of this prospectus.

As the abovementioned provision of property management service by Kingworld Department Store Property Management under the Property Management Contract pursuant to which SZ Kingworld was bound by was entered into on normal commercial terms, and the annual management service fee, if payable by SZ Kingworld, is less than HK$1,000,000, thus the transactions

contemplated under the Property Management Contract constitute de minimis continuing connected transactions under Rule 14A.33(3) of the Listing Rules and are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following is a summary of the non-exempt continuing connected transactions following the Listing with the relevant waivers sought:

Non-Exempt Continuing Connected Transactions

	Transaction	Member of the Group	Connected person	Waiver sought	Historical amounts (if applicable)	Annual cap (if applicable)
1.	Purchase and distribution of Min Tong Chisionhon Granules from Pearl Shining	SZ Kingworld	Ms. Cheng Lok Yam, Ella trading as Pearl Shining	Announcement requirement	RMB367,000, RMB340,000, RMB1,443,000 and RMB0 for each of the three financial years ended 31 December 2009 and the eight months ended 31 August 2010	RMB1,728,700, RMB2,247,300 and RMB3,146,200 for each of the three years ending 31 December 2012
2.[5]	Purchase and distribution of Fengbao Jianfu Capsule from Yuen Tai	SZ Kingworld	Yuen Tai	Announcement and independent shareholders' approval requirements	RMB0[1], RMB0, RMB0 and RMB0[2] for each of the three financial years ended 31 December 2009 and the eight months ended 31 August 2010	RMB2,898,700 and RMB9,662,400 and RMB14,493,600 for each of the three years ending 31 December 2012
3.[5]	Purchase and distribution of Kingworld Product Range from SZ Kingworld Lifeshine	SZ Kingworld	SZ Kingworld Lifeshine	Announcement and independent shareholders' approval requirements	RMB3,965,212, RMB0, RMB3,841,853 and RMB2,333,000 for each of the three financial years ended 31 December 2009 and the eight months ended 31 August 2010	RMB5,922,576, RMB6,583,876 and RMB7,634,691 for each of the three years ending 31 December 2012
4.[5]	Purchase and distribution of Imada Red Flower Oil from SZ Kingworld Lifeshine [3]	SZ Kingworld	SZ Kingworld Lifeshine	Announcement and independent shareholders' approval requirements	RMB0, RMB0, RMB0[3] and RMB0[4] for each of the three financial years ended 31 December 2009 and the six months ended 30 June 2010	RMB11,538,450, RMB24,999,975 and RMB32,564,070 for each of the three years ending 31 December 2012

Notes:

1. SZ Kingworld purchased Fengbao Jianfu Capsule from Yuen Tai amounting to approximately RMB349,400 in 2007 when Yuen Tai was an Independent Third Party.

2. The historical amount of the costs of purchase of Fengbao Jianfu Capsule purchased by SZ Kingworld from Yuen Tai was RMB0, RMB0 and RMB0 for each of the two financial years ended 31 December 2009 and the eight months ended 31 August 2010 respectively because the Group did not purchase any Fengbao Jiaufu Capsule from Yuen Tai during the said period due to the expiration of the Pharmaceutical Product Registration Certificate of Fengbao Jianfu Capsule since August 2008.

3. Imada Red Flower Oil was previously supplied by an Independent Third Party, Luen Wah, and for more detailed information, please refer to the relevant paragraph headed "Imada Red Flower Oil" in the section headed "Business" of this prospectus. Historical amounts of the costs of purchase of Imada Red Flower Oil sourced from Luen Wah were approximately RMB20,503,000, RMB23,836,000 and RMB18,844,000 respectively for each of the three financial years ended 31 December 2009.

4. The historical amount of the costs of purchase of Imada Red Flower Oil purchased by SZ Kingworld from SZ Kingworld Lifeshine was RMB0 for the six months ended 30 June 2010 because the Group did not purchase any Imada Red Flower Oil from SZ Kingworld Lifeshine during the said period as the operation of the production facility of Imada Red Flower Oil by SZ Kingworld Lifeshine had not commenced until August 2010. The Group resumed its purchase of Imada Red Flower Oil from SZ Kingworld Lifeshine after it commenced the operation of the production facility of Imada Red Flower Oil in August 2010.

5 The transactions contemplated under the Fengbao Jianfu Capsule Distribution Agreement, the Kingworld Product Range Distribution Agreement and Imada Red Flower Oil Distribution Agreement shall be regarded as a series of transactions under Rule 14A.25 of the Listing Rules.

1. Purchase and distribution of Min Tong Chisionhon Granules from Pearl Shining

(a) *Min Tong Chisionhon Granules Distribution Agreement*

During the Track Record Period, SZ Kingworld entered into various transactions with Pearl Shining, pursuant to which SZ Kingworld as the distributor of Pearl Shining, purchased Min Tong Chisionhon Granules from Pearl Shining for distribution in the PRC. Pearl Shining is a sole proprietorship of Ms. Cheng Lok Yam, Ella, a sister-in-law of Ms. Chan, who is a Controlling Shareholder and a Director. On 21 October 2010, SZ Kingworld entered into a distribution agreement with Pearl Shining (the "**Min Tong Chisionhon Granules Distribution Agreement**"), pursuant to which SZ Kingworld, being the exclusive distributor of Pearl Shining, agreed to purchase Min Tong Chisionhon Granules from Pearl Shining for distribution in the PRC for a term commencing on the Listing Date and expiring on 31 December 2012. The transactions contemplated under the Min Tong Chisionhon Granules Distribution Agreement will constitute continuing connected transactions of the Company under the Listing Rules upon the Listing.

Pearl Shining is an authorised agent appointed by the manufacturer of Min Tong Chisionhon Granules and is responsible for supplying Min Tong Chisionhon Granules to the distributor of such product in the PRC. The Min Tong Chisionhon Granules Distribution Agreement was negotiated on an arm's length basis and was entered into in the ordinary course of business of SZ Kingworld and on normal commercial terms or on terms no less favourable than those SZ Kingworld can obtain from Independent Third Parties. Under the Min Tong Chisionhon Granules Distribution Agreement, the purchase prices of Min Tong Chisionhon Granules payable by SZ Kingworld to Pearl Shining are determined by reference to the prevailing market price.

(b) ***Historical and estimated costs of purchase of Min Tong Chisionhon Granules***

For the three financial years ended 31 December 2009 and the eight months ended 31 August 2010, the costs of purchases of Min Tong Chisionhon Granules purchased by SZ Kingworld from Pearl Shining were approximately RMB367,000, RMB340,000, RMB1,443,000 and RMB0 respectively, representing approximately 0.09%, 0.09%, 0.40% and 0% of the total costs of sales of the Group for the corresponding periods respectively. As the Pharmaceutical Product Registration Certificate of Min Tong Chisionhon Granules had expired on 11 April 2010 and the Group expects the renewed Pharmaceutical Product Registration Certificate for Min Tong Chisionhon Granules, with a valid period of five years, will be obtained in April 2011. Before obtaining the renewed Pharmaceutical Product Registration Certificate, the Group did not import such product into the PRC and only sold the remaining stock on hand. Hence, the costs of purchase of Min Tong Chisionhon Granules for the eight months ended 31 August 2010 was RMB0.

The Group has applied to the SFDA for the Import Drugs Approval Notice and will rely on such permit as an interim arrangement to import pharmaceuticals into the PRC for the distribution of Min Tong Chisionhon Granules in order to ensure the continuation of supply of Min Tong Chisionhon Granules prior to the renewal of the Pharmaceutical Product Registration Certificate. Under the laws of the PRC, the SFDA will decide whether to grant an Import Drugs Approval Notice within 20 working days upon its acceptance of an application for the Import Drugs Approval Notice. The Import Drugs Approval Notice, with an effective term of no more than six months, may only be issued not more than twice after expiry of the relevant import registration certificate of such pharmaceutical product(s).

The Directors estimate that the aggregate annual purchase of Min Tong Chisionhon Granules purchased by SZ Kingworld from Pearl Shining for each of the three years ending 31 December 2012 will not exceed the annual caps of RMB1,728,700, RMB2,247,300 and RMB3,146,200 respectively. The expected annual caps of the costs of purchase of Min Tong Chisionhon Granules for each of the three years ending 31 December 2012 are estimated based on the expected quantity of such product to be purchased by the Group from its Supplier and the estimated purchase price offered to the Group.

(c) ***Reasons for an increase in the estimated costs of purchase***

In arriving at the above proposed annual caps, the Directors have considered (i) the historical transaction amount of purchases of Min Tong Chisionhon Granules purchased by SZ Kingworld from Pearl Shining for each of the three financial years ended 31 December 2009 and the eight months ended 31 August 2010; (ii) the expected future growth in the Group's business; and (iii) the expected growing market demand for Min Tong Chisionhon Granules. The Directors expect the purchase of Min Tong Chisionhon Granules made by SZ Kingworld from Pearl Shining will increase in the coming years based on the following reasons:

(i) market research indicates that there will be an expansion in the PRC market for influenza products which, in the opinion of the Directors, will lead to a growing market demand for Min Tong Chisionhon Granules; and

(ii) the Directors confirm that certain Distributor Customers have already entered into distribution agreements of Min Tong Chisionhon Granules with the Group and the parties

have laid down sales targets for each of the three years ending 31 December 2012 as follows: (i) 480,000 packs for the year ending 31 December 2010; (ii) 624,000 packs for the year ending 31 December 2011; and (iii) 873,600 packs for the year ending 31 December 2012, which in total cover approximately 100% of the expected quantity of demand for Min Tong Chisionhon Granules distributed by the Group, which are directly purchased from Pearl Shining. Such quantity of demand reflects the proposed annual caps of the costs of purchase of the product for each of the three years ending 31 December 2012.

Therefore, the increase in the above proposed annual caps has reflected the above expectations. The Directors also expect that the abovementioned sales targets for each of the three years ending 31 December 2012 will likely be achieved by the Distributor Customers as they have previously sold products distributed by the Group (including but not limited to Min Tong Chisionhon Granules) and the Directors consider the Distributor Customers are reliable in achieving the abovementioned sales targets. The Group has entered into distributorship arrangements with two Distributor Customers for the distribution of Min Tong Chisionhon Granules for the three years ending 31 December 2012. Such Distributor Customers are Independent Third Parties and have been customers of the Group since January 2002 and October 2008 respectively. For the year ended 31 December 2009, the average achievement rate between the two Distributor Customers was over 100% of the aggregate sales targets set for the two Distributor Customers. As such, the Directors consider that the abovementioned sales targets for Min Tong Chisionhon Granules for each of the three years ending 31 December 2012 for the distribution of Min Tong Chisionhon Granules will likely be achieved.

Given that each of the applicable percentage ratios (other than the profits ratio) in respect of the transactions contemplated under the Min Tong Chisionhon Granules Distribution Agreement will be on an annual basis less than 5%, the transactions contemplated under the Min Tong Chisionhon Granules Distribution Agreement constitute non-exempt continuing connected transactions and are subject to the reporting, announcement and annual review requirements pursuant to Rules 14A.35(3) and 14A.35(5) of the Listing Rules.

2. **Purchase and distribution of Fengbao Jianfu Capsule from Yuen Tai**

(a) ***Fengbao Jianfu Capsule Distribution Agreement***

During the Track Record Period, SZ Kingworld entered into various transactions with Yuen Tai, pursuant to which SZ Kingworld as an exclusive distributor of Yuen Tai, purchased Fengbao Jianfu Capsule from Yuen Tai, the manufacturer of Fengbao Jianfu Capsule, for its distribution in the PRC. Yuen Tai was an Independent Third Party until 24 December 2007 when Yuen Tai became beneficially owned by Morning Gold, which was held by Mr. Zhao and Ms. Chan as to 51% and 49% of its shareholding respectively. On 21 October 2010, SZ Kingworld entered into a distribution agreement with Yuen Tai (the "**Fengbao Jianfu Capsule Distribution Agreement**"), pursuant to which SZ Kingworld, being the exclusive distributor of Fengbao Jianfu Capsule, agreed to purchase Fengbao Jianfu Capsule from Yuen Tai for distribution in the PRC for a term commencing on the Listing Date and expiring on 31 December 2012. The transactions contemplated under the Fengbao Jianfu Capsule Distribution Agreement will constitute continuing connected transactions of the Company under the Listing Rules upon the Listing.

As the Pharmaceutical Product Registration Certificate of Fengbao Jianfu Capsule expired on 14 August 2008 (for details, please refer to the paragraph under "Licenses and Permits" in the section headed "Business" of this prospectus), the Group has obtained the Import Drugs Approval Notice, with an effective term of no more than six months, on 5 June 2010 and relied on such permit as an interim arrangement to import pharmaceuticals into the PRC for the distribution of Fengbao Jianfu Capsule in order to ensure the continuation of supply of Fengbao Jianfu Capsule prior to the renewal of the Pharmaceutical Product Registration Certificate of Fengbao Jianfu Capsule. As the renewal of the Pharmaceutical Product Registration Certificate of Fengbao Jianfu Capsule is currently under review by the relevant PRC authorities, the Directors expect that the Pharmaceutical Product Registration Certificate of Fengbao Jianfu Capsule, with a valid period of five years, will be issued by the relevant PRC authorities by November 2010. Prior to obtaining the Pharmaceutical Product Registration Certificate of Fengbao Jianfu Capsule, the Group may apply for another Import Drugs Approval Notice to ensure that the products can be imported into the PRC in accordance with the relevant PRC laws and regulations. Under the laws of the PRC, the SFDA will decide whether to grant an Import Drugs Approval Notice within 20 working days upon its acceptance of an application for the Import Drugs Approval Notice. The Import Drugs Approval Notice may only be issued not more than twice after expiry of the relevant import registration certificate of such pharmaceutical product(s). As advised by the PRC Lawyer, notwithstanding that the Pharmaceutical Product Registration Certificate of Fengbao Jianfu Capsule expired on 14 August 2008, the Group has complied with the relevant PRC laws and regulations to obtain the Import Drugs Approval Notice on 5 June 2010 for continuing the business of Fengbao Jianfu Capsule.

The Fengbao Jianfu Capsule Distribution Agreement was negotiated on an arm's length basis and was entered into in the ordinary course of business of SZ Kingworld and on normal commercial terms or on terms no less favourable than those SZ Kingworld can obtain from Independent Third Parties. Under the Fengbao Jianfu Capsule Distribution Agreement, the purchase prices of Fengbao Jianfu Capsule payable by SZ Kingworld to Yuen Tai are determined by reference to the prevailing market price or are no less favourable than those SZ Kingworld can obtain from Independent Third Parties.

(b) ***Historical and estimated costs of purchase of Fengbao Jianfu Capsule***

For each of the three financial years ended 31 December 2009 and the eight months ended 31 August 2010, the costs of purchase of Fengbao Jianfu Capsule by SZ Kingworld from Yuen Tai, as a connected person of the Company, amounted to approximately RMB0, RMB0, RMB0 and RMB0 respectively, representing approximately 0%, 0%, 0% and 0% of the total costs of sales of the Group for the corresponding periods respectively. As confirmed by Yuen Tai, Yuen Tai has commenced the modification of its facilities and other modification procedures for the purpose of obtaining the GMP requirements. Therefore, it has not manufactured Fengbao Jianfu Capsule since 2010 and thus, does not supply such products to the Group. Yuen Tai expects that the modification of its facilities will be completed by the end of October 2010. For reference purpose, the costs of purchase of Fengbao Jianfu Capsule purchased by SZ Kingworld from Yuen Tai for the year ended 31 December 2007, which was before Yuen Tai became a connected person of the Company, amounted to approximately RMB349,000 representing approximately 0.08% of the total costs of sales of the Group for the same year.

The historical amounts of the costs of purchase of Fengbao Jianfu Capsule purchased by SZ Kingworld from Yuen Tai were RMB0, RMB0 and RMB0 for each of the two financial years ended 31 December 2009 and the eight months ended 31 August 2010 respectively because the Group did not purchase any Fengbao Jiaufu Capsule from Yuen Tai during the said period due to expiration of the Pharmaceutical Product Registration Certificate of Fengbao Jianfu Capsule in August 2008. The Directors estimate that the aggregate annual purchase of Fengbao Jianfu Capsule purchased by SZ Kingworld from Yuen Tai for each of the three years ending 31 December 2012 will not exceed the annual caps of RMB2,898,700 and RMB9,662,400 and RMB14,493,600 respectively. The expected annual caps of the costs of purchase of the product for each of the three years ending 31 December 2012 are estimated based on the expected quantity of the Fengbao Jianfu Capsule to be purchased by the Group from its Supplier and the estimated purchase price offered to the Group.

(c) ***Reasons for an increase in the estimated costs of purchase***

In arriving at the above proposed annual caps, the Directors have considered (i) the expected future growth in the Group's business; and (ii) the expected growing market demand on Fengbao Jianfu Capsule. The Directors expect that there will be substantial increase in the annual caps of the estimated costs of purchase of Fengbao Jianfu Capsule based on the following reasons:

(i) Fengbao Jianfu Capsule is a Dual-Specification pharmaceutical product which can be distributed as an OTC product and/or a prescription pharmaceutical product. In the past, the Group distributed such products only in the form of OTC product and did not reach its sales target. Given that Fengbao Jianfu Capsule, as a Dual-Specification pharmaceutical product, can also be sold as a prescription pharmaceutical product in hospitals, licensed pharmacies, etc, the Directors have therefore decided to focus on the prescription pharmaceutical market for the distribution of Fengbao Jianfu Capsule;

(ii) in the coming years, the Group plans to make greater effort in the marketing and promotion of Fengbao Jianfu Capsule; and

(iii) the Group entered into a cooperation agreement with a Distributor Customer in relation to the distribution of Fengbao Jianfu Capsule and the parties have laid down sales targets for Fengbao Jianfu Capsule for each of the three years ending 31 December 2012 as follows: (i) 600,000 packs for the year ending 31 December 2010; (ii) 2,000,000 packs for the year ending 31 December 2011; and (iii) 3,000,000 packs for the year ending 31 December 2012, which cover approximately 100% of the expected quantity of demand for Fengbao Jianfu Capsule distributed by the Group. Such quantity of demand reflects the proposed annual caps of the costs of purchase of the product for each of the three years ending 31 December 2012.

Therefore, the increase in the above proposed annual caps has reflected the above expectations. The Directors also expect that the abovementioned sales targets for each of the three years ending 31 December 2012 will likely be achieved by the Distributor Customer, which is an Independent Third Party, as it has previously sold products distributed by the Group (including but not limited to Fengbao Jianfu Capsule) and the Directors consider the Distributor Customer is reliable in achieving the

abovementioned sales targets. Such Distributor Customer is an Independent Third Party and has been a customer of the Group since January 2002. The Distributor Customer was able to achieve approximately 70% of the aggregate sales targets for the year ending 31 December 2008 and achieved more than double the aggregate sales targets for the year ending 31 December 2009. As such, the Directors expect that the abovementioned sales targets for each of the three years ending 31 December 2012 for the distribution of Fengbao Jianfu Capsule will likely be achieved.

3. **Purchase and distribution of Kingworld Product Range from SZ Kingworld Lifeshine**

(a) ***Kingworld Product Range Distribution Agreement***

SZ Kingworld Lifeshine is a wholly-owned subsidiary of Morning Gold which is owned as to 51% by Mr. Zhao and 49% by Ms. Chan.

During the Track Record Period, SZ Kingworld entered into various transactions with SZ Kingworld Lifeshine, pursuant to which SZ Kingworld, as an exclusive distributor of SZ Kingworld Lifeshine, purchased the Kingworld Product Range from SZ Kingworld Lifeshine, the manufacturer of Kingworld Product Range, for its distribution in the PRC. On 14 January 2010, SZ Kingworld entered into a distribution agreement with SZ Kingworld Lifeshine for a period commencing from 1 February 2010 to 31 January 2011, pursuant to which SZ Kingworld, as the exclusive distributor of SZ Kingworld Lifeshine, would purchase the Kingworld Product Range from SZ Kingworld Lifeshine for distribution in the PRC.

On 21 October 2010, SZ Kingworld entered into a new distribution agreement with SZ Kingworld Lifeshine (the "**Kingworld Product Range Distribution Agreement**"), pursuant to which the agreement entered into in January 2010 was terminated and SZ Kingworld, being the exclusive distributor of SZ Kingworld Lifeshine, agreed to purchase the Kingworld Product Range from SZ Kingworld Lifeshine for distribution in the PRC for a term commencing on the Listing Date and expiring on 31 December 2012. The transactions contemplated under the Kingworld Product Range Distribution Agreement will constitute continuing connected transactions of the Company under the Listing Rules upon the Listing.

The Kingworld Product Range Distribution Agreement was negotiated on an arm's length basis and was entered into in the ordinary course of business of SZ Kingworld and on normal commercial terms or on terms no less favourable than those SZ Kingworld can obtain from Independent Third Parties. Under the Kingworld Product Range Distribution Agreement, the purchase prices of Kingworld Product Range payable by SZ Kingworld to SZ Kingworld Lifeshine take into account the PRC government price restrictions and are determined by reference to the prevailing market price or are no less favourable than those SZ Kingworld can obtain from Independent Third Parties.

(b) ***Historical and estimated costs of purchase of Kingworld Product Range***

For each of the three financial years ended 31 December 2009 and the six months ended 30 June 2010, the costs of purchases of Kingworld Product Range purchased by SZ Kingworld from SZ Kingworld Lifeshine were approximately RMB3,965,212, RMB0, RMB3,841,853 and RMB2,333,000

respectively, representing approximately 0.92%, 0%, 0.94% and 0.93% of the total costs of sales of the Group for the corresponding periods, respectively. The Directors estimate that the aggregate annual purchase of Kingworld Product Range purchased by SZ Kingworld from SZ Kingworld Lifeshine for each of the three years ending 31 December 2012 will not exceed the annual caps of RMB5,922,576, RMB6,583,876 and RMB7,634,691 respectively. The expected annual caps of the costs of purchase of the product for each of the three years ending 31 December 2012 are estimated based on the expected quantity of the product to be purchased by the Group from its Supplier of Kingworld Product Range and the estimated purchase price offered to the Group.

(c) ***Reasons for an increase in the estimated costs of purchase***

In arriving at the above proposed annual caps, the Directors have considered (i) the historical transaction amount of purchases of Kingworld Product Range purchased by SZ Kingworld from SZ Kingworld Lifeshine for each of the three financial years ended 31 December 2009 and the six months ended 30 June 2010; (ii) the expected future growth in the Group's business; and (iii) the expected growing market demand for the Kingworld Product Range. The Directors expect the purchase of Kingworld Product Range made by SZ Kingworld from SZ Kingworld Lifeshine will increase in the coming years based on the following reasons:

(i) after consulting with the Group's current customers in order to estimate the future demand for the products it distributes, the Directors have formulated a detailed sales and marketing plan for the Kingworld Product Range which shows an increasing demand for the products;

(ii) the Directors expect that the market demand for the Kingworld Product Range will continue to increase due to an overall increase in the demand for the pharmaceutical products in the PRC; and

(iii) the Directors confirm that certain Distributor Customers have already entered into letters of intent with the Group in relation to the distribution of the Kingworld Product Range and have laid down the sales targets for each of the three years ending 31 December 2012 as follows:

		For the year ending 31 December		
		2010	**2011**	**2012**
(1)	Kingworld Gan Mao Qing Capsule (金活感冒清膠囊)	6,000,000 packs	6,600,000 packs	7,600,000 packs
(2)	Kingworld American Ginseng Capsule (金活洋參膠囊)	5,700 packs	7,000 packs	8,500 packs
(3)	Kingworld Gen-seng Capsule (金活西洋參膠囊)	167,000 packs	200,000 packs	244,000 packs
(4)	Kingworld American Ginseng Tablets (金活洋參含片)	5,000 packs	6,100 packs	7,500 packs

, which in aggregate cover approximately 100% of the expected quantity of demand for the Kingworld Product Range distributed by the Group. Such quantity of demand reflects the proposed annual caps of the costs of purchase of the product for each of the three years ending 31 December 2012.

Therefore, the increase in the above proposed annual caps has reflected the above expectations and the Directors confirm that the proposed annual caps of the costs of purchase of Kingworld Product Range for each of the three years ending 31 December 2012 are justified. The Directors also expect that the abovementioned sales targets for each of the three years ending 31 December 2012 will likely be achieved by the Distributor Customers as most of the letters of intent contain an indemnity clause, which stipulates that in the event that the abovementioned sales targets are not achieved, the Distributor Customers shall indemnify SZ Kingworld at reasonable cost.

4. **Purchase and distribution of Imada Red Flower Oil from SZ Kingworld Lifeshine**

(a) ***Imada Red Flower Oil Distribution Agreement***

Before the Group decided to purchase Imada Red Flower Oil from SZ Kingworld Lifeshine, the Group had purchased such products from Luen Wah until expiration of the distribution agreement at the end of 2009. In order to continue with the distribution of Imada Red Flower Oil and taking into account that the price of Imada Red Flower Oil offered by SZ Kingworld Lifeshine is lower than that offered by Luen Wah, the Group has decided to purchase Imada Red Flower Oil from SZ Kingworld Lifeshine upon commencement of the operation of its production facility for Imada Red Flower Oil. SZ Kingworld Lifeshine had been the processing agent of Imada Red Flower Oil for Luen Wah, an Independent Third Party, since October 2004 and was only engaged in the processing of Imada Red Flower Oil for Luen Wah for the period between October 2004 and December 2009. During that period of time, SZ Kingworld Lifeshine confirmed that it was not engaged in any distribution business of Imada Red Flower Oil for Luen Wah. As advised by the PRC Lawyer, under the laws of the PRC, SZ Kingworld Lifeshine is not permitted to sell or distribute the Imada Red Flower Oil for Luen Wah during that period of time. The processing contracts were entered into between SZ Kingworld Lifeshine and Luen Wah on an arm's length basis and on normal commercial terms. SZ Kingworld Lifeshine commenced the manufacturing of Imada Red Flower Oil in August 2010 after the expiry of the processing contract with Luen Wah in December 2009. The Imada Red Flower Oil manufactured by SZ Kingworld Lifeshine does not contain any of the registered trademarks of Luen Wah. SZ Kingworld is no longer distributing Imada Red Flower Oil sourced from Luen Wah.

As confirmed by the PRC Lawyer, under the laws of the PRC, SZ Kingworld Lifeshine has the right to manufacture Imada Red Flower Oil and no consent is required to be obtained from Luen Wah to manufacture such product from August 2010 onwards.

On 14 January 2010, SZ Kingworld entered into a distribution agreement with SZ Kingworld Lifeshine for the period from 1 February 2010 to 31 January 2011, pursuant to which SZ Kingworld as the exclusive distributor of SZ Kingworld Lifeshine would purchase Imada Red Flower Oil from SZ Kingworld Lifeshine, the manufacturer of Imada Red Flower Oil, for its distribution in the PRC.

On 21 October 2010, SZ Kingworld entered into a new distribution agreement with SZ Kingworld Lifeshine (the "**Imada Red Flower Oil Distribution Agreement**"), pursuant to which the agreement entered into in January 2010 was terminated and SZ Kingworld, being the exclusive distributor of SZ Kingworld Lifeshine, agreed to purchase the Imada Red Flower Oil from SZ

Kingworld Lifeshine for distribution in the PRC for a term commencing on the Listing Date and expiring on 31 December 2012. The transactions contemplated under the Imada Red Flower Oil Distribution Agreement will constitute continuing connected transactions of the Company under the Listing Rules upon the Listing.

The Imada Red Flower Oil Distribution Agreement was negotiated on an arm's length basis and was entered into in the ordinary course of business of SZ Kingworld and on normal commercial terms or on terms no less favourable than those SZ Kingworld can obtain from Independent Third Parties. Under the Imada Red Flower Oil Distribution Agreement, the purchase prices of Imada Red Flower Oil payable by SZ Kingworld to SZ Kingworld Lifeshine are determined by reference to the prevailing market price or are no less favourable than those SZ Kingworld can obtain from Independent Third Parties.

(b) ***Historical and estimated costs of purchase of Imada Red Flower Oil***

Since SZ Kingworld purchased Imada Red Flower Oil from Luen Wah during the three financial years ended 31 December 2009, therefore there was no historical transaction amount of purchases made by SZ Kingworld from SZ Kingworld Lifeshine for the three financial years ended 31 December 2009. For reference purpose, for the three financial years ended 31 December 2009, the costs of purchase purchased by SZ Kingworld from Luen Wah were approximately, RMB20,503,000, RMB23,836,000 and RMB18,844,000 respectively, representing approximately 4.90%, 6.45% and 4.91% of the total costs of sales of the Group for the corresponding periods respectively. The historical amount of the costs of purchase of Imada Red Flower Oil purchased by SZ Kingworld from SZ Kingworld Lifeshine was RMB0 for the six months ended 30 June 2010 because the Group did not purchase any Imada Red Flower Oil from SZ Kingworld Lifeshine during the said period as the operation of the production facility of Imada Red Flower Oil by SZ Kingworld Lifeshine had not commenced until August 2010. The Group resumed its purchase of Imada Red Flower Oil from SZ Kingworld Lifeshine after it commenced the operation of the production facility of Imada Red Flower Oil in August 2010. The Directors estimate that the aggregate annual purchase of Imada Red Flower Oil purchased by SZ Kingworld from SZ Kingworld Lifeshine for each of the three years ending 31 December 2012 will not exceed the annual caps of RMB11,538,450, RMB24,999,975 and RMB32,564,070 respectively. The expected annual caps of the costs of purchase of the product for the three years ending 31 December 2012 are estimated based on the expected quantity of the product to be purchased by the Group from its Supplier of Imada Red Flower Oil and the estimated purchase price offered to the Group.

(c) ***Reasons for an increase in the estimated costs of purchase***

In arriving at the above proposed annual caps, the Directors have considered (i) the historical transaction amount of purchases of Imada Red Flower Oil purchased by SZ Kingworld from Luen Wah for each of the three financial years ended 31 December 2009 and the six months ended 30 June 2010; (ii) the expected future growth in the Group's business; and (iii) the expected growing market demand for Imada Red Flower Oil. The Directors expect the purchase of Imada Red Flower Oil made by SZ Kingworld from SZ Kingworld Lifeshine will increase in the two years ending 2011 and 2012 (the

expected annual cap for the cost of purchase of the Imada Red Flower Oil from SZ Kingworld Lifeshine for the year ending 2010 (RMB11,538,450) is lower than the actual cost of purchase of the Imada Red Flower Oil from Luen Wah for the year ended 31 December 2009 (RMB18,844,000)) based on the following reasons:

(i) after consulting with the Group's current customers in each province, city and region to estimate the future demand for such products, the Directors have formulated a detailed sales and market plan for Imada Red Flower Oil which shows an increasing demand for the product;

(ii) the Directors confirm that certain Distributor Customers have already entered into distribution agreements of the Imada Red Flower Oil with the Group and have laid down the aggregate sales target for the year ending 31 December 2010 which is 4,500,000 packs. The Directors also confirm that letters of intent have been entered into between certain Distributor Customers and the Group, which have laid down the sales targets for each of the two years ending 31 December 2011 and 2012 as follows: (i) 9,750,000 packs for the year ending 31 December 2011; and (ii) 12,700,000 packs for the year ending 31 December 2012. The abovementioned sales targets cover approximately 100% of the expected quantity of demand for Imada Red Flower Oil distributed by the Group. Such quantity of demand reflects the proposed annual caps of the costs of purchase of the product for each of the three years ending 31 December 2012;

(iii) according to the Speedroad Report, market demand for Imada Red Flower Oil will continue to increase due to an estimated increase in demand in the PRC pharmaceutical industry and an increase in demand for the product itself; and

(iv) the Group's business will continue to grow when estimating such an increase in demand for Imada Red Flower Oil.

Therefore, the increase in the above proposed annual caps has reflected the above expectations. The Directors also expect that the abovementioned sales target for the year ending 31 December 2010 will likely be achieved by the Distributor Customers, which are Independent Third Parties, as several of them have previously sold products distributed by the Group (including but not limited to Imada Red Flower Oil) and the Directors consider the Distributor Customers reliable in achieving the abovementioned sales targets. Such Distributor Customers were able to achieve 80% or above of the aggregate sales targets for the two years ending 31 December 2008 and 31 December 2009. Moreover, most of the letters of intent in relation to the sales targets of Imada Red Flower Oil for the two years ending 31 December 2012 contain an indemnity clause, which stipulates that in the event that the abovementioned sales targets are not achieved, the Distributor Customers shall indemnify SZ Kingworld at reasonable cost. Therefore, the Directors expect that the above mentioned sales target for the three years ending 2012 will likely be achieved.

Given that (i) the transaction contemplated under the Fengbao Jianfu Capsule Distribution Agreement is made between Yuen Tai and SZ Kingworld; (ii) the transactions contemplated under the Kingworld Product Range Distribution Agreement and the Imada Red Flower Oil Distribution Agreement are both made between SZ Kingworld and SZ Kingworld Lifeshine; and (iii) both Yuen Tai

and SZ Kingworld Lifeshine are companies indirectly wholly owned by Mr. Zhao and Ms. Chan, the Controlling Shareholders and executive Directors, through their shareholdings in Morning Gold, the transactions as set out in paragraphs 2, 3 and 4 above shall be regarded as a series of transactions under Rule 14A.25 of the Listing Rules. Accordingly, the annual caps thereunder may be aggregated for the purpose of calculating the applicable percentage ratios under the Listing Rules, particulars of which are set forth below:

	Year ending 31 December 2010 *RMB*	**Year ending 31 December 2011** *RMB*	**Year ending 31 December 2012** *RMB*
Fengbao Jianfu Capsule Distribution Agreement	2,898,700	9,662,400	14,493,600
Kingworld Product Range Distribution Agreement	5,922,576	6,583,876	7,634,691
Imada Red Flower Oil Distribution Agreement	11,538,450	24,999,975	32,564,070
Total	20,359,726	41,246,251	54,692,361

Given that each of the applicable percentage ratios (other than the profits ratio) upon aggregation of the transactions contemplated under the Fengbao Jianfu Capsule Distribution Agreement, the Kingworld Product Range Distribution Agreement and the Imada Red Flower Oil Distribution Agreement will be on an annual basis between 5% and 25% and the annual consideration for each of the three years ending 31 December 2012 is more than HK$10,000,000, the transactions contemplated under the Fengbao Jianfu Capsule Distribution Agreement, the Kingworld Product Range Distribution Agreement and the Imada Red Flower Oil Distribution Agreement constitute non-exempt continuing connected transactions and are subject to the reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Rules 14A.35(3), 14A.35(4) and 14A.35(5) of the Listing Rules.

APPLICATION FOR WAIVERS

Given the recurring nature of the transactions contemplated under each of the Min Tong Chisionhon Granules Distribution Agreement, the Fengbao Jianfu Capsule Distribution Agreement, the Kingworld Product Range Distribution Agreement and the Imada Red Flower Oil Distribution Agreement and that the Min Tong Chisionhon Granules Distribution Agreement, the Fengbao Jianfu Capsule Distribution Agreement, the Kingworld Product Range Distribution Agreement and the Imada Red Flower Oil Distribution Agreement will be entered into prior to the Listing Date, the Directors consider that the announcement and/or independent shareholders' approval requirements as applicable thereto in full compliance with the relevant Listing Rules will be impractical and unduly onerous to the Company.

Accordingly and pursuant to rule 14A.42(3), the Company has applied to the Stock Exchange, and the Stock Exchange has agreed to grant a waiver from strict compliance with (1) the announcement requirement under Rule 14A.35(3) of the Listing Rules for the transactions contemplated under the Min Tong Chisionhon Granules Distribution Agreement; and (2) the announcement and independent shareholders' requirements under Rules 14A.35(3) and 14A.35(4) of the Listing Rules for the transactions contemplated under the Fengbao Jianfu Capsule Distribution Agreement, the Kingworld Product Range Distribution Agreement and the Imada Red Flower Oil Distribution Agreement as mentioned under paragraphs 1, 2, 3 and 4 hereinabove, on the following conditions:

(a) the Company will comply with Rules l4A.35(l), (2) and (5), 14A.36, 14A.37 and 14A.38, 14A.39 and 14A.40 of the Listing Rules in respect of the transactions contemplated under each of the Min Tong Chisionhon Granules Distribution Agreement, the Fengbao Jianfu Capsule Distribution Agreement, the Kingworld Product Range Distribution Agreement and the Imada Red Flower Oil Distribution Agreement;

(b) the aggregate value of the transactions contemplated under each of the Min Tong Chisionhon Granules Distribution Agreement, the Fengbao Jianfu Capsule Distribution Agreement, the Kingworld Product Range Distribution Agreement and the Imada Red Flower Oil Distribution Agreement for each of the three years ending 31 December 2012 will not exceed the respective proposed annual caps stated above;

(c) the Company will comply with Rule 14A.35(3) of the Listing Rules if any of the respective proposed annual caps in respect of the transactions contemplated under the Min Tong Chisionhon Granules Distribution Agreement set out above is exceeded, or when the relevant agreement is renewed or when there is any material change to the terms of the relevant agreement; and

(d) the Company will comply with Rules 14A.35(3) and (4) of the Listing Rules if any of the respective proposed annual caps in respect of the transactions contemplated under the Fengbao Jianfu Capsule Distribution Agreement, the Kingworld Product Range Distribution Agreement and the Imada Red Flower Oil Distribution Agreement set out above is exceeded, or when the relevant agreement is renewed or when there is a material change to the terms of the relevant agreement.

If any terms of the transactions as mentioned above is altered or if the Company enters into any new agreements with any connected persons (within the meaning of the Listing Rules) in the future, the Company must fully comply with the relevant requirements under Chapter 14A of the Listing Rules unless it applies for and obtains a separate waiver from the Stock Exchange.

If there are any changes in the information provided or circumstances under which the waivers are granted, the Company should promptly notify the Stock Exchange of such changes.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those imposed on the continuing connected transactions set out above, the Company will take immediate steps to ensure compliance with such requirements within a reasonable time.

Confirmation from the Directors

The Directors (including the independent non-executive Directors) confirm that the transactions contemplated under each of the Min Tong Chisionhon Granules Distribution Agreement, the Fengbao Jianfu Capsule Distribution Agreement, the Kingworld Product Range Distribution Agreement and the Imada Red Flower Oil Distribution Agreement have been and shall be entered into in the ordinary and usual course of business of the Group, on normal commercial terms that are fair and reasonable and in the interests of the Shareholders as a whole. The Directors also confirm that each of the respective proposed annual caps sets out above is fair and reasonable and in the interests of the Shareholders as a whole.

Confirmation from the Sole Sponsor

The Sole Sponsor has reviewed the relevant documentation and information provided by the Company and is of the view that: (i) the transactions contemplated under each of the Min Tong Chisionhon Granules Distribution Agreement, the Fengbao Jianfu Capsule Distribution Agreement, the Kingworld Product Range Distribution Agreement and the Imada Red Flower Oil Distribution Agreement and for which waivers have been sought have been entered into in the ordinary and usual course of business of the Company and on normal commercial terms that are fair and reasonable and in the interests of the Shareholders as a whole; and (ii) that each of the respective proposed annual caps sets out above is fair and reasonable and in the interests of the Shareholders as a whole.

DIRECTORS

The Board consists of seven Directors, four of whom are executive Directors and three of whom are independent non-executive Directors. The following table sets out a summary of the names, ages and responsibilities of each of the Directors.

Name of Director	Age	Responsibilites
Zhao Li Sheng (趙利生)	52	Executive Director, co-founder and chairman of the Company responsible for the Group's overall strategic planning and business management
Chan Lok San (陳樂燊)	47	Executive Director and co-founder of the Group responsible for the financial planning and human resources management of the Group
Zhou Xuhua (周旭華)	44	Executive Director and general manager of SZ Kingworld responsible for business development and operations of SZ Kingworld
Lin Yusheng (林玉生)	45	Executive Director and deputy general manager of SZ Kingworld responsible for capital management and operations of the Group
Duan Jidong (段繼東)	45	Independent non-executive Director
Zhang Jianqi (張建琦)	53	Independent non-executive Director
Wong Cheuk Lam (黃焯琳)	42	Independent non-executive Director

Executive Directors

Mr. Zhao Li Sheng (趙利生), aged 52, is the co-founder of the Group and the chairman of the Company. He is primarily responsible for the Group's overall strategic planning and business management. He has over 15 years of experience in business management and development in the distribution of pharmaceutical and healthcare products. He was also appointed as the chairman of SZ Industry in 1994 and the general manager and chairman of SZ Kingworld in 1996. Mr. Zhao was qualified as a senior business manager by the Business Management Qualification Accreditation Committee of Hubei Province in December 2002.

Mr. Zhao has been a member of the standing committee (常委) of the 4th and 5th Shenzhen Committee of the Chinese People's Political Consultative Conference (深圳市政協第四及第五屆委員會). Mr. Zhao is vice-president of The Fifth Council of the Shenzhen General Chamber of Commerce (深圳市總商會(工商聯)第五屆理事會) in 2005. In 2008, he was the honorary director (名譽會董) of the Federation of Hong Kong Chiu Chow Community Organizations, the council member (理事) of the Third Session of China Overseas Friendship Association (第三屆中華海外聯誼會) and in 2009, the standing council member (常務理事) of the Third China Economic and Social Council (第三屆中國經濟社會理事會). Currently he is the vice president (副會長) of the Shenzhen Healthcare Association

(深圳市保健協會) and the Fourth Council of the Pharmaceutical Profession Association (深圳市醫藥行業協會第四屆理事會). He is also the chairman of the Youth Chawnese Committee of Shenzhen (深圳潮人海外經濟促進會青年委員會). Save as disclosed above, he did not hold any directorships in listed public companies or any other major appointments in Hong Kong or overseas in the three years preceding the Latest Practicable Date. He is the spouse of Ms. Chan. He was appointed as an executive Director on 25 September 2008.

Ms. Chan Lok San (陳樂燊), aged 47, is the co-founder of the Group. She is primarily responsible for the Group's financial planning and human resources management. She has over 15 years of experience in the pharmaceutical industry as well as over eight years of experience in property management. Ms. Chan has been working for SZ Industry since 1994 and SZ Kingworld since 1996. She has been the vice chairlady of SZ Kingworld and SZ Industry since 2005 and 2006 respectively, and the vice chairlady of SZ Kingworld Lifeshine since 2005 and the legal representative of Kingworld Department Store Property Management and King Gibson PRC. She has received a master's degree in business administration of senior management from Sun Yat-Sen University in 2010. She was also a member of the Global Foundation of Distinguished Chinese (世界傑出華人基金會) in 2003. Currently, she is the director (理事) of Sun Yat-Sen University Entrepreneur Alumni Association (Second Session) (第二届中山大學企業家校友聯合會). Save as disclosed above, she did not hold any directorships in listed public companies or any other major appointments in Hong Kong or overseas in the three years preceding the Latest Practicable Date. She is the spouse of Mr. Zhao. She was appointed as an executive Director on 25 September 2008.

Mr. Zhou Xuhua (周旭華), aged 44, has been the general manager of SZ Kingworld since 2009. He is primarily responsible for the business development and operations of SZ Kingworld. He was the business manager of SZ Industry between 1994 and 1995 and was the regional manager and deputy general manager of SZ Kingworld after he joined SZ Kingworld in 1996. He has 13 years of experience in the pharmaceutical industry. Mr. Zhou has worked as a clerk and was later promoted to become a supervisor of Shenzhen International Arcade between 1987 and 1993. He completed his education at Shenzhen Finance School (深圳市財經學校) in 1987. Save as disclosed above, he did not hold any directorships in listed public companies or any other major appointments in Hong Kong or overseas in the three years preceding the Latest Practicable Date. He was appointed as an executive Director on 3 August 2009.

Mr. Lin Yusheng (林玉生), aged 45, has been the deputy general manager of SZ Kingworld since June 2006. He is primarily responsible for the capital management and the operations of the Group. He has approximately 10 years of experience in the pharmaceutical industry. In 1989, he obtained a bachelor's degree in philosophy at Yanan University (延安大學). He received a master's degree in business administration at the Hong Kong Polytechnic University in 2006. From 1999 to 2004, he worked in Xi'an Lijun Pharmaceutical Company Limited, which is principally engaged in the manufacturing and sale of pharmaceutical products in the PRC, and a wholly owned subsidiary of Lijun International Pharmaceutical (Holding) Company Limited (stock code: 2005), a company listed on the Main Board which, together with its subsidiaries, are engaged in the research, development, manufacturing and selling of finished medicines and bulk pharmaceutical products to hospitals and distributors. Mr. Lin was appointed as a vice president of Lijun International Pharmaceutical (Holding) Company Limited from 2004 to 2006. From 2005 to 2006, he was also appointed as the

chairman of Xi'an Lijun Fangyuan Pharmaceutical Company Limited (西安利君方圓製藥有限責任公司). Save as disclosed above, he did not hold any directorships in listed public companies or any other major appointments in Hong Kong or overseas in the three years preceding the Latest Practicable Date. He was appointed as an executive Director on 3 August 2009.

Independent non-executive Directors

Mr. Duan Jidong (段繼東), aged 45, was appointed as an independent non-executive Director on 5 November 2010. He has approximately 20 years of experience in the pharmaceutical industry. He received a bachelor's degree in medicine at The Shanghai Railway Medical Institute (上海鐵道醫學院) in 1989. He was a surgeon with the Central Hospital of Shenyang Railway Bureau (原沈陽鐵路局中心醫院) from 1989 to 1994 and worked in the Beijing Mundipharma Pharmaceutical Company Limited (北京萌蒂制藥有限公司) from 1994 to 1998. He served as the chairman and legal representative of Kunming Baker Norton Pharmaceutical Company Limited from December 2002 to April 2006, a director of Holley Pharmaceutical (Chongqing) Co., Ltd. (重慶華立藥業股份有限公司, stock code: 000607), a company listed on the Shenzhen Stock Exchange, from 2005 to 2006, and a director of Wuhan Jianmin Pharmaceutical Groups Corp, Ltd. (武漢健民藥業集團股份有限公司, stock code: 600976), a company listed on the Shanghai Stock Exchange, from 2004 to 2006. He was a chief executive officer from 2002 to 2005, and a director from 2004 to 2006, of Kunming Pharmaceutical Group Corporation, Ltd. (昆明制藥集團股份有限公司, stock code: 600422), a company listed on the Shanghai Stock Exchange. He is currently an independent non-executive director of Zhejiang CONBA Pharmaceutical Company Limited (浙江康恩貝制藥股份有限公司, stock code: 600572) a company listed on the Shanghai Stock Exchange and the chairman of Beijing Strategy & Action Enterprise Management Consulting Company Limited (北京時代方略企業管理咨詢有限公司). In addition, he completed the 8th Session of Qualification Training for Independent Directors of Listed Companies in 2008 (2008年度第八期上市公司獨立董事任職資格培訓班) organized by the Shanghai Stock Exchange in 2008. Save as disclosed above, he did not hold any directorships in listed public companies or any other major appointments in Hong Kong or overseas in the three years preceding the Latest Practicable Date.

Mr. Zhang Jianqi (張建琦), aged 53, was appointed as an independent non-executive Director on 5 November 2010. He completed a course in industrial enterprise management at Xi'an Foundation University (西安基礎大學), which now merges with Xi'an University of Finance and Economics (西安財經學院) in 1981. Mr. Zhang obtained a master degree in engineering at Xi'an Jiaotong University (西安交通大學) in 1993. He received a PhD in management at the Xi'an Jiaotong University in 1998. He has over 22 years of experience in tertiary education. He was qualified as a lecturer in Corporate Management in 1987. Since 1999, he has been working as a professor at Lingnan (University) College, Sun Yat-Sen University and later as a PhD tutor at the same University in 2003. He is also a committee member (委員) of the Guangdong Committee of the Chinese People's Political Consultative Conference (政協廣東省委員會). Mr. Zhang has been the independent non-executive director of Guangzhou Kangwei Group Sports Goods Company Limited (廣州康威集團體育用品股份有限公司) since 2007. He has also been the independent non-executive director of Foshan Nationstar Optoelectronics Company Limited (佛山市國星光股份有限公司 stock code: 002449), company listed on the Shenzhen Stock Exchange, and Guangdong Alpha Animation and Culture Company Limited (廣東奧飛動漫文化股份有限公司, stock code: 002292), a company listed on the Shenzhen Stock Exchange, since 2008. In October 2009, he was appointed as the independent non-executive director

of Zhuguang Holdings Group Company Limited (formerly known as Nam Fong International Holdings Limited), stock code: 01176), a company listed on the Stock Exchange. Save as disclosed above, he did not hold any directorships in listed public companies or any other major appointments in Hong Kong or overseas in the three years preceding the Latest Practicable Date.

Mr. Wong Cheuk Lam (黃焯琳), aged 42, was appointed as an independent non-executive Director on 5 November 2010. He has over 15 years of experience in accounting and finance fields. Mr. Wong obtained a bachelor's degree in arts from the University of Hong Kong in 1992 and a master's degree in business from Victoria University of Technology, Australia in 1997. He is a member of the Hong Kong Institute of Certified Public Accountants and is a member of CPA Australia. From 1994 to 2003, he worked in accounting positions for Sakura Finance Asia Limited and, BOCI Securities Limited and Going Accounting Services Company. Since 2003, he has been working as a company secretary at Zhengzhou Gas Company Limited (鄭州燃氣股份有限公司) (stock code: 3928), a company listed on the Stock Exchange and has been the chief financial officer since July 2005 and was a financial controller during the period between October 2007 and July 2010 of the same company. Save as disclosed above, he did not hold any directorships in listed public companies or any other major appointments in Hong Kong or overseas in the three years preceding the Latest Practicable Date.

SENIOR MANAGEMENT

Name	Age	Position in the Group
Mr. Chan Hon Wan (陳漢雲)	50	Financial controller and company secretary
Ms. Luo Qingfang (羅清芳)	53	Human resources manager
Mr. Liu Yibing (劉亦兵)	52	Administration director
Ms. Fang Danna (方丹娜)	45	Financial manager
Mr. Zhang Sheng Xing (張盛興)	38	Sales director (Sales Region 1)
Mr. Yan Yaodong (閻耀東)	38	Sales director (Sales Region 2)
Mr. Ceng Yun (曾溳)	40	Sales director (Sales Region 3)
Mr. Yang Yongtao (楊永濤)	36	Promotions director
Ms. Liang Caiyun (梁彩雲)	42	Operations and customer services manager
Ms. Tian Yongli (田永莉)	48	Audit and control manager
Ms. Zhang Dan (張丹)	46	Deputy marketing director
Mr. Huang Ruozhong (黃若忠)	48	Corporate finance manager

Mr. Chan Hon Wan (陳漢雲), aged 50, was appointed as the financial controller and company secretary of the Company on 25 June 2009. He is responsible for the management of the Group's financial matters. He has over 24 years of experience in auditing and accounting fields. He served as a financial controller of Fairwood Fast Food Limited from 1995 to 1998. He also worked as a corporate finance director of Texwood Limited from 2000 to 2005 and a business director of Texwood Group from 2006 to 2008 respectively. He received a bachelor's degree in economics from Macquarie University Australia in 1986. In 2005, he received a master's degree in science (accountancy) from the Hong Kong Polytechnic University. He is an associate member of the Institute of Chartered Accountants in Australia and an associate member of the Hong Kong, Institute of Certified Public Accountants.

Ms. Luo Qingfang (羅清芳), aged 53, is the human resources manager of SZ Kingworld. She is primarily responsible for the formulation and management of the Group's human resources policies. She has approximately 16 years of experience in human resources. She worked as an office manager of the Southern Investment Advisor (深圳南方投資諮詢有限公司) in 1993 and a human resources manager of Guangdong Nanguo Business Bloc Company Limited (廣東南國企業集團有限公司) in 1994. She completed a master's degree in business administration from Zhongnan University of Economics and Law (中南財經大學) in 2000. In addition, she completed an EMBA course (在職經理工商管理碩士課程研修班) in 2002 at Lingnan (University) College, Sun Yat-Sen University. She joined the Group in 2000.

Mr. Liu Yibing (劉亦兵), aged 52, is the administration director of SZ Kingworld. He is primarily responsible for the implementation of the Group's administrative policies. He has approximately eight years of experience in the administrative field. He worked in the cadre training center at the human resources department of Foxconn International Group between 1995 and 1998. He received a bachelor's degree in Chinese literature from Hunan Normal University (湖南師範大學) in 1982. He joined SZ Kingworld in 2001.

Ms. Fang Danna (方丹娜), aged 45, has been the financial manager of the SZ Kingworld since 1995. She is primarily responsible for the management of SZ Kingworld's financial policies. She has approximately 20 years of experience in the accounting industry. She worked for the accounting department of Shenzhen Xinwei Electronics Company Limited (深圳新偉電子有限公司) in 1989 before she joined SZ Industry as a financial manager in 1995. She completed a course in accounting from Wuhan University (武漢大學) in 1991.

Mr. Zhang Sheng Xing (張盛興), aged 38, is the sales director (Sales Region 1) of SZ Kingworld. He is primarily responsible for the overall sales and customer management in Sales Region 1. He has approximately 14 years of experience in sales in the pharmaceutical industry. He completed the advanced training course in the essential studies in EMBA with Lingnan College (嶺南學院) of the Sun Yat-Sen University (中山大學) in 2006. He joined SZ Kingworld in 1994.

Mr. Yan Yaodong (閻耀東), aged 38, is the sales director (Sales Region 2) of SZ Kingworld. He is primarily responsible for the overall sales and customer management in Sales Region 2. He has approximately nine years of experience in the pharmaceutical industry. He completed his secondary education majoring in foreign language (English language) with Hulan Teachers Training College (呼蘭師範專科學校) in 1996. He joined SZ Kingworld in 2010.

Mr. Ceng Yun (曾溳), aged 40, is the sales director (Sales Region 3) of SZ Kingworld. He is primarily responsible for the overall sales and customer management in Sales Region 3. He has approximately 12 years of experience as a sales manager in the pharmaceutical industry. He completed a master's degree in industrial economics from Nanchang University (南昌大學) in 2001. He joined SZ Kingworld in 1996.

Mr. Yang Yongtao (楊永濤), aged 36, is the promotions director of SZ Kingworld. He is primarily responsible for the implementation of the Group's overall promotional strategies and management of the retail outlets. He has approximately eight years of experience in the sales and promotion areas. He worked as a promotion officer in the sales and marketing department of TCL Communication

Company Limited in 2000 and as a key account supervisor in the marketing & sales center in Raystar Cosmetics (Shenzhen) Company Limited in 2001. He completed a course in facilities engineering and sales management with Changchun University of Science and Technology (formerly known as Changchun Institute of Optics and Fine Mechanic (長春光學精密機械學院), in 1994 and later in economics management with Party School of the Central Committee of the Communist Party of China (中共中央黨校函授學院) in 1999. He joined SZ Kingworld in 2003.

Ms. Liang Caiyun (梁彩雲), aged 42, is the operations and customer services manager of SZ Kingworld. She is primarily responsible for the implementation of SZ Kingworld's overall customer services strategies including but not limited to the delivery of the products and the review of purchase agreements. She has over 20 years of experience in the sales and strategic planning fields. Before joining SZ Kingworld in 1999, she worked in the Aviation Industry Corporation of China ZhongHang Electronic Measuring Instruments Co. Ltd. (中國航空工業總公司中航電測儀器股份有限公司) in 1988 and later as a planning and statistics officer of Chiaphua Appliance (Shenzhen) Company Limited in 1997. She completed her tertiary education in the area of industrial enterprises management with 012 Base Vocational School (012基地職工學院) in 1988. She received the qualification certificate of specialty and technology for the intermediate level in statistics from the National Bureau of Statistics of China (國家統計局) in 1996.

Ms. Tian Yongli (田永莉), aged 48, is the audit and control manager of SZ Kingworld. She is primarily responsible for the formulation, implementation and review of SZ Kingworld's accounting policies and internal control. She has approximately 17 years of experience in the auditing and accounting fields. She worked as an accounting officer for Electronic Industry Bureau of Wuhan City (武漢市電子工業局) in 1992. She received the junior accountant qualification from Finance Department of the PRC (中華人民共和國財政部) in 1999. She received a professional diploma in industrial enterprises' operation and management from Wu Han Radio and TV University (武漢市廣播電視大學) in 1986. She joined SZ Kingworld in 2005.

Ms. Zhang Dan (張丹), aged 46, is the deputy marketing director (Nin Jiom Product Series) of SZ Kingworld. She is primarily responsible for the formulation and implementation of SZ Kingworld's overall marketing strategies for the products the Group distributes, especially Nin Jiom Pei Pa Koa. She has approximately 11 years of experience in the sales and marketing areas. She received a bachelor's degree in medical treatment from Yunyang Medical College of Tongji Medical University (同濟醫科大學鄖陽醫學院) in 1986. She was a lecturer at the Hubei Province Wuhan Health School between 1986 and 1995. She joined SZ Kingworld in 1996.

Mr. Huang Ruozhong (黃若忠), aged 48, is the corporate finance manager of SZ Kingworld and is responsible for managing the matters relating to the Listing. He has 15 years experience in handling securities and finance related matters. He worked in the securities department of the Shantou branch of the Bank of Communications Co. Ltd. from 1992 to 1999. He worked in the securities trading department of the Shantou Trust and Investment Company from 1999 to 2002, and worked for the Deheng Securities Company Limited from 2002 to 2003. Since 2004, he has been the executive directors of the Twelve Subsidiaries and since 2006, the director of Zhuhai Jinming. In 2001, he was presented with the qualification of handling securities business by the Securities Association of China

(中國證券協會). He attended a course at the Chinese People's Liberation Army Air Force Surface-to-air Missile Academy (中國人民解放軍空軍地空導彈學院) and Chinese People's Liberation Army Air Force Artillery Academy (中國人民解放軍空軍高炮學院) in 1985 and 1989 respectively. Mr. Huang joined SZ Kingworld in May 2003.

Save as disclosed in this prospectus, and apart from the Group's business, none of the Directors or senior management of the Group is interested in any business which competes or is likely to compete directly or indirectly with the Group's business.

COMPANY SECRETARY

Mr. Chan Hon Wan (陳漢雲) is the company secretary of the Company. He is also the financial controller of the Company. His biographical details are set out under the paragraph headed "Senior Management" above.

The Group had been operating under substantially the same management throughout the Track Record Period.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

During the Track Record Period, the aggregate amount of remuneration (including fees, salaries, contributions to pensions schemes, housing and other allowances, benefits in kind and discretionary bonuses) paid to the Directors was approximately RMB255,000, RMB1,945,000, RMB2,401,000 and RMB1,490,000 respectively. The aggregate amount of remuneration paid to the Directors increased substantially in 2008 as compared to 2007. Such increase was primarily attributable to the fact that Mr. Zhao, Ms. Chan and Mr. Zhou Xuhua did not receive any salaries in 2007.

The aggregate amount of salaries and other allowances and benefits in kind discretionary bonuses and contribution to pensions schemes paid to the five highest paid individuals (comprising of Directors and Senior Management) for the Track Record Period was approximately RMB910,000, RMB2,472,000, RMB2,617,000 and RMB1,623,000 respectively.

The remuneration of the Directors and senior management is determined in accordance with their individual performances, qualifications, experience and seniority, as well as the performance of the Group and market conditions. The level of bonuses to be paid to the Directors and senior management, if any, after the Listing will depend on, among other things, the Group's operating results, cash flow and recommendations from the remuneration committee of the Board of Directors. Following the Listing, the remuneration committee of the Board will review on a regular basis and determine the compensation package of each of the Directors and senior management of the Group.

Save as disclosed above, no other payments had been made or were payable during Track Record Period, by the Group to or on behalf of any of the Directors. The aggregate remuneration, excluding discretionary bonuses, of the Directors payable for the year ending 31 December 2010 is expected to be approximately RMB3 million.

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to notes 9 and 10 to the combined financial statements, included in the accountants' report set out in Appendix I to this prospectus.

STAFF

Overview of the number of staff

During the Track Record Period, the Group had a total of 286, 290, 351 and 378 full-time employees, respectively. The following table sets forth a breakdown of the Group's employees by function as at the Latest Practicable Date:

Areas of operations	Number of employees	Percentage of total
Directors	4	1.06
Senior managers	12	3.17
Sales	308	81.48
Marketing	8	2.12
Finance and accounting	11	2.91
Human resources	3	0.79
Internal audit	2	0.53
Quality control	6	1.59
Customer service	10	2.65
Others	14	3.70
Total	378	100

Relationship with staff

The Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has it experienced any difficulties in the recruitment and retention of experienced staff which have had a material effect on the Group's business. The Directors believe that the Group maintains good working relationship with its staff.

Staff benefits

During the Track Record Period, the Group made contributions to various benefit plans such as social insurance scheme, housing funds, occupational injury insurance, retirement benefit scheme and certain other employee benefits for employees who are employed by the Group pursuant to the PRC laws and regulations and the existing policy requirements of the local government in the PRC.

As required by PRC regulations, contributions to the benefit plans are required to be made at specified percentages of the staff's salaries, bonuses and certain allowances up to a maximum amount specified by the respective local government authorities. Members of the retirement scheme are entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date.

The Group and its Hong Kong employee are to contribute to the mandatory provident fund in accordance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and relevant requirements based on 5% of the relevant incomes of the relevant employee.

During the Track Record Period, the aggregate contribution of the Group in the benefit plans amounted to approximately RMB903,000, RMB1,755,000, RMB2,028,000 and RMB1,052,000 respectively.

Staff remuneration

The Group determines its staff's remuneration in accordance with its standard salary policies. Its total staff costs (including the Directors' and senior management's emoluments) during the Track Record Period was approximately RMB12,682,000, RMB19,271,000, RMB18,941,000, and RMB7,680,000 respectively, which accounted for 2.4%, 3.6%, 3.4% and 2.4% of the Group's total turnover, respectively. During the Track Record Period, the increase in total staff costs was mainly due to the increase in number of staff as well as the new Employment Contract Law which became effective on 1 January 2008.

Staff training

The Group provides internal training courses for its staff on a regular basis to enhance their technical and product knowledge including industry quality standards, regulatory standards, customer sales skills and inventory control systems. The Group also arranges for its staff to attend training courses organized by professional external training organisations. SZ Kingworld will commit approximately RMB1 million for the establishment of a training centre.

Compliance with labour and employment regulations

The Group had complied with all material applicable labour and employment laws and regulations in the PRC as at the Latest Practicable Date. As advised by the PRC Lawyer, the new Employment Contract law (勞動合同法), which mainly governs the employment contracts, became effective on 1 January 2008. The Directors confirm that the Group's employment contracts have complied with the new Employment Contract Law.

BOARD COMMITTEES

Audit Committee

The Company established an audit committee on 5 November 2010 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee has three members, namely Mr. Duan Jidong, Mr. Zhang Jianqi and Mr. Wong Cheuk Lam. Mr. Wong Cheuk Lam has been appointed as the chairman of the audit committee.

Remuneration Committee

The Company established a remuneration committee on 5 November 2010 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are, among other things, to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management and to make recommendation to the Board on the Group's policy and structure for all remuneration of the Directors and senior management. The remuneration committee has three members, namely Mr. Duan Jidong, Mr. Zhang Jianqi and Mr. Wong Cheuk Lam. Prof. Zhang Jianqi has been appointed as the chairman of the remuneration committee.

Nomination Committee

The Company established a nomination committee on 5 November 2010 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The nomination committee is mainly responsible for making recommendations to the Board on appointment of Directors and succession planning for Directors. The nomination committee has three members, namely Mr. Duan Jidong, Mr. Zhang Jianqi and Mr. Wong Cheuk Lam. Dr. Duan Jidong has been appointed as the chairman of the nomination committee.

COMPLIANCE ADVISER

The Company intends to appoint Guotai Junan Capital as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise the Company in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issued and share repurchases;

(c) where the Group proposes to use the net proceeds from the Share Offer in a manner different from that detailed in this prospectus or where the Group's business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry of the Group regarding unusual movements in the price or trading volume of the Shares or any other matters in accordance with Rule 13.10 of the Listing Rules.

The terms of the appointment shall commence on the Listing Date and end on the date which the Group distributes its financial results as required under Rule 13.46 of the Listing Rules for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

Assuming the Over-allotment Option is not exercised, and without taking into account any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme, the share capital of the Company immediately following the Share Offer will be as follows:

		HK$
Authorised share capital:		
10,000,000,000	Shares	1,000,000,000

Issued and to be issued, fully paid or credited as fully paid upon completion of Share Offer:

Number of Shares	**Description of Shares**	**Aggregate nominal value of Shares** *(HK$)*	**Approximate percentage of issued share capital**
8,680	Shares in issue	868	0.00145%
449,991,320	Shares to be issued under the Capitalisation Issue	44,999,132	74.99855%
150,000,000	Shares to be issued under the Share Offer	15,000,000	25%
600,000,000	Shares	60,000,000	100%

If the Over-allotment Option is exercised in full, and without taking into account any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme, the issued share capital of the Company immediately following the Share Offer will be as follows:

Issued and to be issued, fully paid or credited as fully paid upon completion of the Share Offer:

Number of Shares	**Description of Shares**	**Aggregate nominal value of Shares** *(HK$)*	**Approximate percentage of issued share capital**
8,680	Shares in issue	868	0.00139%
449,991,320	Shares to be issued under the Capitalisation Issue	44,999,132	72.28776%
172,500,000	Shares to be issued under the Share Offer	17,250,000	27.71085%
622,500,000	Shares	62,250,000	100%

Assumptions

The above tables assume the Share Offer and the Capitalisation Issue have become unconditional. It takes no account of any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue of Shares or for repurchase of Shares granted to the Directors as referred to below or otherwise.

Minimum Public Float

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at least 25% of the issued share capital of the Company must at all times be held by the public.

Ranking

The Offer Shares which may be issued under the Over-allotment Option will rank pari passu in all respects with all Shares now in issue or to be issued as mentioned in this prospectus, and will qualify for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus, except for the entitlements under the Capitalisation Issue.

General Mandate to issue Shares

The Directors have been granted a general conditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- 20% of the aggregate nominal value of share capital of the Company in issue immediately following completion of the Share Offer and the Capitalisation Issue excluding Shares which may be issued upon the exercise of the Over-allotment Option or the exercise of options that may be granted under the Share Option Scheme; and

- the aggregage of the total nominal value of the share capital of the Company which may be repurchased by the Company (if any) pursuant to the general mandate to repurchase shares as referred to below not exceeding 10% of the aggregate of the total nominal value of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of options that may be granted under the Share Option Scheme).

The Directors may, in addition to the Shares which they are authorized to issue under the mandate, allot, issue and deal in the Shares pursuant to a rights issue, script dividend scheme, exercise of subscription warrants which may be issued by the Company from time to time, the exercise of the options granted under the Share Option Scheme, an issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles and Capitalisation Issue.

This mandate will expire:

- at the conclusion of the Company's next annual general meeting;
- upon the expiration of the period within which the next annual general meeting of the Company is required to be held by laws of the Cayman Islands or the Articles; or
- when such mandate is varied, revoked or renewed by an ordinary resolution of the Shareholders passed in general meeting,

whichever is the earliest.

For further details of this general mandate, please see the paragraph headed "Written resolutions passed by the Shareholders" in the section headed "Further information about the Group" of Appendix V to this prospectus.

General mandate to repurchase Shares

The Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal value of the share capital of the Company in issue immediately following the completion of the Share Offer and the Capitalisation Issue (excluding any Shares that may be issued pursuant to the exercise of the Over-allotment Option or the exercise of options that may be granted under the Share Option Scheme).

This mandate relates only to repurchase made on the Stock Exchange and/or any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, and which is in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed "Repurchases of the Company's own securities" in the section headed "Further information about the Group" of Appendix V to this prospectus.

This mandate will expire:

- at the conclusion of the Company's next annual general meeting;
- upon the expiration of the period within which the next annual general meeting of the Company is required to be held by laws of the Cayman Islands or the Articles; or
- when such mandate is varied or revoked by an ordinary resolution of the Shareholders passed in a general meeting,

whichever is the earliest.

For further details of this general mandate, please see the paragraph headed "Written resolutions passed by the Shareholders" in the section headed "Further information about the Group" of Appendix V to this prospectus.

CONTROLLING SHAREHOLDERS

Immediately upon the completion of the Public Offer and Placing, the Controlling Shareholders, comprising Golden Land, Golden Morning, Mr. Zhao and Ms. Chan are together entitled to control the exercise of the voting rights of 75% of the Shares eligible to vote in a general meeting of the Company (assuming the Over-allotment Option is not exercised).

Save as disclosed above, there is no other person who will, immediately following completion of the Public Offer and Placing (without taking into account any Shares which fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), be directly or indirectly interested in 30% or more of the Shares then in issue or have a direct or indirect equity interest in any member of the Group representing 30% or more of the equity in such entity.

EXCLUDED BUSINESS OF CONTROLLING SHAREHOLDERS

During the Track Record Period and as at the Latest Practicable Date, Mr. Zhao and Ms. Chan, being two of the Controlling Shareholders, and their associates (further particulars of which are set forth in the section headed "*Connected Transactions*" of this prospectus) were interested in the following businesses which compete, or are likely to compete, either directly or indirectly, with the Group ("**Excluded Business**"). Particulars of the companies engaging in the Excluded Business are set out as follows:

1. **Companies engaging in the manufacturing of pharmaceuticals**

	Name of company	Principal Business
(1)	Yuen Tai *(Note 1)*	As at the Latest Practicable Date, Fengbao Jianfu Capsule was the only product manufactured by Yuen Tai and the Group was the sole distributor of such product. As Yuen Tai is a manufacturer and does not distribute Fengbao Jianfu Capsule itself other than selling it to the Group for distribution, Yuen Tai is not in competition with the Group. The Group's sales in respect of Fengbao Jianfu Capsule, which was supplied by Yuen Tai, accounted for 0.16%, 0.06%, 0.24% and 0% of the Group's revenue respectively during the Track Record Period. Each of the annual caps for the purchase and distribution of Fengbao Jianfu Capsule from Yuen Tai is expected to be approximately RMB2.9 million, RMB9.7 million and RMB14.5 million for the three financial years ending 31 December 2012 respectively, each of which represents 0.7%, 2.2% and 3.3% of the Group's 2009 costs of sales respectively. Yuen Tai is a direct wholly owned subsidiary of Morning Gold, details of which are set out in the paragraph headed "3. Companies having no business operations as at the Latest Practicable Date" below.

	Name of company	Principal Business
(2)	SZ Kingworld Lifeshine *(Note 1)*	As at the Latest Practicable Date, Kingworld Product Range and Imada Red Flower Oil were the only products manufactured by SZ Kingworld Lifeshine and the Group was the sole distributor of such products. As SZ Kingworld Lifeshine is a manufacturer and does not distribute Kingworld Product Range and Imada Red Flower Oil itself other than selling the products to the Group for distribution, SZ Kingworld Lifeshine is not in competition with the Group. The Group's sales in respect of Kingworld Product Range, which was supplied by SZ Kingworld Lifeshine, accounted for 0.79%, 0.04%, 0.56% and 0.81% of the Group's revenue respectively during the Track Record Period. Each of the annual caps for the purchase and distribution of Kingworld Product Range and Imada Red Flower Oil from SZ Kingworld Lifeshine is expected to be approximately RMB5.9 million, RMB6.6 million and 7.6 million; RMB11.5 million, RMB25.0 million and RMB32.6 million for the three financial years ending 31 December 2012 respectively, each of which represents 1.4%, 1.5% and 1.7%; 2.6%, 5.7% and 7.5% of the Group's 2009 costs of sales respectively. SZ Kingworld Lifeshine is a direct wholly owned subsidiary of Morning Gold, details of which are set out in the paragraph headed "Companies having no business operations as at the Latest Practicable Date" below.

2. **Companies engaging in businesses other than the manufacturing of pharmaceuticals**

	Name of company	Principal Business
(1)	King Gibson PRC	Sale of golf-related products, garments and accessories, including clothes, shoes, caps, gloves, etc.
(2)	Kingworld Department Store Property Management	Provision of property management services
(3)	Kamcorp	Investment holding and owns an office premises in Hong Kong

3. **Companies having no business operations as at the Latest Practicable Date**

Name of company

(1) SH Industry, Xin Hua Peng, SZ Industry, Kingkok International Enterprises and Kingkok Investment Holdings *(Note 2)*

(a) SH Industry was previously a client of SZ Kingworld and was engaged in the distribution of the Kawai Product Range and Nin Jiom Herbal Candy in Shanghai since its incorporation. Such products were sourced from SZ Kingworld. Since July 2008, SH Industry ceased its operation in the distribution of the Kawai Product Range and Nin Jiom Herbal Candy in Shanghai.

(b) Xin Hua Peng was engaged in the manufacturing of "WD Disinfectant" ("WD無敵消毒液") which has been ceased.

(c) SZ Industry is indirect wholly owned by two of the Controlling Shareholders, namely Mr. Zhao and Ms. Chan (who are also the Directors). It was established under the laws of the PRC on 30 June 1994. According to its business license, its scope of business includes the distribution of healthcare products (limited to the Kawai Product Range) and distribution of packaged foodstuffs. During the Track Record Period, SZ Industry acted as a holding company and was not engaged in any distribution business operation notwithstanding that during the Track Record Period and as at the Latest Practicable Date, SZ Industry was the owner of various certificates, including the Certificates of Imported Health Food for the importation of the Kawai Product Range. Other than the Kawai Product Range, SZ Industry did not hold any certificate of or conduct any business in relation to pharmaceutical or healthcare products. For further details, please refer to the relevant paragraph under "Authorisation granted by SZ Industry to distribute the Kawai Product Range" in the section headed "Connected Transactions" of this prospectus.

As SZ Industry was a holding company as at the Latest Practicable Date, the Directors consider that there is no competition between the business of the Group and that of SZ Industry.

(d) Kingkok International Enterprises and Kingkok Investment Holdings were not engaged in any business other than their direct or indirect equity interests in SZ Industry, SH Industry and Xin Hua Peng.

(2) Flying Success

Flying Success was an investment holding company and prior to August 2007, it invested in the shares of Lijun International Pharmaceutical (Holding) Co., Ltd. (利君國際醫藥(控股)有限公司), a company listed on the Stock Exchange (stock code: 2005).

(3) Morning Gold *(Note 1)*

4. **Companies which have no business operations since their incorporation**

As at the Latest Practicable Date, none of King Gibson Hong Kong, Kingworld Bright Future and Kingworld Medicine had conducted any business operations since their incorporation.

Notes:

1. As at the Latest Practicable Date, Yuen Tai and SZ Kingworld Lifeshine were direct wholly owned subsidiaries of Morning Gold, which in turn was owned as to 51% by Mr. Zhao and 49% by Ms. Chan. Morning Gold was not engaged in any business other than its shareholdings in Yuen Tai and SZ Kingworld Lifeshine as at the Latest Practicable Date. Both Yuen Tai and SZ Kingworld Lifeshine will continue to appoint the Group as their sole distributor after the Listing. Pursuant to the Deed of Non-Competition, each of the Controlling Shareholders has undertaken that he/she/it shall (i) procure his/her/its associates (including but not limited to Yuen Tai and SZ Kingworld Lifeshine) not to engage in any activities in the PRC or overseas which may be in competition with the Group; and (ii) first refer to the Company any investment or other commercial opportunity relating to the Restricted Activity (as defined in the paragraph under "Deed of Non-Competition" in the section of "Relationship with Controlling Shareholders" in this prospectus) that is identified by, or offered by a third party, to him/her/it or any company controlled by him/her/it and the Controlling Shareholders or his/her/its associates would only be entitled to pursue such opportunity if the Company declined it. Therefore, during the valid term of the Deed of Non-Competition, if Yuen Tai and SZ Kingworld Lifeshine manufacture other pharmaceuticals and healthcare products in addition to the existing products which they manufacture, they will not distribute such products themselves, and shall offer the Company the opportunity to distribute such products unless such opportunity is declined by the Company. The Company will seek approval from its board committee, consisting of independent non-executive Directors who do not have a material interest in the matter, as to whether to pursue or decline such opportunity. In the event that such opportunity has been declined by the Company in accordance with the terms of the Deed of Non-Competition, Yuen Tai and SZ Kingworld Lifeshine may refer to other companies for distribution of their products. For further details of the Deed of Non-Competition, please refer to the paragraph under "Deed of Non-Competition" in the section of "Relationship with Controlling Shareholders" in this prospectus.

2. As at the Latest Practicable Date, SH Industry and Xin Hua Peng were directly held as to 90% and 95% respectively by SZ Industry. As at the Latest Practicable Date, SZ Industry was a direct wholly owned subsidiary of Kingkok International Enterprises, which in turn was wholly owned by Kingkok Investment Holdings. Kingkok Investment Holdings was owned as to 80% by Mr. Zhao and 20% by Ms. Chan.

Rationale for non-inclusion

As the principal business of the Group is the distribution of branded imported pharmaceutical and healthcare products, and the abovementioned 15 companies are not engaged in such distribution business, the Directors consider that there is no competition between the businesses engaged by the abovementioned 15 companies and the business of the Group. Since the abovementioned 15 companies are all not within the principal business scope of the Group, they are therefore not included in the Group.

Amongst the 15 companies as mentioned above, Yuen Tai and SZ Kingworld Lifeshine are both engaged in their respective manufacturing business while the Group is principally engaged in the distribution business of branded imported pharmaceutical and healthcare products. As such, the respective manufacturing business engaged by Yuen Tai and SZ Kingworld Lifeshine does not fall within the principal business scope of the Group.

Reasons for not being in competition with the Group

The Directors consider that there is no competition between the principal business engaged by each of the abovementioned 15 companies and the business of the Group since each of the abovementioned 15 companies is not engaged in the distribution business. Therefore, they are not considered to be in competition with the Group. Also, the Controlling Shareholders entered into the Deed of Non-Competition in favour of the Company to the effect that the Controlling Shareholders will procure their associates (including the abovementioned 15 companies) not to engage in any activities which may compete with the Group. For details of the Deed of Non-Competition, please refer to the relevant paragraph under "Deed of Non-Competition" in the section of "Relationship with Controlling Shareholders" of this prospectus.

Based on the above, Mr. Zhao and Ms. Chan have no intention to include the abovementioned 15 companies in the Group and the Directors consider that there is no competition between the principal business engaged by each of the abovementioned 15 companies and the business of the Group.

Having considered the matters described above and the following factors, the Directors are satisfied that the Group can carry on its business independently of and at arm's length from the Excluded Business and the Controlling Shareholders following the Listing.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Management Independence

Golden Land, being a Controlling Shareholder, is wholly owned by Mr. Zhao, whereas Golden Morning, being another Controlling Shareholder, is wholly owned by Ms. Chan. Both Mr. Zhao and Ms. Chan are executive Directors.

The Board comprises four executive Directors and three independent non-executive Directors. Two of the executive Directors, namely, Mr. Zhao and Ms. Chan, hold management roles (including directorships) in the other Controlling Shareholders, namely, Golden Land and Golden Morning, respectively and in the companies owned, either directly or indirectly, by the Controlling Shareholders.

The following tables set forth the management roles (including directorships) held by the two executive Directors, namely, Mr. Zhao and Ms. Chan, with (i) the Group; (ii) the other two Controlling Shareholders, namely, Golden Land and Golden Morning; and (iii) companies owned, either directly or indirectly, by the Controlling Shareholders as at the Latest Practicable Date:

	Name	Position held with the Group	Position held with the Controlling Shareholders[Note 1] and companies owned, either directly or indirectly, by the Controlling Shareholders[Note 1]
1.	Mr. Zhao[Note 2]	Director [Note 4] of (1) BVI Kingworld (2) HK Kingworld (3) SZ Kingworld (4) the Company (5) Zhuhai Jinming Legal Representative of (1) SZ Kingworld (2) Zhuhai Jinming	Director of (1) Golden Land (2) Morning Gold (3) SZ Industry (4) SH Industry (5) Yuen Tai (6) SZ Kingworld Lifeshine (7) Kingkok International Enterprises (8) Kingkok Investment Holdings (9) Flying Success (10) Xin Hua Peng (11) Kamcorp (12) Kingworld Bright Future (13) Kingworld Medicine Legal Representative of (1) SZ Industry (2) SH Industry (3) SZ Kingworld Lifeshine (4) Xin Hua Peng

	Name	Position held with the Group	Position held with the Controlling Shareholders[Note 1] and companies owned, either directly or indirectly, by the Controlling Shareholders[Note 1]
2.	Ms. Chan[Note 3]	Director [Note 4] of (1) BVI Kingworld (2) HK Kingworld (3) the Company (4) SZ Kingworld	Director of (1) Golden Morning (2) Morning Gold (3) SZ Industry (4) SH Industry (5) SZ Kingworld Lifeshine (6) King Gibson PRC (7) Kingworld Department Store Property Management (8) Kingkok International Enterprises (9) Kingkok Investment Holdings (10) Flying Success (11) Xin Hua Peng (12) Kamcorp (13) King Gibson Hong Kong (14) Kingworld Medicine Legal Representative of (1) King Gibson PRC (2) Kingworld Department Store Property Management

Notes:

1. For the purpose of the tables above, "Controlling Shareholders" may exclude Mr. Zhao and/or Ms. Chan, where applicable.

2. Mr. Zhao participates in the management of the companies as set out in table 1 above in the capacity as a director of such companies.

3. Ms. Chan participates in the management of the companies as set out in table 2 above in the capacity as a director of such companies.

4. Mr. Zhao and Ms. Chan will devote 90% and 80% of their time and attention respectively to the management of the Group. The Directors are of the view that such time and attention devoted by Mr. Zhao and Ms. Chan respectively will be sufficient for the management of the Group.

Save as disclosed above, the Directors confirm that none of the Directors and members of the senior management in the Group hold positions (including directorships, legal representatives, etc.) in any of the companies directly or indirectly controlled by the Controlling Shareholders.

Notwithstanding the fact that (i) Mr. Zhao, being an executive Director, is also the director of a Controlling Shareholder, namely, Golden Land; (ii) Ms. Chan, being an executive Director, is also the director of a Controlling Shareholder, namely, Golden Morning; and (iii) both Mr. Zhao and Ms. Chan hold directorships in the companies owned, either directly or indirectly, by the Controlling Shareholders (for further particulars of such directorship, please refer to the two tables as set out above), the Directors are of the view that the Company is managed independently of the Controlling Shareholders and companies owned, either directly or indirectly, by the Controlling Shareholders for the following reasons:-

- Other than the two Directors (namely, Mr. Zhao and Ms. Chan) mentioned above, all the other Directors and members of the senior management of the Company do not concurrently hold directorships and/or senior management positions in the Controlling Shareholders (namely, Golden Land and Golden Morning) and in any of the companies owned, either directly or indirectly, by the Controlling Shareholders.

- Golden Land and Golden Morning are investment holding companies which do not have any substantial business. Thus, the two Directors, namely, Mr. Zhao and Ms. Chan, do not need to devote substantial time to Golden Land and Golden Morning, which are Controlling Shareholders as well.

- The companies owned, either directly or indirectly, by the Controlling Shareholders are either principally engaged in business activities other than the principal business of the Group or some of which had no business activities as at the Latest Practicable Date (further particulars of which are set forth in the sub-section headed "Excluded Business of Controlling Shareholders" in section "Relationship with Controlling Shareholders" to this prospectus) rather than the distribution of branded imported pharmaceutical and healthcare products, which is the principal business engaged by the Group.

In addition to the above, each of the Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he or she acts for the benefit and in the best interests of the Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Group and the Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum. In this regard, the Directors are of the view that the Group can be managed independently notwithstanding that Mr. Zhao and Ms. Chan are the executive Directors.

Also, the Directors consider that in the event of any conflicts of interest arising out of any transaction to be entered into between the Group and the Directors or their respective associates, the Board will be able to function properly for the following reasons:

- two out of four of the executive Directors, namely, Mr. Zhou Xuhua and Mr. Lin Yusheng, do not have any shareholding interests or roles in any of the companies directly or indirectly controlled by the Controlling Shareholders;

- the Directors confirm that both Mr. Zhou Xuhua and Mr. Lin Yusheng have work experience in the pharmaceutical industry and in particular, Mr. Lin Yusheng has managerial experience in pharmaceutical companies;

- in terms of the experience of the independent non-executive Directors, taking into account the experience of Mr. Duan Jidong in the pharmaceutical industry, Professor Zhang Jianqi's experience in tertiary education and the compliance, accounting and finance qualifications of Mr. Wong Cheuk Lam, in the event that certain members of the Board are required to abstain from voting in such matters involving conflicts of interest, the independent non-executive Directors can provide the Board with advice and guidance based on their respective experiences;

- none of the members of the Group's senior management hold positions (including directorships, legal representatives, etc.) in any of the companies held, either directly or indirectly, by the Controlling Shareholders. In the event that certain members of the Board are required to abstain from voting in such matters involving conflicts of interest, the Group's senior management team can provide the rest of the Board members with advice and guidance based on their respective experiences; and

- the Directors confirm that they will consult with independent experts from the pharmaceutical industry to obtain their professional opinion, advice and guidance, when necessary.

Furthermore, the management independence is warranted as the Group has its own team of senior staff independent of the Excluded Business. The team possesses in-depth experience and understanding of the industry of the distribution of pharmaceutical and healthcare products and general foodstuffs and are responsible for taking charge of the Group's daily operations.

Operational Independence

The organizational structure of the Group is made up of a number of departments, comprising the sales department, marketing department, securities department, audit department, finance department, human resources department, international sourcing department and quality control department. Each department has a specific area of responsibility. Internal control procedures are available to ensure effective operation of the Group's business. Furthermore, the Group has its own distribution network and its own sources of customers. The Group can operate independently through its own distribution networks, which do not overlap with the Excluded Business.

Although the Group entered into the various continuing connected transactions with companies controlled by the Controlling Shareholders as set out in the section headed "*Connected Transactions*" to this prospectus, the Directors confirm that these continuing connected transactions were entered into on normal commercial terms after arm's length negotiations and are fair and reasonable. The Group will also fully comply with the relevant requirements, e.g., reporting, announcement, independent shareholders' approval, etc. of Chapter 14A of the Listing Rules if any more connected transactions arise in the future.

Administrative independence

The Group has its own capabilities and personnel to perform all essential administrative functions, including internal control and audit monitor, financial and accounting management, invoicing and billing, human resources and information technology.

Financial independence

The Group has an independent financial system and makes financial decisions according to the Group's business needs.

During the Track Record Period, Mr. Zhao provided a personal guarantee in favour of China Construction Bank Shenzhen Branch in respect of the obligations of SZ Kingworld under a loan agreement. The approval by China Construction Bank Shenzhen Branch on the cancellation of the provision of the personal guarantee by Mr. Zhao as a security for the abovementioned loan was granted on 1 September 2010 and the personal guarantee was conditionally released on the same date (i.e. before the Listing). All non-trade balance due to the Controlling Shareholders and their associates will be fully settled before the Listing.

During the Track Record Period, save as disclosed in the Accountant's Report in Appendix I and in the section headed "Connected Transactions" to this prospectus, the Controlling Shareholders, through entities either controlled or partly-owned by them, have not provided loans to the Group or bank guarantees to secure bank loans of the Group.

Save and except the abovementioned personal guarantee provided by Mr. Zhao, the Directors confirm that the Group will not rely on the Controlling Shareholders for financing after the Listing.

Given the above reasons, the Directors are of the view that the Group is capable of carrying on its business independently of the Controlling Shareholders and their associates after the Listing.

In order to maintain independence from the Controlling Shareholders, the Group has adopted certain measures as stated in the relevant paragraphs headed "Corporate Governance Measures" below in this section of the prospectus. The Controlling Shareholders and their associates and other related parties have further given non-competition undertakings in this regard in order to further safeguard the interest of the Group, details of which are set out in the relevant paragraphs headed "Deed of Non-Competition" and "Undertaking Letter" below in this section of the prospectus.

Deed of Non-Competition

In order to avoid any possible future competition between the Group and the Controlling Shareholders, the Deed of Non-Competition has been entered into by the Controlling Shareholders in favour of the Company. The major terms and conditions of the Deed of Non-Competition are set out as follows:

The Controlling Shareholders (individually, the "Covenantor" and collectively, the "Covenantors") entered into a deed of non-competition (the "Deed of Non-Competition") on 5 November 2010 in favour of the Company, pursuant to which each of the Covenantors has given certain non-competition undertakings to the Company (for it and for the benefit of the members of the Group), to the effect that, he/she/it shall not, and he/she/it shall make his/her/its best efforts to procure that his/her/its associates or connected persons do not and shall not, directly or indirectly, whether on his/her/its own or through any entities, carry on, participate, be interested or engaged or otherwise be involved, whether for profit, reward or otherwise, in any business which is involved in any activity (the "Restricted Activity"), conducted in the PRC or overseas, which is in competition with, or is likely to be in competition with, the business carried on by any member of the Group (i.e. wholesale, import and export of proprietary Chinese medicine, chemical medicine preparation, antibiotics crude drugs and preparations, packaged food (including health food), including but not limited to the distribution of the pharmaceuticals and healthcare products currently distributed by the Group), from time to time during the restricted period set out in the Deed of Non-Competition. There shall be no restriction on a Covenantor and/or his/her/its associates or connected persons holding or being interested in shares or other securities in any company which conducts or is engaged in any Restricted Activity (the "Subject Company"), provided that:

(a) such shares or securities are listed on a stock exchange; and

(b) the aggregate number of shares, held by him/her/it and/or his/her/its associates or connected persons or in which he/she/it is interested, does not amount to more than 5% of the issued shares of the Subject Company, and he/she/it or his/her/its connected person or associates at no time shall have the right to appoint more than 10% of composition of the board of directors of the Subject Company.

Each of the Covenantors has undertaken further that he/she/it shall first refer to the Company any investment or other commercial opportunity relating to the Restricted Activity that is identified by, or offered by a third party, to him/her/it or any company controlled by him/her/it (other than those companies which are controlled by any Covenantor only by virtue of his/her/its shareholding in the Company), in the following manner:

(a) The relevant Covenantor or his/her/its associates or connected persons shall give a written offer notice to the Company of such opportunity, identifying the nature of business, investment or acquisition costs and other details reasonably necessary for the Company to consider whether to pursue the opportunity.

(b) The Company is required to notify the relevant Covenantor within 30 days (which, if the Company in its sole discretion decides, may be extended for another 30 days by the

Company notifying the relevant Covenantors of such extension) in writing of any decision taken to pursue or decline such opportunity. The Company will seek approval from its board committee, consisting of independent non-executive Directors who do not have a material interest in the matter, as to whether to pursue or decline such opportunity.

(c) The relevant Covenantor or his/her/its associates or connected persons will be entitled to pursue such opportunity if (i) he/she/it has received a notice from the Company declining the opportunity, or (ii) he/she/it has not received any notice from the Company within 30 days (which, if the Company in its sole discretion decides, may be extended for another 30 days by the Company notifying the relevant Covenantor of such extension).

(d) If there is a material change in the nature of the opportunity pursued by the relevant Covenantor or his/her/its associates or connected persons, he/she/it will refer the opportunity as so revised to the Company in the manner as outlined above.

The Deed of Non-Competition will terminate upon the earlier of:

(a) the anniversary date when the Covenantor and his/her/its associates or connected persons cease to beneficially own, directly or indirectly, 30% or more of the issued share capital of the Company; or

(b) the date when the Shares cease to be listed on the Stock Exchange.

Undertaking Letter

Undertaking letter executed by Pearl Shining and Ms. Cheng Lok Yam, Ella

In order to avoid any possible future competition between the Group and Pearl Shining, a sole proprietorship of Ms. Cheng Lok Yam, Ella, a connected person of Mr. Zhao and Ms. Chan who are two of the Controlling Shareholders, both Ms. Cheng Lok Yam, Ella and Pearl Shining executed an undertaking letter on 12 March 2010 in favour of the Company (the "Undertaking Letter").

Pursuant to the Undertaking Letter, Ms. Cheng Lok Yam, Ella and Pearl Shining confirmed that as at the date of the Undertaking Letter, they have not carried on, participated, engaged, involved or invested in any other business within and/or outside the PRC that would directly or indirectly compete with the business of the Group, save the business involving the Company as the distributor of Pearl Shining for the distribution of Min Tong Chisionhon Granules in the PRC (the "Min Tong Business"). Ms. Cheng Lok Yam, Ella and Pearl Shining further undertook that in the event that Ms. Cheng Lok Yam, Ella carried on, participated, engaged, involved or invested in any other business within and/or outside the PRC that would directly or indirectly compete with the business of the Group (save the Min Tong Business), Ms. Cheng Lok Yam, Ella and Pearl Shining should notify the Company in writing. The Company is required to notify Ms. Cheng Lok Yam, Ella and Pearl Shining in writing within 30 days thereof of any decision taken to pursue or decline such business opportunity, failing which Ms. Cheng Lok Yam, Ella and Pearl Shining should pursue such business opportunity.

The Undertaking Letter will become ineffective when the Shares cease to be listed on the Stock Exchange.

Corporate Governance Measures

The Controlling Shareholders have entered into the Deed of Non-Competition in favour of the Company in order to protect the Company's interests. For further details, please refer to the relevant paragraphs headed "Deed of Non-Competition" in this section of the prospectus. In order to further avoid potential conflicts of interests, the Group has adopted a system of corporate governance measures, details of which are set out as follows:

- As part of the preparations for the Listing, the Company has amended its Memorandum and Articles to comply with the Listing Rules. In particular, its Memorandum and Articles provide that, except in certain limited circumstances, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her associates have a material interest nor shall such Director be counted in the quorum present at the meeting. As such, the Controlling Shareholders in their capacity as Directors shall not vote or be counted in the quorum in respect of any proposals involving themselves or any of their other affiliates.

- The Group is committed that the Board should include a balanced composition of executive and independent non-executive Directors. The Directors are of the view that the independent non-executive Directors should be of sufficient calibre. Details of the independent non-executive Directors are set out in the relevant paragraphs under "Independent Non-executive Directors" in the section headed "Directors, senior management and staff" to this prospectus, who are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment. The independent non-executive Directors will be able to provide an impartial, external opinion to protect the interests of the public Shareholders.

- The Board will ensure that any material conflict or material potential conflict of interests will be reported to the independent non-executive Directors as soon as practicable when such conflict or potential conflict is discovered. Following the reporting of any material conflict or material potential conflict of interests, the Board will hold a meeting to review and evaluate the implications and risk exposure of such event and will monitor any material irregular business activities and alert the Board, including the independent non-executive Directors, to take any precautionary actions, where necessary.

- The Company intends to Guotai Junan Capital as its compliance adviser, which will provide advice and guidance to the Group in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and internal controls.

- The decision-making process in relation to the Deed of Non-Competition will be governed and monitored as follows:

  — The independent non-executive Directors will be responsible for deciding, without attendance by any other executive Directors (except as invited by the independent non-executive Directors to assist them), whether or not to take up a new opportunity referred to the Group or any other matter arising under the terms of the Deed of Non-Competition.

  — The independent non-executive Directors will also review, on an annual basis, any decision in relation to new opportunities referred to the Group, and state their views with basis and reasons in the annual report of the Company.

- The Company will observe any transaction that is proposed between the Group and its connected persons, and will be required to comply with Chapter 14A of the Listing Rules including, where applicable, the announcement, reporting, annual review and independent shareholders' approval requirements of those rules.

- The independent non-executive Directors will review, at least on an annual basis, the compliance with the non-competition undertaking entered into by the Controlling Shareholders in favour of the Company under the Deed of Non-Competition, the options, pre-emptive rights or first rights of refusals, if any, provided by the Controlling Shareholders on its existing or future competing businesses and decide whether to exercise these rights.

- The Controlling Shareholders have undertaken to provide the Group with all information necessary for the annual review conducted by the independent non-executive Directors and the enforcement of the Deed of Non-Competition.

- The Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the non-competition undertaking entered into by the Controlling Shareholders in favour of the Company under the Deed of Non-Competition in the annual report of the Company.

- The Controlling Shareholders will make an annual statement on compliance with the non-competition undertaking under the Deed of Non-Competition in the annual report of the Company, including the disclosure on how the Deed of Non-Competition was complied with and enforced (if applicable), which is consistent with the principles of making voluntary disclosure in the corporate governance report of the annual report of the Company.

Interests and short positions of the Directors and chief executives in the Shares, underlying shares or debentures of the Company and its associated corporations

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the the exercise of the Over-allotment Option or upon the exercise of any options which may be granted under the Share Option Scheme), the interests and/or short positions of the Directors and chief executives of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange once the Shares are listed will be as follows:

(i) ***Long position in the Shares:***

Name of Director	Nature of Interest	Number of Shares	Approximate percentage of shareholding immediately after Share Offer
Mr. Zhao*(Note 1)*	Interest of a controlled corporation, interest of spouse	450,000,000 Shares	75%
Ms. Chan*(Note 2)*	Interest of a controlled corporation, interest of spouse	450,000,000 Shares	75%

Notes:

1. Mr. Zhao is deemed (by virtue of the SFO) to be interested in 450,000,000 Shares. These Shares are held in the following capacity:

   (a) 360,000,000 Shares are held by Golden Land, which is wholly owned by Mr. Zhao. The reference to 360,000,000 Shares deemed to be interested by Mr. Zhao (as disclosed herein) and Golden Land (as disclosed in the sub-section headed "Interests and/or short position discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders" of this section) relate to the same block of Shares.

   (b) 90,000,000 Shares are indirectly held by Ms. Chan, wife of Mr. Zhao, through Golden Morning, which is wholly owned by Ms. Chan.

2. Ms. Chan is deemed (by virtue of the SFO) to be interested in 450,000,000 Shares. These Shares are held in the following capacity:

   (a) 90,000,000 Shares are held by Golden Morning, which is wholly owned by Ms. Chan. The reference to 90,000,000 Shares deemed to be interested by Ms. Chan (as disclosed herein) and Golden Morning (as disclosed in the sub-section headed "Interests and/or short position discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders" of this section) relate to the same block of Shares.

(b) 360,000,000 Shares are indirectly held by Mr. Zhao, husband of Ms. Chan, through Golden Land, which is wholly owned by Mr. Zhao.

(ii) ***Long positions in the shares of the associated corporations of the Company:***

Name of Director	Name of associated corporation	Capacity/ Nature of Interest	Approximate percentage of shareholding
Mr. Zhao	Golden Land	Beneficial Owner	100%
Ms. Chan	Golden Morning	Beneficial Owner	100%

Interests and/or short position discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders

So far as the Directors are aware, immediately following completion of the Share Offer and Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or upon the exercise of any options which may be granted under the Share Option Scheme), the following persons will have an interest or short position in the Shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be, directly or indirectly interested in 10% or more of the nominal value of the Shares carrying rights to vote in all circumstances at general meetings of the Company:

Long position in the Shares

Name of Shareholder	Capacity/ Nature of Interest	Number of Shares	Approximate percentage of interest immediately after Share Offer
Golden Land	Beneficial Owner	360,000,000 Shares	60%
Golden Morning	Beneficial Owner	90,000,000 Shares	15%
Mr. Zhao*(Note 1)*	Interest of a controlled corporation, interest of spouse	450,000,000 Shares	75%
Ms. Chan*(Note 2)*	Interest of a controlled corporation, interest of spouse	450,000,000 Shares	75%

Notes:

1. Mr. Zhao is deemed (by virtue of the SFO) to be interested in 450,000,000 Shares. These Shares are held in the following capacity:

   (a) 360,000,000 Shares are held by Golden Land, which is wholly owned by Mr. Zhao.

   (b) 90,000,000 Shares are indirectly held by Ms. Chan, wife of Mr. Zhao, through Golden Morning, which is wholly owned by Ms. Chan.

2. Ms. Chan is deemed (by virtue of the SFO) to be interested in 450,000,000 Shares. These Shares are held in the following capacity:

   (a) 90,000,000 Shares are held by Golden Morning, which is wholly owned by Ms. Chan.

   (b) 360,000,000 Shares are indirectly held by Mr. Zhao, husband of Ms. Chan, through Golden Land, which is wholly owned by Mr. Zhao.

Save as disclosed above, the Directors are not aware of any person who will, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or upon the exercise of any options which may be granted under the Share Option Scheme), have a notifiable interest or short position in Shares or, underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, be directly or indirectly interest in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

RESTRICTION ON DISPOSAL OF SHARES

(1) Each of Golden Land, Mr. Zhao, Golden Morning and Ms. Chan has undertaken to each of the Stock Exchange, the Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters) that it/he/she shall not and shall procure that the relevant registered holder(s) shall not:

   i. in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the "First Six-Month Period"), save for the transaction contemplated under the Stock Borrowing Agreement, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it/he/she is shown by this prospectus to be the beneficial owner; and

   ii. in the period of six months commencing on the date on which the First Six-Month Period expires (the "Second Six-Month Period"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it/he/she is shown by this prospectus to be the beneficial owner, if immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he/she would cease to be a Controlling Shareholder.

(2) Each of Golden Land, Mr Zhao, Golden Morning and Ms. Chan has also undertaken to each of the Stock Exchange, the Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters) that within the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, it/he/she will:

i. when it/he/she pledges or charges any securities of the Company beneficially owned by it/him/her as security (including a change or pledge) in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong (as amended)) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules or the Underwriting Agreements (as the case may be) for a bona fide commercial loan, it/he/she will immediately inform the Company, the Stock Exchange, the Sole Sponsor and the Sole Global Coordinator in writing of such pledge or charge together with the number of securities so pledged or charged; and

ii. when it/he/she receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities will be disposed of, it/he/she will immediately inform the Company, the Stock Exchange, the Sole Sponsor and the Sole Global Coordinator in writing of such indications.

The Company will inform the Stock Exchange as soon as practicable after it has been informed of the matters referred to in (1) or (2) above by Golden Land, Mr. Zhao, Golden Morning and Ms. Chan and disclose such matters by way of an announcement in compliance with the Listing Rules.

Mr. Zhao has also undertaken with the Company, the Sole Sponsor, the Sole Global Coordinator and the Underwriters that:

(a) he shall not, and shall procure that his associates or companies controlled by him or nominees or trustees holding in trust for him or the relevant registered holders shall not,

(i) sell, transfer or otherwise dispose of (including without limitation the creation of any options, rights, interests or encumbrance in respect of, or a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan and after having given notice of such pledge or charge to the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters)), any of the shares of Golden Land owned by him or the relevant company, nominee, trustee or relevant registered holder (including any interest in any shares in any company controlled by him which is directly or indirectly the beneficial owner of any of the shares of Golden Land) immediately following the completion of the Share Offer and the Capitalisation Issue (the "**GL Shares**") within the First Six-Month Period; and

(ii) within a further period of six months after the expiry of the First Six-Month Period (the "**Second Six-Month Period**"), sell, transfer or otherwise dispose of (including without limitation the creation of any options, rights, interests or encumbrance in respect of, but save pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws

of Hong Kong)) for a bona fide commercial loan and after having given notice of such pledge or charge to the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters)) any of the GL Shares, if immediately following such sale, transfer or disposal or upon exercise or enforcement of such options, rights, interests or encumbrance, he would cease to be a controlling shareholder (within the meaning of the Listing Rules) of Golden Land, as a result of which he would cease to be a controlling shareholder (within the meaning of the Listing Rules) of the Company, and that in the event of any such sale, transfer or disposal, all reasonable steps shall be taken to ensure that such sale, transfer or disposal shall be effected in such a manner so as not to create a disorderly or false market for the Shares during the progress of such sale, transfer or disposal or after the completion thereof;

(b) during the First Six-Month Period and the Second Six-Month Period, he will:

(i) when he pledges or charges any GL Shares in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong (as amended)) for a bona fide commercial loan or any other reason whatsoever, immediately inform the Company in writing of such pledges or charges together with the number of GL Shares so pledged or charged; and

(ii) when he receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged GL Shares or interests in the GL Shares will be sold, transferred or disposed of, immediately inform the Company in writing of such indications;

(c) he shall not:

(i) offer, allot or issue, or agree to offer, allot or issue any GL Shares or grant or agree to grant any options, warrants or other rights carrying any rights to subscribe for or otherwise acquire or over, either directly or indirectly, conditionally or unconditionally, any GL Shares or any securities convertible into or exchangeable for GL Shares or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of any of GL Shares or any such securities, whether any of such transactions is to be settled by delivery of GL Shares or such securities, in cash or otherwise or announce any intention to do so within the period commencing on the date by reference to which disclosure of the shareholdings of Mr. Zhao, Golden Land, Ms. Chan and Golden Morning is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Lock-up Period**"); or

(ii) offer, allot or issue or agree to offer, allot or issue any of GL Shares or other interests referred to in (a) above within the further period of six months immediately after the expiry of the First Lock-up Period (the "**Second Lock-up Period**") if, immediately following such offer, allotment and issue, Mr. Zhao would cease to be a controlling shareholder (as defined in the Listing Rules) or the single largest shareholder of

Golden Land, as a result of which Mr. Zhao, either individually or taken together with all or any of Golden Land, Ms. Chan and/or Golden Morning, would cease to be a controlling shareholder (as defined in the Listing Rules) or the single largest shareholder of the Company.

Ms. Chan has also undertaken with the Company, the Sole Sponsor, the Sole Global Coordinator and the Underwriters that:

(a) she shall not, and shall procure that her associates or companies controlled by her or nominees or trustees holding in trust for her or the relevant registered holders shall not,

(i) sell, transfer or otherwise dispose of (including without limitation the creation of any options, rights, interests or encumbrance in respect of, or a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan and after having given notice of such pledge or charge to the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters)), any of the shares of Golden Morning owned by her or the relevant company, nominee, trustee or relevant registered holder (including any interest in any shares in any company controlled by her which is directly or indirectly the beneficial owner of any of the shares of Golden Morning) immediately following the completion of the Share Offer and the Capitalisation Issue (the "**GM Shares**") within the First Six-Month Period; and

(ii) within the Second Six-Month Period, sell, transfer or otherwise dispose of (including without limitation the creation of any options, rights, interests or encumbrance in respect of, but save pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan and after having given notice of such pledge or charge to the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters)) any of the GM Shares, if immediately following such sale, transfer or disposal or upon exercise or enforcement of such options, rights, interests or encumbrance, she would cease to be a controlling shareholder (within the meaning of the Listing Rules) of Golden Morning, as a result of which she would cease to be a controlling shareholder (within the meaning of the Listing Rules) of the Company, and that in the event of any such sale, transfer or disposal, all reasonable steps shall be taken to ensure that such sale, transfer or disposal shall be effected in such a manner so as not to create a disorderly or false market for the Shares during the progress of such sale, transfer or disposal or after the completion thereof;

(b) during the First Six-Month Period and the Second Six-Month Period, she will:

(i) when she pledges or charges any GM Shares in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong (as amended)) for a bona fide commercial loan or any other reason whatsoever, immediately inform the Company in writing of such pledges or charges together with the number of GM Shares so pledged or charged; and

(ii) when she receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged GM Shares or interests in the GM Shares will be sold, transferred or disposed of, immediately inform the Company in writing of such indications;

(c) she shall not:

(i) offer, allot or issue, or agree to offer, allot or issue any GM Shares or grant or agree to grant any options, warrants or other rights carrying any rights to subscribe for or otherwise acquire or over, either directly or indirectly, conditionally or unconditionally, any GM Shares or any securities convertible into or exchangeable for GM Shares or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of any of GM Shares or any such securities, whether any of such transactions is to be settled by delivery of GM Shares or such securities, in cash or otherwise or announce any intention to do so within the First Lock-up Period; or

(ii) offer, allot or issue or agree to offer, allot or issue any of GM Shares or other interests referred to in (a) above within the Second Lock-up Period if, immediately following such offer, allotment and issue, Ms. Chan would cease to be a controlling shareholder (as defined in the Listing Rules) or the single largest shareholder of Golden Morning, as a result of which Ms. Chan, either individually or taken together with all or any of Golden Morning, Mr. Zhao and/or Golden Land, would cease to be a controlling shareholder (as defined in the Listing Rules) or the single largest shareholder of the Company.

You should read this section in conjunction with the Group's combined financial information, including the notes thereto, as set forth in the Accountants' Report in Appendix I to this prospectus. The Group has prepared the combined financial information on the basis set out in Note 2 of Section II of Appendix I and in accordance with the accounting policies that are in conformity with HKFRS.

This prospectus contains certain forward-looking statements relating to the Group's plans, objectives, expectations and intentions, which involves risks and uncertainties. The Group's future financial condition could differ materially from that discussed in this prospectus. For factors that could cause or contribute to such differences, please refer to the section headed "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

The Group is principally engaged in the distribution of well-known pharmaceutical and healthcare products in the PRC. As at the Latest Practicable Date, the Group managed a total of 49 products included 12 pharmaceutical products, seven healthcare products, 28 general foodstuffs and two medical products which are manufactured in Japan, Hong Kong, Taiwan, Thailand and the PRC and sourced from 13 different Suppliers. Since the commencement of the Group's business in September 1996, the Group has established an extensive distribution network in the PRC, which as at the Latest Practicable Date, consisted of approximately 190 Distributor Customers having a network of approximately 400 Sub-distributor Customers and approximately 1,500 Product Display Booths at the retail outlets in the PRC from the network of the Distributor Customers and Sub-distributor Customers. It is estimated that the current distribution network of the Group covers a total number of more than 17,000 retail outlets throughout the PRC of which the Group has no control.

For more effective management and co-ordination, the Group has strategically devised a management hierarchy over the PRC market which is segmented into 34 Regions which are managed by one or more of the Twelve Subsidiaries and other regional representative offices. These offices are frontline executors of the Group's sales and marketing strategies. They are responsible for organizing marketing compaigns, which include placing advertisements, liaising for public promotions, attending industry exhibitions and organizing product launch and other promotional events for Suppliers and Manufacturers. Moreover, a jointly controlled entity in the name of Zhuhai Jinming was established by SZ Kingworld and Guangdong Minglin for the distribution of the Nin Jiom Product Series in the Guangdong Province. Starting from May 2009, the Group has taken the initiative to co-operate with retail outlets to set up Product Display Booths to display the products the Group distributes, namely, Taiko Seirogan and Flying Eagle Wood Lok Medicated Oil under the name of "Kingworld Healthy Home" (金活健康之家). As at the Latest Practicable Date, approximately 1,500 Product Display Booths had been set up and they are located in 12 provinces covering 38 cities.

Note: In this section, the Group comprises the Company, its subsidiaries and 50% share of the jointly controlled entity, Zhuhai Jinming.

The following table sets forth the Group's annual revenue, operating profit, profit attributable to equity holders, operating margin and net profit margin for each of the three financial years ended 31 December 2009 and the six months ended 30 June 2010 respectively:

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Selected income statement data:					
Turnover	527,327	536,021	556,417	274,795	313,710
Gross profit	96,305	129,391	120,653	52,826	63,353
Profit from operations	44,528	62,011	56,363	16,375	18,034
Profit attributable to equity holders of the Company	29,235	34,397	37,244	8,561	10,612
Selected operating data:					
Gross profit margin	18.3%	24.1%	21.7%	19.2%	20.2%
Operating margin	8.4%	11.6%	10.1%	6.0%	5.7%
Net profit margin	5.5%	6.4%	6.7%	3.1%	3.4%

FACTORS AFFECTING RESULTS OF OPERATIONS

The Group's results of operations and the period-to-period comparability of the Group's financial results are affected by a number of factors, including the following principal factors:

Demand for products. A key driver of the Group's revenues is demand for the Group's pharmaceutical and healthcare products. Demand is driven by several key factors, including economic development, natural growth of population, the growing ageing society, the need for healthcare and the advances in technologty, which affect the demand for pharmaceutical and healthcare products generally and the demand for the products the Group sells as well.

Product mix. The Group's revenues are also affected by the selling prices of the Group's products and the mixture of product types. The Group's product pricing is largely dependent on the customer preferences which dictate the Group's product mix. Average selling prices are affected by the mix of pharmaceutical and healthcare the Group sells. Although the Group adjusts its product mix according to customer preferences, the Group maintains its focus on distributing high margin pharmaceutical and healthcare products that command higher average selling prices.

Scale of operations. The Group's scale of operations has increased in the past three years. Scale of operations affects its operating results in several ways. A larger scale of operations allows the Group to increase its volume of sales and spread its fixed costs and labor costs over a higher number of units distributed and gives it more bargaining power when negotiating with Suppliers. So long as

there is sustained market demand for the Group's products, a larger scale of operations will enable the Group to achieve higher revenue and better profit margins. In addition, a larger scale of operations generally has a positive impact on the Group's future growth, as it can offer the Group competitive advantages in pursuing investments and acquisitions.

Selling and distribution costs. Selling and distribution costs affect the Group's profitability. The Group seeks to reduce these costs by streamlining, consolidating and computerizing the operations by constructing its own warehouse in Shenzhen and managing its inventories efficiently. In this regard, the Group hopes to enjoy the benefits of further expansion of its sale network in the PRC.

SELECTED HISTORICAL COMBINED FINANCIAL INFORMATION

The selected historical combined financial information set forth below have been extracted from the Group's combined financial information for each of the three financial years ended 31 December 2009 and the six months ended 30 June 2010 (the "Financial Information"), all of which is respectively set forth in the Accountants' Report attached as Appendix I to this prospectus. The Financial Information has been prepared on the basis set out in Note 2 of Appendix I to this prospectus and in accordance with the accounting policies that are in conformity with Hong Kong Financial Reporting Standards ("HKFRSs"). Investors should read these selected combined financial data together with Appendix I to this prospectus and the discussion under the paragraph headed "Analysis of the Group's Results" below.

Combined Income Statements

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover *(Note 1)*	527,327	536,021	556,417	274,795	313,710
Cost of sales	(431,022)	(406,630)	(435,764)	(221,969)	(250,357)
Gross profit	96,305	129,391	120,653	52,826	63,353
Valuation (loss)/gain on investment property	—	(1,891)	600	—	—
Other revenue *(Note 2)*	3,591	7,220	6,786	4,509	3,738
Other net income *(Note 3)*	9,068	10,978	7,143	3,305	33
Selling and distribution costs	(51,748)	(62,357)	(58,378)	(33,991)	(37,485)
Administrative expenses	(12,688)	(21,330)	(20,441)	(10,274)	(11,605)
Profit from operations	44,528	62,011	56,363	16,375	18,034
Finance costs	(8,958)	(16,570)	(9,610)	(6,067)	(3,568)
Profit before taxation	35,570	45,441	46,753	10,308	14,466
Income tax	(6,335)	(11,044)	(9,509)	(1,747)	(3,854)
Profit for the year/period	29,235	34,397	37,244	8,561	10,612
Attributable to:					
Equity holders of the Company	29,235	34,397	37,244	8,561	10,612
Dividends	—	47,700	26,400	—	5,637
Earnings per share *(RMB)* *(Note 4)*					
Basic and diluted *(cents)*	6.50	7.64	8.28	1.90	2.36

Notes:

1. The Directors consider that the key revenue drivers for the financial year ended 2009 include (i) the launching of the Product Display Booths Scheme in May 2009 and (ii) the provision of the special 12-month credit term for Flying Eagle Wood Lok Medicated Oil, resulting in sales of the product increased from RMB10.1 million in 2008 to RMB28.6 million in 2009.

2. Other revenue primarily consists of interest income on financial assets not at fair value through profit or loss, commission income and rental income.

3. Other net income primarily consists of net realised and unrealised gain on forward foreign exchange contracts and net foreign exchange gain.

4. The calculation of basic earnings per share is based on the net profit attributable to equity holders of the Company for the three financial years ended 31 December 2009 and the six months ended 30 June 2010 and on the assumption that 450,000,000 shares in issue or to be issued as at the date of this prospectus and pursuant to the Capitalisation Issue occurred on the first day of the Track Record Period.

Gross profit margin analysis

Gross profit margin was 18.3% for the year ended 2007, 24.1% for the year ended 2008, 21.7% for the year ended 31 December 2009 and 20.2% for the six months ended 30 June 2010. The increase in the Group's gross profit margin from 18.3% in 2007 to 24.1% in 2008 was mainly due to the increase in sales for higher profit margin products like Flying Eagle Wood Lok Medicated Oil on one hand and decrease in sales quantity of lower margin products like eye-drop medicines on the other hand. The drop in gross profit margin from 24.1% in 2008 to 21.7% in 2009 and 20.2% in the six months ended 30 June 2010 was mainly due to the increase in average unit cost of Nin Jiom Pei Pa Koa products by 10.3% which could not be fully passed on to customers by correspondingly increasing the selling price of the Nin Jiom Pei Pa Koa.

Combined statements of comprehensive income

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Profit for the year/period	29,235	34,397	37,244	8,561	10,612
Other comprehensive income for the year/period					
Exchange differences on translation of financial statements of subsidiaries outside the PRC	8	78	(152)	(412)	106
	8	78	(152)	(412)	106
Total comprehensive income for the year/period	29,243	34,475	37,092	8,149	10,718

Combined Balance Sheets

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	4,406	3,451	3,633	3,434
Investment property	—	45,400	46,000	46,000
Prepaid lease payments	—	—	7,502	7,380
	4,406	48,851	57,135	56,814
Current assets				
Inventories	99,136	98,620	75,862	35,041
Trade and other receivables	278,404	265,746	178,513	170,422
Pledged bank deposits	69,049	103,396	246,619	197,537
Cash and cash equivalents	48,444	31,240	83,562	49,433
	495,033	499,002	584,556	452,433
Current liabilities				
Trade and other payables	177,930	164,729	172,882	113,852
Bank loans	187,333	159,595	246,606	195,766
Current taxation	2,016	3,414	4,637	2,896
	367,279	327,738	424,125	312,514
Net current assets	127,754	171,264	160,431	139,919
Total assets less current liabilities	132,160	220,115	217,566	196,733
Non-current liabilities				
Bank loans	—	100,000	60,000	60,000
Deferred tax liabilities	—	1,180	1,538	2,024
	—	101,180	61,538	62,024
NET ASSETS	132,160	118,935	156,028	134,709
CAPITAL AND RESERVES				
Share capital	—	—	1	1
Reserves	43,160	29,935	156,027	134,708
Shareholders' equity loans	89,000	89,000	—	—
TOTAL EQUITY	132,160	118,935	156,028	134,709

RESULTS OF OPERATIONS

The table below sets forth selected results of operations data expressed as a percentage of the Group's turnover, for each of the three financial years ended 31 December 2009 and the six months ended 30 June 2010. The Group's historical results of operations are not necessarily indicative of the results for any future period.

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	(%)	*(%)*	*(%)*	*(%)*	*(%)*
Turnover *(Note 1)*	100.0	100.0	100.0	100.0	100.0
Cost of sales	(81.7)	(75.9)	(78.3)	(80.8)	(79.8)
Gross margin	18.3	24.1	21.7	19.2	20.2
Other revenue	0.7	1.3	1.2	1.6	1.2
Other net income	1.7	2.0	1.3	1.2	0.0
Selling and distribution costs	(9.8)	(11.6)	(10.5)	(12.4)	(11.9)
Administrative expenses	(2.4)	(4.0)	(3.7)	(3.7)	(3.7)
Profit from operations	8.4	11.6	10.1	6.0	5.7
Finance costs	(1.7)	(3.1)	(1.7)	(2.2)	(1.1)
Profit before taxation	6.7	8.5	8.4	3.8	4.6
Net profit margin	5.5	6.4	6.7	3.1	3.4

Note:

1. Computation of turnover or income and reasonable breakdown between important trading activities.

FINANCIAL OVERVIEW

Turnover

The Group generated substantially all of its turnover from the sales of pharmaceutical and healthcare products during the Track Record Period. The Group's turnover represents sales of its products less sales tax. the Group incurred sales tax of RMB0.3 million, RMB0.5 million, RMB0.6 million and RMB0.3 million for each of the three financial years ended 31 December 2009 and the six months ended 30 June 2010 respectively.

The Group generated a substantial portion of its turnover from the sales of Nin Jiom Product Series. The Group's Nin Jiom Product Series accounted for 69.5%, 69.2%, 71.1% and 78.3% of its turnover for each of the three financial years ended 31 December 2009 and the six months ended 30 June 2010 respectively. The Group also sells a range of other types of pharmaceutical products, including Taiko Seirogan, Flying Eagle Wood Lok Medicated Oil, Kawai Product Range, Imada Red Flower Oil and other healthcare products.

The following table sets forth a breakdown of turnover for the products distributed by the Group, and each item expressed as a percentage of the Group's turnover, for each of the three financial years ended 31 December 2009 and six months ended 30 June 2009 and 2010 respectively:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Nin Jiom Pei Pa Koa	353,775	67.1%	357,121	66.6%	373,720	67.1%	186,728	67.9%	229,196	73.0%
Nin Jiom Herbal Candy	12,692	2.4%	14,266	2.6%	22,387	4.0%	8,276	3.0%	16,741	5.3%
Taiko Seirogan	53,755	10.2%	61,623	11.5%	42,325	7.6%	26,002	9.4%	11,034	3.5%
Flying Eagle Wood Lok Medicated Oil	4,345	0.8%	10,130	1.9%	28,591	5.1%	10,388	3,8%	12,587	4.0%
Kawai Product Range	23,910	4.5%	25,842	4.8%	29,127	5.2%	11,893	4.3%	10,442	3.3%
Imada Red Flower Oil	28,259	5.4%	28,573	5.3%	26,131	4.7%	12,289	4.5%	4,363	1.4%
Mentholatum Product Range	450	0.1%	422	0.1%	1,342	0.2%	527	0.2%	15,201	4.8%
Mentholatum Eye Drop Range*	36,576	6.9%	20,010	3.7%	26,177	4.7%	16,084	5.8%	—	0.0%
Kyushin Pill	7,886	1.5%	16,918	3.2%	1,202	0.2%	1,159	0.4%	9,921	3.2%
Kingworld Product Range	4,176	0.8%	221	0.1%	3,095	0.6%	759	0.3%	2,548	0.9%
Other products	1,774	0.3%	1,420	0.2%	2,870	0.6%	1,052	0.4%	1,956	0.6%
Gross sales	527,598	100.0%	536,546	100.0%	556,967	100.0%	275,157	100%	313,989	100.0%
Less: Sales tax	(271)		(525)		(550)		(362)		(279)	
Net sales	527,327		536,021		556,417		274,795		313,710	

* SZ Kingworld has not distributed the Mentholatum Eye Drop Range since 1 January 2010.

The following table sets forth a breakdown of sales volume and unit price for the Group's products for each of the three financial years ended 31 December 2009 and six months ended 30 June 2009 and 2010 respectively.

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	Sales Volume unit '000	*Unit Price RMB*	*Sales Volume unit '000*	*Unit Price RMB*	*Sales Volume unit '000*	*Unit Price RMB*	*Sales Volume unit '000*	*Unit Price RMB*	*Sales Volume unit '000*	*Unit Price RMB*
Nin Jiom Pei Pa Koa	23,012	15.4	23,379	15.3	23,828	15.7	12,044	15.5	14,488	15.8
Nin Jiom Herbal Candy	2,070	6.1	1,941	7.3	2,827	7.9	1,075	7.7	2,107	7.9
Taiko Seirogan	3,950	13.6	3,903	15.8	2,572	16.5	1,617	16.1	771	14.3
Flying Eagle Wood Lok Medicated Oil	362	12.0	792	12.8	2,232	12.8	810	12.8	983	12.8
Kawai Product Range	380	62.9	413	62.6	458	63.6	192	62.0	145	72.0
Imada Red Flower Oil	5,070	5.6	5,069	5.6	4,710	5.5	2,231	5.5	783	5.6
Mentholatum Product Range	61	7.4	60	7.0	180	7.5	74	7.1	1,737	8.8
Mentholatum Eye Drop Range	3,172	11.5	1,701	11.8	2,160	12.1	1,326	12.1	0	0.0
Kyushin Pill	77	102.4	162	104.4	12	100.2	12	96.6	85	116.7
Kingworld Product Range	2,972	1.3	186	1.2	2,176	1.3	545	1.4	1,799	1.3
Other products	139	15.4	95	14.9	255	12.1	84	12.8	86	24.7

The turnover of the Group's products increased from RMB527.3 million in 2007 to RMB536.0 million in 2008 and to RMB556.4 million in 2009, due to the greater penetration of its products in existing geographic markets as well as expansion of sales in new geographic markets. The turnover for the six months ended 30 June 2010 was RMB313.7 million.

The Group distributes products exclusively to Distributor Customers, with whom it typically enters into written distribution agreements for one-year terms and which are renewable annually. The Group generally recognized the sales to its customers upon delivery of products at their premises, with an up to 90-day credit term from the date of billing. Most of the Group's distributors make payment by telegraphic transfer.

Historically, the Group has experienced limited amounts of uncollectible trade receivables. The Group's impairment on bad debt amounted to RMB0.2 million, RMB0.2 million, RMB0.1 million and RMB0.2 million for each of the three financial years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 respectively.

Comparison of the Group's turnover for the year ended 31 December 2008 with the year ended 31 December 2007

For the financial year ended 31 December 2008, the Group's turnover was approximately RMB536.0 million, representing an increase of approximately RMB8.7 million from approximately RMB527.3 million for the financial year ended 31 December 2007.

The major components of the increase in sales from 2007 to 2008 are as follows:

Taiko Seirogan

The sales of Taiko Seirogan increased by approximately RMB7,868,000 from RMB53,755,000 (3,950,000 bottles at RMB13.6 unit price) in 2007 to RMB61,623,000 (3,903,000 bottles at RMB15.8 unit price) in 2008 mainly as the result of the increase in unit price from RMB13.6 in 2007 to at RMB15.8 in 2008 in order to bring the gross margin of the product from 9.2% in 2007 to a more profitable level of 32.3% in 2008.

Flying Eagle Wood Lok Medicated Oil

The sales of Flying Eagle Wood Lok Medicated Oil increased by approximately RMB5,785,000 from RMB4,345,000 (362,000 bottles at RMB12.0 unit price) in 2007 to RMB10,130,000 (792,000 bottles at RMB12.8 unit price) in 2008 mainly as the result of the increase in sales volume from 362,000 bottles in 2007 to 792,000 bottles in 2008 as well as the increase in unit price from RMB12.0 in 2007 to RMB12.8 in 2008. The increase in sales volume was mainly due to the co-operation with business partner to have a launch of the product in a large scale in 2008.

Kyushin Pill

The sales of Kyushin Pill increased by approximately RMB9,032,000 from RMB7,886,000 (77,000 bottles at RMB102.4 unit price) in 2007 to RMB16,918,000 (162,000 bottles at RMB104.4 unit price) in 2008 mainly as the result of the increase in sales volume from 77,000 bottles in 2007 to 162,000 bottles in 2008 as well as the increase in unit price from RMB102.4 in 2007 to RMB104.4 in 2008. The increase in sales volume was mainly due to the further advertising and promotion efforts of the Group.

The increase in sales for the above mentioned products was partially net off by the drop in sales of Mentholatum Eye Drop Range.

Mentholatum Eye Drop Range

The sales of Mentholatum Eye Drop Range decreased by approximately RMB16,566,000 from RMB36,576,000 (3,172,000 bottles at RMB11.5 unit price) in 2007 to RMB20,010,000 (1,701,000 bottles at RMB11.8 unit price) in 2008 mainly as the result of the decrease in sales volume from 3,172,000 bottles in 2007 to 1,701,000 bottles in 2008 as the Group reduced its effort to promote this product due to its low margin.

Comparison of the Group's turnover for the year ended 31 December 2009 with the year ended 31 December 2008

For the year ended 31 December 2009, the Group's turnover was approximately RMB556.4 million, representing an increase of approximately RMB20.4 million from approximately RMB536.0 million for the financial year ended 31 December 2008.

The major components of the increase in sales from 2008 to 2009 are as follows:

Nin Jiom Pei Pa Koa

The sales of Nin Jiom Pei Pa Koa increased by approximately RMB16,599,000 from RMB357,121,000 (23,379,000 bottles at RMB15.3 unit price) in 2008 to RMB373,720,000 (23,828,000 bottles at RMB15.7 unit price) in 2009 mainly as the result of the increase in sales volume from 23,379,000 bottles in 2008 to 23,828,000 bottles in 2009. The increase in sales volume was mainly due to the further advertising and promotion efforts of the Group in 2009.

Nin Jiom Herbal Candy

The sales of Nin Jiom Herbal Candy increased by approximately RMB8,121,000 from RMB14,266,000 (1,941,000 cans at RMB7.3 unit price) in 2008 to RMB22,387,000 (2,827,000 cans at RMB7.9 unit price) in 2009 mainly as the result of the increase in sales volume from 1,941,000 cans in 2008 to 2,827,000 cans in 2009. The increase in sales volume was mainly due to the joint promotion with Nin Jiom Pei Pa Koa.

Flying Eagle Wood Lok Medicated Oil

The sales of Flying Eagle Wood Lok Medicated Oil increased by approximately RMB18,461,000 from RMB10,130,000 (792,000 bottles at RMB12.8 unit price) in 2008 to RMB28,591,000 (2,232,000 bottles at RMB12.8 unit price) in 2009 mainly as the result of the increase in sales volume from 792,000 bottles in 2008 to 2,232,000 bottles in 2009. The increase in sales volume was mainly due to the promotion strategy of the Group through the setting up of Product Display Booths.

The increase in sales for the above mentioned products was partially net off by the drop in sales of Kyushin Pill.

Kyushin Pill

The sales of Kyushin Pill decreased by approximately RMB15,716,000 from RMB16,918,000 (162,000 cans at RMB104.4 unit price) in 2008 to RMB1,202,000 (12,000 cans at RMB100.2 unit price)in 2009 mainly as the result of the decrease in sales volume from 162,000 cans in 2008 to 12,000 cans in 2009.This significant decrease was mainly due to the fact that the Import Drugs Registration Certificate for Kyushin Pill expired on 28 August 2008. The Group has applied for the renewal of such certificate with the relevant government authorities in the PRC. Nonetheless, there was a delay in obtaining the renewed Import Registration Certificate and the Import Drugs Approval Notice was only granted in December 2009, which affected the importation of Kyushin Pill for distribution. The Group

has received a Notice of Cognizance for the renewal application on 27 August 2008 issued by theSFDA but was not provided with any reasons for the delay in or any rejections for, the issuance of the Import Registration Certificate. As a result, the sales of RMB1,202,000 was only the sales of the remaining stock brought forward from 2008.

Taiko Seirogan

The sales of Taiko Seirogan decreased by approximately RMB19,298,000 from RMB61,623,000 (3,903,000 bottles at RMB15.8 unit price) in 2008 to RMB42,325,000 (2,572,000 bottles at RMB16.5 unit price) in 2009 mainly as the result of the decrease in sales volume from 3,903,000 bottles in 2008 to 2,572,000 bottles in 2009. The decrease was mainly due to the increase in the unit price of the product which led to a drop in sales volume and the delayed renewed of the Import Drugs Registration Certificate which affect the supply of this product in the PRC. The Import Drugs Registration Certificate for Taiko Seirogan expired in August 2009 and the renewed certificate was only granted in February 2010.

Comparison of the Group's turnover for six months ended 30 June 2010 with six months ended 30 June 2009

The turnover increased to RMB313.7 million for the six months ended 30 June 2010, from RMB274.8 million for the same period in 2009, representing a 14.2% increase. The increase was mainly from Nin Jiom Pei Pa Koa. The sales of Nin Jiom Pei Pa Koa increased by approximately RMB42.5 million from RMB186.7 million in 2009 to RMB229.2 million in 2010 mainly due to further advertisement and promotion efforts of the Group.

Based on the unaudited management accounts of the Group, the turnover of the Group for the two months ended 31 August 2010 was RMB52.8 million.

The Group's sales for Flying Eagle Wood Lok Medicated Oil for each of the three financial years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2010 were RMB4.3 million, RMB10.1 million, RMB28.6 million and RMB12.6 million respectively. The growth rate of the sales for this product in the first half of 2010 was lower than that in 2009 because in 2009 when special programs were first launched to promote the sales of this product, many retail stores carried small quantities of stock or even no stock, therefore many orders were first orders by nature and the quantities are much larger than the repeated orders in the first half of 2010.

Cost of Sales

The Group's cost of sales represents primarily the cost of products that the Group purchases from its Suppliers. The following table sets forth its cost of sales, and each item expressed as a percentage of its total cost of sales, for each of the three financial years ended 31 December 2009 and the six months ended 30 June 2010 respectively:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Nin Jiom Pei Pa Koa	285,439	66.2%	275,383	67.8%	308,197	70.7%	156,399	70.5%	193,099	77.1%
Nin Jiom Herbal Candy	9,758	2.3%	9,911	2.4%	16,111	3.7%	5,967	2.7%	11,916	4.8%
Taiko Seirogan	48,821	11.3%	41,692	10.3%	26,015	6.0%	17,511	7.9%	7,102	2.8%
Flying Eagle Wood Lok Medicated Oil	2,259	0.5%	4,333	1.1%	11,929	2.7%	4,423	2.0%	5,355	2.1%
Kawai Product Range	16,340	3.8%	19,358	4.8%	19,651	4.5%	9,045	4.1%	6,492	2.6%
Imada Red Flower Oil	24,310	5.6%	22,107	5.4%	21,332	4.9%	10,186	4.6%	3,632	1.5%
Mentholatum Product Range	413	0.1%	412	0.1%	1,321	0.3%	514	0.2%	13,582	5.4%
Mentholatum Eye Drop Range*	33,304	7.7%	20,047	4.9%	25,788	5.9%	15,789	7.1%	—	0.0%
Kyushin Pill	5,740	1.4%	12,450	3.0%	908	0.2%	897	0.4%	6,191	2.5%
Other products	4,638	1.1%	937	0.2%	4,512	1.1%	1,238	0.5%	2,988	1.2%
Total	431,022	100.0%	406,630	100.0%	435,764	100.0%	221,969	100.0%	250,357	100.0%

* SZ Kingworld has not distributed the Mentholatum Eye Drop Range since 1 January 2010.

Cost of sales of the Group's products decreased from RMB431.0 million in 2007 to RMB406.6 million in 2008 mainly due to the decrease in sales volume by 8.6% as a result of the rise in average selling price by 11.3%. The cost of sales increased from RMB406.6 million in 2008 to RMB435.8 million in 2009 as sales volume increased by 9.8% primarily due to the Group's increased marketing efforts and enlarged distribution network. The increase in cost of sales is also caused by the increase in the average unit cost of Nin Jiom Product Series by 10.3%.

Cost of sales increased to RMB250.4 million for the six months ended 30 June 2010, from RMB222.0 million for the same period in 2009, representing a 12.8% increase. The increase was in line with the increase in turnover.

Gross Profit and Gross Margin

Gross profit is equal to turnover less cost of goods sold and sales tax. Gross margin is equal to gross profit divided by turnover. Gross profit and gross margin should be taken into consideration together with net profit and net profit margin, with net profit being the remainder of gross profit after

adding other revenue and other net income; and less selling and distribution expenses, administrative costs, finance costs and taxation; and net profit margin equals to net profit divided by turnover. The following table sets forth the gross profit and gross margins of the Group's products for each of the three financial years ended 31 December 2009 and six months ended 30 June 2010 respectively:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB'000	*Margin*	*RMB'000*	*Margin*	*RMB'000*	*Margin*	*RMB'000*	*Margin*	*RMB'000*	*Margin*
Nin Jiom Pei Pa Koa	68,336	19.3%	81,738	22.9%	65,523	17.5%	30,329	16.2%	36,097	15.7%
Nin Jiom Herbal Candy	2,934	23.1%	4,355	30.5%	6,276	28.0%	2,309	27.9%	4,825	28.8%
Taiko Seirogan	4,934	9.2%	19,931	32.3%	16,310	38.5%	8,491	32.7%	3,932	35.6%
Flying Eagle Wood Lok Medicated Oil	2,086	48.0%	5,797	57.2%	16,662	58.3%	5,964	57.4%	7,232	57.5%
Kawai Product Range	7,570	31.7%	6,484	25.1%	9,476	32.5%	2,848	24.0%	3,950	37.8%
Imada Red Flower Oil	3,949	14.0%	6,466	22.6%	4,799	18.4%	2,103	17.1%	731	16.8%
Mentholatum Product Range	37	8.1%	10	2.5%	21	1.5%	13	2.5%	1,619	10.7%
Mentholatum Eye Drop Range*	3,272	8.9%	(37)	(0.2)%	389	1.5%	295	1.8%	—	0.0%
Kyushin Pill	2,146	27.2%	4,468	26.4%	294	24.5%	262	22.6%	3,730	37.6%
Other products	1,312	22.1%	704	42.9%	1,453	24.4%	574	31.6%	1,516	33.7%
	96,576	18.4%	129,916	24.2%	121,203	21.8%	53,188	19.3%	63,632	20.3%
Less: Sales tax	(271)	(0.1)%	(525)	(0.1)%	(550)	(0.1)%	(362)	(0.1)%	(279)	(0.1)%
Total	96,305	18.3%	129,391	24.1%	120,653	21.7%	52,826	19.2%	63,353	20.2%

* SZ Kingworld has not distributed the Mentholatum Eye Drop Range since 1 January 2010.

The Group's gross profit increased from RMB96.3 million in 2007 to RMB129.4 million in 2008 and to RMB120.7 million in 2009. The Group's gross margin was 18.3%, 24.1%, 21.7% and 20.2% for each of the three financial years ended 31 December 2009 and the six months ended 30 June 2010 respectively. The Group's gross margin is basically affected by its product mix. The Group's gross margin increased from 18.3% in 2007 to 24.1% in 2008 mainly as a result of the rise in the average selling price by 11.3%. The gross margin decreased from 24.1% in 2008 to 21.7% in 2009 and further decreased to 20.2% for the six months ended 30 June 2010 mainly due to the rise in unit cost in Nin Jiom Product Series by 10.3% which was not passed to the customers in 2009 and 2010 partly due to the price control on the retail price ceiling imposed by the relevant PRC authorities.

The average selling price of Nin Jiom Pei Pa Koa (300ml, 150ml and 75ml) offered by the Group to the Distributor Customers for each of the three financial years ended 31 December 2009 and six months ended 30 June 2010 is RMB15.4, RMB15.3, RMB15.7 and RMB15.8 respectively. Although the Group's average purchase cost in relation to Nin Jiom Pei Pa Koa in HK$ for each of the three

financial years ended 31 December 2009 and six months ended 30 June 2010, being HK$12.97, HK$13.69, HK$15.35 and HK$15.35 per bottle respectively, shows an increasing trend, such average purchase cost in equivalent RMB for each of the three financial years ended 31 December 2009 and six months ended 30 June 2010 was RMB12.59, RMB12.45, RMB13.53, RMB13.52 per bottle respectively. As the rate of RMB appreciation was higher than the rate of increase in purchase cost in HK$ in year 2008, the average purchase cost in RMB in 2008 actually decreased when compared to the average purchase cost in RMB in 2007. As such, the gross margin in relation to Nin Jiom Pei Pa Koa was higher in 2008 when compared to that in 2007.

Other Revenue

The Group's other revenue primarily consists of interest income on financial assets not at fair value through profit or loss, rental income and commission income from Supplier, which represents income from Mentholatum (China) Pharmaceuticals Company Limited for achieving the pre-agreed sales target. When the pre-agreed sales target is achieved by the Group, a purchase rebate in the form of commission income will given by the Supplier. The Group will recognize such commission income in the same financial year when the purchase is recognised. Before the Group ceased to purchase products form the Supplier, the commission income was kept stable at approximately RMB1.5 million to RMB1.7 million each year in 2007 and 2008. As the first settlement of commission in 2010 from Mentholatum was received in August 2010, there was no commissionincome for the six months ended 30 June 2010. The following table sets forth a breakdown of other revenue, each item expressed as a percentage of the total other revenue, for each of the three financial years ended 31 December 2009 and six months ended 30 June 2010 respectively:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Total interest income on financial assets not at fair value through profit or loss										
- Bank interest income	2,063	57.4%	5,016	69.5%	4,481	66.0%	3,396	75.3%	3,037	81.2%
Commission income	1,528	42.6%	1,693	23.4%	585	8.6%	446	9.9%	—	—
Rental income	—	—	439	6.1%	1,325	19.6%	667	14.8%	701	18.8%
Others	—	—	72	1.0%	395	5.8%	—	—	—	—
Total	3,591	100.0%	7,220	100.0%	6,786	100.0%	4,509	100.0%	3,738	100.0%

Other net income

The Group's other net income primarily consists of net realised and unrealised gain on forward foreign exchange contracts and net foreign exchange gain. The functional currency of the Group is

RMB. The Group has foreign currency purchases in HK$ or USD, which expose it to market risk arising from changes in foreign exchange rate. The Group entered into forward foreign exchange contracts with certain banks in the PRC for the purpose of arranging for managing the risks in relation to fluctuation in RMB resulting in a currency hedging effect.

When the Group settles its trade payables in foreign currency by cash at market spot exchange rate, any exchange gain or loss will be recorded in the account of "net foreign exchange gain/(loss)".

When the Group settles its trade payables in foreign currency by forward foreign exchange contracts, any exchange gain or loss will be recorded in the account of "net realised and unrealised gain/(loss) on forward foreign exchange contracts".

The management of the Group has implemented a hedging policy that includes adequate procedures, limits, hedging timeframe, hedging products and approval guidelines. The management of the Group prepares and presents quarterly reports to the Board detailing the net foreign currency exposure and the results of the forward foreign exchange contracts.

The Group has accounting policy relating to derivative financial instruments. The Group has recognized the derivative financial instruments of the forward foreign exchange contracts as mentioned above under the hedge accounting in compliance with Hong Kong Accounting Standard 39.

The following table sets forth a breakdown of other net income, each item expressed as a percentage of the total other net income, for each of the three financial years ended 31 December 2009 and six months ended 30 June 2010 respectively:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Net gain on financial assets at fair value through profit or loss	—	—	—	—	303	4.3%	160	4.8%	71	215.2%
Net realised and unrealised gain/(loss) on forward foreign exchange contracts	312	3.4%	3,133	28.5%	6,658	93.2%	3,178	96.2%	(1,005)	(3,045.5%)
Net foreign exchange gain/(loss)	8,756	96.6%	7,845	71.5%	182	2.5%	(33)	(1.0%)	967	2,930.3%
Total	9,068	100.0%	10,978	100.0%	7,143	100.0%	3,305	100.0%	33	100.0%

Net realised and unrealised gain/(loss) on forward foreign exchange contracts

Started from 2007, the Group entered into forward foreign exchange contracts to manage the risk of fluctuation in RMB, which is dominated currency of the Group's revenue, against HK$ or USD

which is used for the settlement of the Group's purchase of products from its Suppliers. The Group confirms that all the payment through "forward foreign exchange" contracts are for settlement of purchase to its Suppliers. As more forward foreign exchange contracts were entered into by the Company over the years from 2007 to 2009 and the trend of the appreciation of RMB continued, the realised and unrealised gain on forward foreign exchange contracts increased from RMB0.3 million in 2007 to RMB3.1 million in 2008 and further increased to RMB6.7 million in 2009.

The agreed forward currency rate offered to the Group by the banks was an appreciated rate which more favourable than the then market spot rate at the time when those forward contracts were entered into because the banks expected an appreciation in RMB on the expiry date of the forward contracts. On the forward contract expiry date, if there was a depreciation in RMB or actual appreciation of RMB on the forward contract expiry date was less than the agreed forward currency rate, the Group would record a gain on the forward contract as the agreed amount of RMB required to settle the forward contract was less than the actual amount required. However, if the actual appreciation of RMB on the forward contract expiry date was greater than the agreed rate on the forward contract, the Group would incur a loss on the forward contract. Therefore, such arrangement assists the Group to manage the risks in relation to future exchange rate movements.

The Group further confirms that there is no actual delivery of the HK$ at agreed rate after RMB has been deposited as a pledge to the bank under the forward contract arrangements. The nominal outstanding amount of the forward contract forms part of the bank loan of the Group as set out in the paragraph headed "Current liabilities" in this section.

During the six months ended June 2010, the Group recognized a loss on net realised and unrealised forward foreign exchange contracts of approximately RMB1 million because it settled the forward foreign exchange contracts, which had maturity period of one-year and were expired during the six months ended June 2010, with a gain that was much lower than the fair value gain on the forward foreign exchange contracts recognized by the Group as at 31 December 2009. The Group recognized the fair value of the unexpired forward foreign exchange contracts as at 31 December 2009 based on the valuation performed by DTZ Debenham Tie Leung Limited, an independent professional valuers, and recognized an unrealised gain of approximately RMB3 million in its income statement during the year ended 31 December 2009 in compliance with Hong Kong Accounting Standard 39. As advised by the valuers that the global short-term interest rates have increased sharply due to the European debt crisis and the expectation of double-dip recession, and this fluctuation of the global interest rates was not anticipated in the valuers' valuation of the Group's forward foreign contract as at 31 December 2009, when the market was expecting a global economic recovery. Thus, the Group recognized a loss from the shortfall between the market value of the forward foreign exchange contracts at the expiry date and their fair value estimated by the valuers during the six months ended June 2010.

Net foreign exchange gain

At the time of purchase, the Group uses the spot exchange rate to convert the HK$ or USD stated on the purchase orders into RMB. When settlement is made, the Group uses the spot exchange rate at the time of payment to calculate the amount of RMB required for the settlement of the trade payables.

If RMB appreciates at the time of payment, the Group would record a foreign exchange gain because the Company can use less RMB to settle the trade payables denominated in HK$ or USD. The net foreign exchange gain in 2009 decreased significantly comparing to 2007 and 2008, because the appreciation of RMB in 2009 was much slower than in 2007 and 2008.

Sensitivity analysis

In the opinion of the Directors, the Group's currency risk of the forward foreign exchange contracts is low in view of the general perception that RMB will likely strengthen against HK$ and USD in the foreseeable future. The Group's estimated possible exposure on currency risk of the forward foreign exchange contracts would be 3%. The following table indicates the approximate change in the Group's profit after tax in response to the Group's estimated possible changes in the foreign exchange rates to which the Group has significant exposure at 30 June 2010.

	As at 30 June 2010 (audited) *RMB'000*	**Increase/ (Decrease) in foreign exchange rate**	**Effect on profit after tax** *RMB'000*
Notional principal amounts of forward foreign exchange contracts	195,766	3%	5,873
		(3)%	(5,873)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at 30 June 2010 and had been applied to each of the Group entities' exposure to currency risk for forward foreign exchange contracts in existence at that date, and that all other variables, in particular interest rates, remain constant.

After all the un-expired forward foreign exchange contracts on hand matured, the Group will not enter into any new forward foreign exchange contracts.

Selling and Distribution Costs

The Group's selling and distribution costs primarily consist of costs associated with its advertising and promotion, commission to customers, staff costs of its sales team, transportation and travelling expenses and other selling and distribution costs.

The following table sets forth a breakdown of the Group's selling and distribution costs, and each item expressed as a percentage of total costs, for each of the three financial years ended 31 December 2009 and six months ended 30 June 2010 respectively:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Advertising and promotion	10,481	20.3%	15,831	25.4%	15,047	25.8%	7,646	22.5%	9,029	24.1%
Commission to customers	12,983	25.1%	13,029	20.9%	12,833	22.0%	9,057	26.6%	9,779	26.1%
Staff costs	9,503	18.4%	12,601	20.2%	11,429	19.6%	6,439	18.9%	6,432	17.2%
Transportation and travelling	6,862	13.3%	7,339	11.8%	7,417	12.7%	4,196	12.3%	3,925	10.5%
Inspection expenses	4,685	9.1%	4,393	7.0%	4,762	8.2%	2,646	7.8%	2,799	7.5%
Office expenses	1,555	3.0%	1,930	3.1%	1,502	2.6%	835	2.5%	448	1.2%
Entertainment	1,312	2.5%	1,390	2.2%	1,002	1.7%	499	1.5%	585	1.6%
License fee	126	0.2%	729	1.2%	558	1.0%	530	1.6%	2,569	6.9%
Storage fees	126	0.2%	178	0.3%	198	0.3%	79	0.2%	113	0.3%
Others	4,115	7.9%	4,937	7.9%	3,630	6.1%	2,064	6.1%	1,806	4.6%
Total	51,748	100.0%	62,357	100.0%	58,378	100.0%	33,991	100.0	37,485	100.0%

The Group's advertising and promotional expenses amounted to RMB10.5 million, RMB15.8 million, RMB15.0 million and RMB9.0 million for each of the three financial years ended 31 December 2009 and six months ended 30 June 2010 respectively, representing 20.3%, 25.4%, 25.8% and 24.1% respectively, of its total selling and distribution costs in the Track Record Period. Selling and distribution costs increased by RMB10.7 million from RMB51.7 million in 2007 to RMB62.4 million in 2008 primarily due to the rise in advertising and promotional expenses as a result of the additional advertising and marketing activities carried out by its sales and marketing team. The increase was also a result of the rise in staff costs primarily due to the expansion of the Group's sales and marketing team in 2008.

Selling and distribution costs decreased from RMB62.4 million in 2008 to RMB58.4 million in 2009, mainly because the Group reduced its advertising efforts and streamlined its sales and marketing team in response to the unfavourable market environment in early 2009.

Selling and distribution costs amounted to RMB37.5 million for the six months ended 30 June 2010.

When the annual sales target is reached by a Distributor Customer, a sales rebate in the form of commission to customers may be offered to the Distributor Customers. The Group recognizes the commission to customers within the same financial year when the sales are recognised and had assessed that there is no indication of the default of repayment of trade receivables from Distributor

Customers. During the Track Record Period, the Group's commission was kept stable at approximately RMB13 million each year. The commission to customers amounted to RMB13.0 million, RMB13.0 million, RMB12.8 million and RMB9.8 million for each of the three financial years ended 31 December 2009 and six months ended 30 June 2010, respectively.

Administrative Expenses

The Group's administrative expenses primarily consist of staff costs for administrative, finance and human resource personnel, inspection fees of its products, office expenses, entertainment and depreciation of equipment and facilities used for administrative purpose.

The following table sets forth a breakdown of the Group's administrative expenses, and each item expressed as a percentage of total expenses, for each of the three financial years ended 31 December 2009 and six months ended 30 June 2010:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs	4,082	32.2%	8,425	39.5%	9,540	46.7%	5,330	51.9%	5,228	45.0%
Office expenses	792	6.2%	1,713	8.0%	2,709	13.3%	1,155	11.2%	1,019	8.8%
Entertainment	1,324	10.4%	3,596	16.9%	1,543	7.5%	689	6.7%	1,402	12.1%
Depreciation	927	7.3%	1,097	5.1%	881	4.3%	491	4.8%	421	3.6%
Rent	627	4.9%	690	3.2%	721	3.5%	344	3.3%	389	3.4%
Travelling	641	5.1%	783	3.7%	602	2.9%	289	2.8%	276	2.4%
Others	4,295	33.9%	5,026	23.6%	4,445	21.8%	1,976	19.3%	2,870	24.7%
Total	12,688	100.0%	21,330	100.0%	20,441	100.0%	10,274	100.0%	11,605	100.0%

The Group's administrative expenses amounted to RMB12.7 million, RMB21.3 million, RMB20.4 million and RMB11.6 million for each of the three financial years ended 31 December 2009 and six months ended 30 June 2010 respectively. The administrative expenses increased from RMB12.7 million in 2007 to RMB21.3 million in 2008, primarily because the Group recruited additional professionals and incurred additional expenses related to the growth of business. The increase in staff cost is mainly due to the increase in average salary of staff due to the enforcement of Employment Contract Law (劳動合同法) on 1 January 2008. The administrative expenses decreased slightly from RMB21.3 million in 2008 to RMB20.4 million in 2009, mainly due to the decrease in entertainment expenses in response to the sluggish economy in early 2009.

Administrative expenses amounted to RMB11.6 million for the six months ended 30 June 2010.

Finance Costs

The Group's finance costs consist mainly of interest paid on its bank loans and bills payable. Interest rates on the Group's bank loans are granted by PRC commercial banks. For each of the three

financial years ended 31 December 2009 and six months ended 30 June 2010, the Group's finance costs amounted to RMB9.0 million, RMB16.6 million, RMB9.6 million and RMB3.6 million respectively. Even though the bank borrowings increased from RMB259.6 million as at 31 December 2008 to RMB306.6 million as at 31 December 2009, the finance costs decreased from approximately RMB16.6 million in 2008 to approximately RMB9.6 million in 2009. The decrease is mainly attributable to the drop in average interest rate from 4.85% per annum in 2008 to 1.4% per annum in 2009 for fixed rate loans; and from 4.80% per annum in 2008 to 2.75% per annum in 2009 for variable rate loans.

Taxation

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

No provision for Hong Kong Profits Tax has been provided during the Track Record Period as the Group did not have assessable profits subject to Hong Kong Profits Tax.

The PRC income tax charge of the Group during the Track Record Period represents mainly the PRC income tax charge from SZ Kingworld and the Group's proportionate share of PRC income tax charge from Zhuhai Jinming, a jointly controlled entity of the Group.

Pursuant to the relevant laws and regulations in the PRC, SZ Kingworld and Zhuhai Jinming are located in the approved economic zone of Shenzhen and Zhuhai in the PRC and were subject to an income tax rate of 15% during the year ended 31 December 2007, 18% during the year ended 31 December 2008, 20% during the year ended 31 December 2009, and 22% during the six months ended 30 June 2010. The Twelve Subsidiaries were subject to an income tax rate of 33%, 25%, 25% and 25% for the three financial years ended 31 December 2009 and the six months ended 30 June 2010.

The National People's Congress of the PRC approved the Corporate Income Tax Law of the PRC on 16 May 2007. With effect from 1 January 2008, the tax rate applicable to enterprises established in the PRC will be unified at 25% with certain grandfather provisions and preferential provisions. SZ Kingworld and Zhuhai Jinming are both entitled to the transitional tax rate of 18%, 20%, 22%, 24% and 25% in 2008, 2009, 2010, 2011, 2012 onwards respectively.

Under the Corporate Income Tax Law of the PRC with effect from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC will be subject to withholding income tax at the rate of 10% on various types of passive income such as dividends derived from sources in the PRC. Pursuant to the double tax arrangement between the PRC and Hong Kong effective on 8 December 2006, the withholding income tax rate will be reduced to 5% if the investment by the Hong Kong investor in the invested entities in the PRC is not less than 25%. On 22 February 2008, the Minister of Finance and State Administration of Tax approved Caishui (2008) No. 1, pursuant to which dividend

distributions out of retained earnings of foreign investment enterprises prior to 31 December 2007 will be exempted from withholding income tax. Deferred tax liabilities of RMB1.5 million and RMB1.8 million in respect of the withholding income tax on dividends has been recognised by the Group for the year ended 31 December 2008 and 2009 respectively.

The following table sets forth the Group's profit before tax and income tax for each of the three financial years ended 31 December 2009 and the six months ended 30 June 2010; and the reconciliation between tax expense and accounting profit at the applicable tax rates:

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before taxation	35,570	45,441	46,753	10,308	14,466
Notional tax on profit before tax, calculated at the rates applicable in the jurisdictions concerned	5,365	8,214	9,366	2,068	3,215
Tax effect of non-deductible expenses	1,563	3,787	498	478	771
Tax effect of non-taxable income	(593)	(2,518)	(2,177)	(1,173)	(541)
Unrecognised temporary difference	—	41	101	—	(77)
Withholding tax on undistributed profits of PRC subsidiaries	—	1,520	1,759	412	486
Effect on opening deferred tax balance resulting from a change in tax rate	—	—	(38)	(38)	—
Actual tax expense	6,335	11,044	9,509	1,747	3,854
Applicable tax rate	15%	18%	20%	20%	22%
Witholding tax rate (Note)	—	5%	5%	5%	5%
Overall tax rate	15%	22%	24%	24%	26%
Effective tax rate	17.8%	24.3%	20.3%	16.9%	26.6%

Note: The withholding tax for dividend is 5% based on the net profit after income tax.

The main reasons for the difference between the overall tax rate and the effective tax rate during the Track Record Period are due to the tax effect of non-deductible expenses or the tax effect of non-taxable income.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The financial information set out in this prospectus has been prepared in accordance with HKFRSs. The preparation of the financial information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The Group bases the assumptions and estimates on historical experience and on various other assumptions that it believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Financial Information. The significant accounting policies are set forth in note 2. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the Financial Information.

a) **Depreciation**

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

b) **Impairment of assets**

If circumstances indicate that carrying value of the Group's property, plant and equipment and prepaid lease payments may not be recoverable, the asset may be considered impaired, and an impairment loss may be recognised in profit or loss. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volumes, sales revenue and amount of operating costs.

c) **Valuation of investment properties**

Investment properties are included in the balance sheet at their open market value, which is assessed annually by independent qualified valuers, after taking into consideration on an open market value basis calculated by reference to recent market transactions in comparable properties and the net income allowing for reversionary potential.

The assumptions adopted in the property valuations are based on the market conditions existing at the balance sheet date, with reference to current market sales prices and the appropriate capitalisation rate.

d) **Impairment for bad and doubtful debts**

The Group estimates allowance for impairment of doubtful debts on trade and other receivables (including amounts due from related parties) resulting from inability of the debtors to make the required payments. The Group bases the estimates on the ageing of the trade and other receivables balance, debtor credit-worthiness, and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimates.

e) **Net realisable value of inventories**

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated selling expenses. These estimates are based on the current market conditions and the historical experience of selling merchandise of similar nature. It could change significantly as a result of changes in customer taste or competitor actions. The Group reassesses these estimates at each balance sheet date.

f) **Income tax**

Determining income tax provision involves judgement on the future tax treatment of certain transactions. The directors carefully evaluate tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, the directors' judgement is required to assess the probability of future taxable profits. The directors' assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

ANALYSIS OF THE GROUP'S RESULTS

Comparison of the Group's results for the six months ended 30 June 2010 with those for the six months ended 30 June 2009

Turnover

For the six months ended 30 June 2010, the Group's turnover was approximately RMB313.7 million, representing an increase of approximately RMB38.9 million, or 14.2%, from approximately

RMB274.8 million for the six months ended 30 June 2009. The increase was mainly resulted from the increased sales of Nin Jiom Product Series and Flying Eagle Wood Lok Medicated Oil. Their growth on a period to period basis was 26.1% and 21.2% respectively as a result of increased promotion effort on these products, including the sales focus strategy on the Nin Jiom Pei Pa Koa and extended credit period and Products Display Booths for Flying Eagle Wood Lok Medicated Oil.

Cost of sales

For the six months ended 30 June 2010, the Group's cost of sales was approximately RMB250.4 million, representing an increase of approximately RMB28.4 million, or 12.8%, from approximately RMB222.0 million for the six months ended 30 June 2009. The increase in cost of sales is in line with the increase in turnover. The gross profit margin improved from 19.2% for the six months ended 30 June 2009 to 20.2% for the six months ended 30 June 2010 mainly as a result of the increase in sales of products with a higher gross profit margin, in particular, Flying Eagle Wood Lok Medicated Oil with a gross profit margin of 57.5%.

Other revenue

For the six months ended 30 June 2010, other revenue was approximately RMB3.7 million, representing a decrease of approximately RMB0.8 million, or 17.8%, from approximately RMB4.5 million for the six months ended 30 June 2009. The decrease was mainly due to the decrease in the commission income from approximately RMB0.4 million for the six months ended 30 June 2009 to nil for the six months ended 30 June 2010 as a result of the change in the commission arrangement with the Supplier.

Other net income

For the six months ended 30 June 2010, other net income was approximately RMB33,000, representing a decrease of approximately RMB3.3 million, or 99%, from approximately RMB3.3 million for the six months ended 30 June 2009. The decrease was principally due to the decrease in forward contract gain of approximately RMB4.2 million which was partially net off by the increase in exchange gain of approximately RMB1.0 million.

Selling and distribution costs

For the six months ended 30 June 2010, selling and distribution costs were approximately RMB37.5 million, representing an increase of approximately RMB3.5 million, or 10.3%, from approximately RMB34.0 million for the six months ended 30 June 2009. The increase was mainly from advertising cost and license fee which increased by RMB1.4 million and RMB2.0 million respectively. In order to make use of the Chinese economic recovery from the global financial crisis, more advertising and marketing activities were launched by the Group's sales and marketing team for the six months ended 30 June 2010. The increase in license fee was principally the result of the renewal of some of the expired licenses of the Group's products for the six months ended 30 June 2010.

Administrative expenses

For the six months ended 30 June 2010, administrative expenses were approximately RMB11.6 million, representing an increase of approximately RMB1.3 million, or 12.6%, from approximately RMB10.3 million for the six months ended 30 June 2009. The increase was mainly due to the increase in entertainment expenses by approximately RMB0.7 million and the increase in donation by approximately RMB0.8 million.

Operating profit

For the six months ended 30 June 2010, the Group's operating profit was approximately RMB18.0 million, representing an increase of approximately RMB1.6 million, or 9.8%, from approximately RMB16.4 million for the six months ended 30 June 2009. The increase in operating profit is primarily attributable to the increase in turnover and gross profit for the six months ended 30 June 2010.

Finance costs

For the six months ended 30 June 2010, finance costs were approximately RMB3.6 million, representing a decrease of approximately RMB2.5 million, or 41.0%, from approximately RMB6.1 million for the six months ended 30 June 2009. The decrease is mainly attributable to the drop in average interest rate on a period to period basis.

Profit before tax

For the six months ended 30 June 2010, the Group's profit before tax was approximately RMB14.5 million, representing an increase of approximately RMB4.2 million, or 40.8%, from approximately RMB10.3 million for the six months ended 30 June 2009. The increase in profit before tax is primarily attributable to the increase in turnover and gross profit in the first six months of 2010.

Income tax expenses

For the six months ended 30 June 2010, the Group's income tax expenses was approximately RMB3.9 million, representing an increase of approximately RMB2.2 million, or 129.4%, from approximately RMB1.7 million for the six months ended 30 June 2009. The increase is mainly attributable to the increase in profit before tax and the rise in effective tax rate.

Profit for the period attributable to equity holders of the Company

For the six months ended 30 June 2010, the Group's profit for the period attributable to equity holders of the Company was approximately RMB10.6 million, representing an increase of approximately RMB2.0 million, or 23.3%, from approximately RMB8.6 million for the six months ended 30 June 2009.

Comparison of the Group's results for the year ended 31 December 2009 with the year ended 31 December 2008

Turnover

For the year ended 31 December 2009, the Group's revenue was approximately RMB556.4 million, representing an increase of approximately RMB20.4 million, or 3.8%, from approximately RMB536.0 million for the year ended 31 December 2008. The increase was principally the result of greater penetration of the products distributed by the Group in existing geographic markets as well as expansion of sales in new geographic markets. Sales volumes of the products distributed by the Group increased by 9.8% from 2008 to 2009 primarily due to its increased marketing efforts and enlarged distribution network.

Cost of sales

For the year ended 31 December 2009, cost of sales was approximately RMB435.8 million, representing an increase of approximately RMB29.2 million, or 7.2%, from approximately RMB406.6 million for the year ended 31 December 2008, principally due to the increase in sales volume by 9.8% from 2008 to 2009. The increase in cost of sales was also caused by the increase in the average unit cost of Nin Jiom Product Series by 10.3%. The drop in gross profit margin from 24.1% in 2008 to 21.7% in 2009 was mainly due to the increase in average unit cost of Nin Jiom Pei Pa Koa products by 10.3% which could not be fully passed on to customers by correspondingly increasing the selling price of the Nin Jiom Pei Pa Koa.

Other revenue

For the year ended 31 December 2009, other revenue was approximately RMB6.8 million, representing a decrease of approximately RMB0.4 million, or 6.0%, from approximately RMB7.2 million for the year ended 31 December 2008. The decrease was mainly due to the decrease in the commission income from approximately RMB1.7 million for the year ended 31 December 2008 to approximately RMB0.6 million for the year ended 31 December 2009 as a result of the decrease in commission rate which was partially net off by the increase in rental income from RMB0.4 million in 2008 to RMB1.3 million in 2009.

Other net income

For the year ended 31 December 2009, the Group's other net income was approximately RMB7.1 million, representing a decrease of approximately RMB3.9 million, or 35.5%, from approximately RMB11.0 million for the year ended 31 December 2008. This decrease was principally due to the decrease in exchange gain of approximately RMB7.7 million which was partially net off by the increase in forward contract gain of approximately RMB3.5 million.

Selling and distribution costs

For the year ended 31 December 2009, selling and distribution costs were approximately RMB58.4 million, representing a decrease of approximately RMB4.0 million, or 6.4%, from approximately RMB62.4 million for the year ended 31 March 2008 because the Group reduced its advertising efforts and streamlined its sales and marketing team in response to the unfavourable market environment in early 2009.

Administrative expenses

For the year ended 31 December 2009, administrative expenses were approximately RMB20.4 million, representing a decrease of approximately RMB0.9 million, or 4.2%, from approximately RMB21.3 million for the year ended 31 December 2008. The decrease was mainly due to the decrease in entertainment expenses by approximately RMB2.1 million which was partially net off by the increase in office expenses and staff costs by approximately RMB1.0 million and RMB1.1 million respectively.

Operating profit

For the year ended 31 December 2009, the Group's operating profit was approximately RMB56.4 million, representing a decrease of approximately RMB5.6 million, or 9.0%, from approximately RMB62.0 million for the year ended 31 December 2008 mainly due to the decrease in gross profit by approximately RMB8.7 million.

Finance costs

For the year ended 31 December 2009, finance costs were approximately RMB9.6 million, representing a decrease of approximately RMB7.0 million or 42.0%, from approximately RMB16.6 million for the year ended 31 December 2008. The decrease mainly reflected the decrease in interest expenses during the year ended 31 December 2009.

Profit before taxation

For the year ended 31 December 2009, the Group's profit before taxation was approximately RMB46.8 million, representing an increase of approximately RMB1.4 million, or 3.1%, from approximately RMB45.4 million for the year ended 31 December 2008.

Income tax expenses

For the year ended 31 December 2009, the Group's income tax expenses were approximately RMB9.5 million, representing a decrease of approximately RMB1.5 million, or 13.6%, from approximately RMB11.0 million for the year ended 31 December 2008. The effective tax rate is 20.3% and 24.3% for 2009 and 2008 respectively. The National People's Congress of the PRC approved the Corporate Income Tax Law of the PRC on 16 May 2007. Effective from 1 January 2008, the tax rate applicable to enterprises established in the PRC will be unified at 25% with certain preferential provisions. The Group are entitled to the transitional tax rate at 18%, 20%, 22%, 24% and 25% in 2008, 2009, 2010, 2011 and 2012 onwards respectively.

Profit for the period attributable to equity holders of the Company

For the year ended 31 December 2009, the Group's profit for the period attributable to equity holders of the Group was approximately RMB37.2 million, representing an increase of approximately RMB2.8 million, or 8.1%, from approximately RMB34.4 million for the year ended 31 December 2008.

Comparison of the Group's results for the year ended 31 December 2008 with the year ended 31 December 2007

Turnover

For the year ended 31 December 2008, the Group's turnover was approximately RMB536.0 million, representing an increase of approximately RMB8.7 million, or 1.6%, from approximately RMB527.3 million for the year ended 31 December 2007. This growth was principally resulted from the increase in average selling price for the products distributed by the Group by about 11.3% on a year to year basis. Such increase in sales was partially set off by the decrease in the sales quantity. The sales volume for the year ended 31 December 2008 decreased by approximately 8.6% when compared to 2007 mainly as a result of the decrease in sales of eye-drop medicines by 45.3% which have lower profit margin.

Cost of sales

For the year ended 31 December 2008, cost of sales was approximately RMB406.6 million, representing a decrease of approximately RMB24.4 million, or 5.7%, from approximately RMB431.0 million for the year ended 31 December 2007. The decrease is principally due to the decrease in sales quantity of the pharmaceutical and healthcare products, in particular the eye-drop medicines, which decreased by about 46.3% on a year to year basis. The Group's gross profit was approximately RMB129.4 million for the year ended 31 December 2008, representing an increase of approximately RMB33.1 million, or 34.4%, from approximately RMB96.3 million for the year ended 31 December 2007. Gross profit margin was about 24.1% for the year ended 31 December 2008 while the gross profit margin for the year ended 31 December 2007 was 18.3%. The improvement was mainly due to the increase in sales for its higher profit margin products like Flying Eagle Wood Lok Medicated Oil on one hand and decrease in sales quantity of lower margin products like eye-drop medicines on the other hand.

Other revenue

For the year ended 31 December 2008, other revenue was approximately RMB7.2 million, representing an increase of approximately RMB3.6 million, or 100.0%, from approximately RMB3.6 million for the year ended 31 December 2007. The increase was mainly due to the increase in interest income of approximately RMB3.0 million as a result of an increase in average bank balance during the year.

Other net income

For the year ended 31 December 2008, the Group's other net income was approximately RMB11.0 million, representing an increase of approximately RMB1.9 million, or 20.9%, from approximately RMB9.1 million for the year ended 31 December 2007. This increase was principally due to the increase in forward contract gain of approximately RMB2.8 million arising from the increased rate of appreciation of RMB against the HK$ during the year.

Selling and distribution costs

For the year ended 31 December 2008, distribution costs were approximately RMB62.4 million, representing an increase of approximately RMB10.7 million, or 20.7%, from approximately RMB51.7 million for the year ended 31 December 2007. The increase was mainly due to the increase in bonus of approximately RMB1.4 million, salaries expenses of approximately RMB1.7 million and advertising expenses of approximately RMB5.0 million. The increase in advertising expenses was mainly due to the promotion campaign in media.

Administrative expenses

For the year ended 31 December 2008, administrative expenses were approximately RMB21.3 million, representing an increase of approximately RMB8.6 million, or 67.8%, from approximately RMB12.7 million for the year ended 31 December 2007. The increase was mainly due to the increase in entertainment expenses of approximately RMB2.3 million, labour insurance of approximately RMB0.8 million, office expenses of approximately RMB0.9 million and salaries expenses of approximately RMB3.4 million. The increase in salaries expense is mainly due to the increase in average salary of the Group's staff due to the enforcement of Employment Contract Law (勞動合同法) on 1 January 2008.

Operating profit

For the year ended 31 December 2008, the Group's operating profit was approximately RMB62.0 million, representing an increase of approximately RMB17.5 million, or 39.3%, from approximately RMB44.5 million for the year ended 31 December 2007.

Finance costs

For the year ended 31 December 2008, finance costs were approximately RMB16.6 million, representing an increase of approximately RMB7.6 million or 85.0%, from approximately RMB9.0 million for the year ended 31 December 2007. The increase mainly reflected increased level of borrowings during the year ended 31 December 2008 from approximately RMB187.3 million as at 31 December 2007 to approximately RMB259.6 million as at 31 December 2008.

Profit before taxation

For the year ended 31 December 2008, the Group's profit before taxation was approximately RMB45.4 million, representing an increase of approximately RMB9.8 million, or 27.5%, from approximately RMB35.6 million for the year ended 31 December 2007.

Income tax expenses

For the year ended 31 December 2008, the Group's income tax expenses were approximately RMB11.0 million, representing an increase of approximately RMB4.7 million, or 74.6%, from

approximately RMB6.3 million for the year ended 31 December 2007. The effective tax rate increased to 24.3% for the year ended 31 December 2008 from 17.8% in the year ended 31 December 2007. The higher effective tax rate for the year ended 31 December 2008 was mainly due to the increase from 15% to 18% in income tax rate in approved economic zone in the PRC.

Profit for the period attributable to equity holders of the Company

For the year ended 31 December 2008, the Group's profit for the period attributable to equity holders of the Company was approximately RMB34.4 million, representing an increase of approximately RMB5.2 million, or 17.8%, from approximately RMB29.2 million for the year ended 31 December 2007.

ANALYSIS OF MAJOR BALANCE SHEET ITEMS

Non-current Assets

Non-current assets increased considerably from approximately RMB4.4 million as at 31 December 2007 to RMB48.9 million as at 31 December 2008. The increase was mainly a result from the purchase of investment property with aggregate cost of approximately RMB47.3 million for the purpose of generating stable rental income in the future.

The investment property carried at fair value was revalued as at 31 December 2008 and 2009 on an open market value basis calculated by reference to recent market transactions in comparable properties and net rental income allowing for reversionary income potential. The valuation was carried out by an independent firm of valuers, DTZ Debenham Tie Leung Limited.

The investment property is held under medium-term lease in the PRC and was pledged to secure banking facilities granted to the Group during the Track Record Period. The Group lease out the property under operating lease. The lease runs for a period of four years. None of the lease includes contingent rentals.

Non-current assets increased from approximately RMB48.9 million as at 31 December 2008 to RMB57.1 million as at 31 December 2009 mainly due to the addition of prepaid lease payment of approximately RMB7.5 million. The prepaid lease payments comprise land use right in the PRC. The increase was also the result of the recognition of change in fair value of investment property of approximately RMB0.6 million and the purchase of property, plant and equipment of approximately RMB1.1 million, but which was partly set off by the provision for depreciation charges for property, plant and equipment of approximately RMB0.9 million.

Non-current assets slightly decreased from approximately RMB57.1 million as at 31 December 2009 to RMB56.8 million as at 30 June 2010 mainly due to the provision for depreciation charges for property, plant and equipment of approximately RMB0.4 million and the amortisation of prepaid lease payments of approximately RMB0.1 million.

Current Assets

	As of 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Inventories	99,136	98,620	75,862	35,041
Trade and other receivables	278,404	265,746	178,513	170,422
Pledged bank deposits	69,049	103,396	246,619	197,537
Cash and cash equivalents	48,444	31,240	83,562	49,433
	495,033	499,002	584,556	452,433

Current assets of approximately RMB495.0 million as at 31 December 2007 increased to approximately RMB499.0 million and RMB584.5 million as at 31 December 2008 and 2009 respectively and decreased to approximately RMB452.4 million as at 30 June 2010. These movements are analysed as below:

a) ***Inventories***

Inventories balance as at the respective year end and period end during the Track Record Period represents trading stocks. The Group's inventories level decreased slightly by approximately 0.5% from approximately RMB99.1 million as at 31 December 2007 to approximately RMB98.6 million as at 31 December 2008.

The Group's inventories level decreased substantially from approximately RMB98.6 million as at 31 December 2008 to approximately RMB75.9 million as at 31 December 2009 and RMB35.0 million as at 30 June 2010. The sharp decrease was mainly attributable to the Group's plan to reduce the inventory turnover days from 89 days in 2008 to 64 days in 2009 and 25 days for the six months ended 30 June 2010 in order to improve the cash flow management.

The following table sets forth the ageing analysis for inventories as of the dates indicated:

	As of 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 - 30 days	74,703	52,843	61,282	19,610
31 - 90 days	11,951	29,974	9,855	7,638
91 - 180 days	8,813	12,698	4,122	5,046
181 - 365 days	2,420	1,705	603	2,747
over 365 days	1,249	1,400	—	—
Total	99,136	98,620	75,862	35,041

b) ***Trade and Other Receivables***

During the Track Record Period, trade and other receivables of the Group was approximately RMB278.4 million, RMB265.7 million, RMB178.5 million and RMB170.4 million as at 31 December 2007, 2008 and 2009 and as at 30 June 2010 respectively. The following table sets forth the breakdown for the Group's trade and other receivables as of the dates indicated:

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	51,479	30,546	48,792	79,821
Less: Allowance for doubtful debts	(2,633)	(2,784)	(2,779)	(2,794)
	48,846	27,762	46,013	77,027
Bills receivables	41,823	101,037	62,953	28,300
Other receivables	24,653	6,608	4,822	34,301
Amounts due from related parties	159,130	121,222	47,519	12,285
Loans and receivables	274,452	256,629	161,307	151,913
Derivative financial instruments	312	—	3,068	1,166
Prepayments	3,504	8,852	13,968	17,103
Other deposits	118	265	170	240
Trade deposits	18	—	—	—
Total	278,404	265,746	178,513	170,422

Trade and other receivables decreased from approximately RMB278.4 million as at 31 December 2007 to approximately RMB265.7 million as at 31 December 2008, primarily due to the decrease in trade receivables, amounts due from related companies and other receivables, but which was partially net-off by the increase in bills receivables and prepayments.

Trade and other receivables further decreased from approximately RMB265.7 million as at 31 December 2008 to approximately RMB178.5 million as at 31 December 2009, mainly due to the further decrease in amounts due from related companies and bills receivables, but which was partially net-off by the increase in prepayments.

Trade and other receivables decreased slightly from approximately RMB178.5 million as at 31 December 2009 to approximately RMB170.4 million as at 30 June 2010, mainly due to the decrease in bills receivables which was partially net-off by the increase in trade receivables.

Trade receivables

The following table sets forth the ageing analysis (before net of allowance for doubtful debts) of the Group's trade receivables as of the dates indicated:

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 - 90 days	26,158	24,551	30,621	62,513
90 - 180 days	180	868	5,090	9,942
181 - 365 days	883	626	9,230	4,313
Over 365 days	24,258	4,501	3,851	3,053
Total	51,479	30,546	48,792	79,821

The Group normally grants credit terms ranging from 30 days to 90 days to its customers. Credit term within 12 months is granted to customers for purchase of the Flying Eagle Wood Lok Medicated Oil. As at 31 December 2007, 2008 and 2009 and as at 30 June 2010, the Group's trade debtors of this product was RMB0.4 million, RMB1.3 million, RMB14.5 million and RMB14.1 million respectively and bills receivables of this product was RMB0.1 million, RMB0.7 million, RMB1.9 million and RMB2.4 million respectively.

As at 5 October 2010, all of the Group's bills receivables as at 30 June 2010 were settled.

The net accounts receivables as at 30 June 2010 in relation to the products (excluding Flying Eagle Wood Lok Medicated Oil) which SZ Kingworld distributed amounted to RMB58.2 million (The Group's total trade receivables of RMB79.8 million less Zhuhai Jinming's trade receivables of RMB4.7 million, less trade receivables related to Flying Eagle Wood Lok Medicated Oil of RMB14.1 million and less the allowance for doubtful debts of RMB2.8

million), about 97.3% of which were settled as at 5 October 2010. The remaining balance of 2.7% of the net accounts receivables as abovementioned, being an amount of RMB1.6 million, was outstanding and was overdue as at 5 October 2010. All of the Group's customers in respect of these outstanding accounts receivables had good track records in the past and the Directors expect that the outstanding amounts will be settled after the PRC National Day holiday in mid-October 2010. Therefore, further provision for doubtful debts is not considered necessary.

SZ Kingworld's accounts receivables in respect of Flying Eagle Wood Lok Medicated Oil as at 30 June 2010 amounted to RMB14.1 million, over 60.9% of which were settled up to 5 October 2010. The outstanding accounts receivables of RMB5.5 million in respect of Flying Eagle Wood Lok Medicated Oil are still within the credit period and the Directors expect that the outstanding balance will be settled when the outstanding amounts are due.

The Directors confirm that there should not be any negative implication on Rule 8.05(1)(a).

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivable directly.

The following table sets forth the movements in the allowance for doubtful debts as of the dates indicated:

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	2,524	2,633	2,784	2,779
Impairment losses recognised	223	187	50	222
Uncollectible amounts written off	(114)	(36)	(41)	(207)
Impairment losses reversed	—	—	(14)	—
At the end of the year/period	2,633	2,784	2,779	2,794

Prepayments

Prepayments increased from approximately RMB3.5 million as at 31 December 2007 to approximately RMB17.1 million as at 30 June 2010, the increase is mainly due to the increase in listing expenses including but not limited to audit fee, legal fee and valuer's fee that were booked as prepayments which will be net off against the share premium account or put through to the profit and loss accounts as listing expenses upon the Listing.

Amounts due from related parties

Amounts due from related parties decreased from approximately RMB159.1 million as at 31 December 2007 to approximately RMB12.3 million as at 30 June 2010. The decrease is mainly

due to the repayment of the receivables from SZ Industry of RMB101.1 million and the reclassification of the receivable from Jinbaoli of RMB31.2 million from amount due from related party to other receivable under trade and other receivable. The receivables from SZ Industry arised mainly from short-term cash advances. As Jinbaoli ceased to be a related party since February 2010, accordingly, the receivable from Jinbaoli was classified in other receivables under trade and other receivables. The maximum outstanding receivables from SZ Industry were RMB129.1 million during the Track Record Period. All the amounts due from related parties and Jinbaoli will be settled before Listing.

As advised by the PRC Lawyer, under the laws of the PRC, the short-term cash advances made by SZ Kingworld to each of SZ Industry, SZ Kingworld Lifeshine, and Jinbaoli contravened certain PRC laws and regulations in relation to lending and financing. Thus, the PRC Lawyer advised that the Group may be subject to a penalty ranging from the amount the Group received as a result of such contravention (違規收入) to five times the amount the Group received as a result of such contravention (違規收入) in relation to any non-compliance with such PRC laws and regulations.

Given that (i) the short-term cash advances have been fully repaid by SZ Industry to SZ Kingworld; (ii) there has not been any dispute in respect of such short-term cash advances; and (iii) as at the Latest Practicable Date, the Group had not been penalized by any PRC government authorities as a result of such short-term cash advances as confirmed by the Directors, the risk that the Group will be subject to such penalties resulting from such cash advances incontravention of the relevant PRC laws and regulations is minimal. The Directors also confirm that the Group had not received any notices or warnings from relevant PRC governmental authorities in respect of the short-term cash advances as at the Latest Practicable Date.

In connection with the above cash advances, the Controlling Shareholders agreed to indemnify the Group for any loss and liability that the Group may suffer as a result of any contravention of any PRC laws and regulations.

The Directors confirmed that the amounts due from related parties other than the short-term cash advances made by SZ Kingworld to each of SZ Industry, SZ Kingworld Lifeshine and Jinbaoli did not fall within the regulation of cash advances between entities in the PRC.

All amounts due from related parties are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Directors, all amounts due from related parties as at 30 June 2010 are expected to be settled on or before the Listing. Also, the Directors confirm that the abovementioned arrangement of providing short-term cash advances will not be continued after the Listing.

c) ***Pledged Bank Deposits***

All the bank deposits are pledged to banks as security for banking facilities granted to the Group. The substantial increase in pledged bank deposits from approximately RMB103.4 million as at 31 December 2008 to approximately RMB246.6 million as at 31 December 2009 was in line with the increase in bank loans.

d) ***Cash and cash equivalents***

Deposits with banks carry interest at market rates which range from 0.7% to 1%, 0.1% to 1%, 0.1% to 1% and 0.1% to 2% per annum for the three financial years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 respectively.

The following table sets forth the breakdown for the Group's cash and cash equivalents as of the dates indicated:

	As of 31 December			As of 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank balances	48,316	30,819	83,508	49,273
Cash on hand	128	421	54	160
Cash and cash equivalents	48,444	31,240	83,562	49,433

Cash and cash equivalents decreased from approximately RMB48.4 million as at 31 December 2007 to approximately RMB31.2 million as at 31 December 2008, primarily due to the net cash generated from operating activities of approximately RMB51.5 million was partially net off by the net cash used in investment activities of approximately RMB42.4 million and the net cash used in financing activities of approximately RMB26.3 million.

Cash and cash equivalents increased from approximately RMB31.2 million as at 31 December 2008 to approximately RMB83.6 million as at 31 December 2009. Net cash generated from operating activities of approximately RMB162.4 million was partially net off by the net cash used in investing activities of approximately RMB4.2 million and the net cash used in financing activities of approximately RMB105.8 million and negative foreign exchange effect of approximately RMB0.2 million.

Cash and cash equivalents decreased from approximately RMB83.6 million as at 31 December 2009 to approximately RMB49.4 million as at 30 June 2010. The decrease is mainly due to the repayment of bank loans of RMB147.4 million and dividend paid of RMB32.0 million during the period.

Current Liabilities

Current liabilities decreased from approximately RMB367.3 million as at 31 December 2007 to approximately RMB327.7 million as at 31 December 2008, and then increased to approximately RMB424.1 million as at 31 December 2009. Current liabilities decreased again to approximately RMB312.5 million as at 30 June 2010. These fluctuations are analysed as below:

a) ***Trade and other payables***

During the Track Record Period, trade and other payables of the Group was approximately RMB177.9 million, RMB164.7 million, RMB172.9 million and RMB113.9 million as at 31 December 2007, 2008 and 2009 and as at 30 June 2010 respectively.

The following table sets forth the breakdown for the Group's trade and other payables as of the dates indicated:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	114,691	89,434	115,972	91,715
Accruals	1,744	1,930	1,735	1,514
Other payables	10,428	9,707	4,364	9,781
Amounts due to related parties	14,310	21,969	1,393	879
Financial liabilities measured at amortised cost	141,173	123,040	123,464	103,889
Trade deposits received	33,192	37,236	46,748	7,477
Receipt in advance	3,565	4,368	2,670	2,486
Derivative financial instruments	—	85	—	—
	177,930	164,729	172,882	113,852

Trade and other payables decreased from approximately RMB177.9 million as at 31 December 2007 to approximately RMB164.7 million as at 31 December 2008, primarily due to the decrease in trade payables, and amounts due to related parties, but which was partially net off by the increase in customers' deposits and receipt in advance and amounts due to related parties.

Trade and other payables increased from approximately RMB164.7 million as at 31 December 2008 to approximately RMB172.9 million as at 31 December 2009, mainly due to the increase in trade payables and customers' deposits, which was partially net off by the decrease in receipt in advance, value added tax payable and amounts due to related parties.

Trade and other payables decreased sharply from approximately RMB172.9 million as at 31 December 2009 to approximately RMB113.9 million as at 30 June 2010, mainly due to the decrease in trade payables and trade deposits received.

The decrease in trade payables was in line with the reduction in inventory level. The trade deposits received decreased from RMB46.7 million as at 31 December 2009 to RMB7.5 million as at 30 June 2010 mainly because the trade deposits received for the purchase of stock by customers is usually much higher at the end of the year as customers need to stock up in anticipation for the ceasing of stock delivery during the Chinese New Year holiday in the following year.

The Group's trade payables primarily include payables to the purchase of trading stock. The credit period provided by the Suppliers typically from 45 days to 90 days during the Track Record Period.

The following table sets forth the analysis by age group of the Group's trade payables as of the dates indicated:

	As of 31 December			As of 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 - 90 days	103,352	86,626	108,741	72,818
90 - 180 days	6,134	2,542	7,231	18,897
181 - 365 days	4,678	—	—	—
Over 365 days	527	266	—	—
	114,691	89,434	115,972	91,715

The trade payables as at 30 June 2010 amounted to RMB91.7 million, about 94.8% of which were settled as at 13 October 2010.

Trade deposits received consisted of payments the Group received from its customers before such amounts were recognised as revenue, which are generally paid voluntarily by its customers. Trade deposits received increased from approximately RMB33.2 million as at 31 December 2007 to approximately RMB37.2 million as at 31 December 2008 and approximately RMB46.7 million as at 31 December 2009. Trade deposits received decreased from approximately RMB46.7 million as at 31 December 2009 to approximately RMB7.5 million as at 30 June 2010.

b) ***Bank loans***

The bank loans were secured and repayable as follows:

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	187,333	159,595	246,606	195,766
After 1 year but within 2 years	—	—	60,000	60,000
After 2 years but within 5 years	—	100,000	—	—
Total	187,333	259,595	306,606	255,766

Bank loans increased from approximately RMB187.3 million as at 31 December 2007 to approximately RMB255.8 million as at 30 June 2010, the increase is mainly due to the arrangement in forward foreign currency contracts with various banks in PRC. Pursuant to such arrangement, when the Group settled the trade payables in HK$ or USD, the bank would lend the Group a foreign currency loan to settle the payments at an agreed currency exchange rate which was more favourable than the then market spot rate in a forward foreign currency contracts. At the same time, RMB was deposited with the banks as a pledge to the bank loan for future repayment of the bank loan when it was fall due. Therefore, the increase in bank loans is in line with the increase in (i) forward foreign currency contracts and (ii) pledged bank deposits. The pledged bank deposits increased from approximately RMB69.0 million as at 31 December 2007 to approximately RMB197.5 million as at 30 June 2010.

The range of effective interest rates on the Group's bank loans are as follows:

	As of 31 December			As of 30 June
	2007	2008	2009	2010
Effective interest rates:				
Fixed rate loans	4.9%-10.5%	2.1%-7.6%	0.2%-2.6%	0.4%-2.5%
Variable rate loans	—	2.8%-6.8%	0.1%-5.4%	0.1%-5.4%

The Group's bank loans were secured by certain assets of the Group. An analysis of the carrying amounts of the Group's secured assets is as follows:

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investment property	—	45,400	46,000	46,000
Bills receivables	28,733	55,835	1,139	—
Pledged bank deposits	69,049	103,396	246,619	197,537
Total	97,782	204,631	293,758	243,537

Shareholders' Equity Loans

Mr. Zhao and Ms. Chan are the ultimate controlling parties of the Company. The loans as at 31 December 2007 and 2008 were equity contribution in nature to provide capital to the Company and were unsecured and interest-free. The loans were capitalised into share capital of BVI Kingworld during the year ended 31 December 2009.

FINANCIAL RATIOS

The following table sets forth certain financial ratios of the Group as of the date or for the year/period indicated.

		As of or for the years ended 31 December			As of or for the six months ended 30 June
	Note	2007	2008	2009	2010
Profitability ratios					
Gross profit margin (%)	1	18.3%	24.1%	21.7%	20.2%
Net profit margin (%)	2	5.5%	6.4%	6.7%	3.4%
Return on assets (%)	3	5.9%	6.3%	5.8%	n/a
Return on equity (%)	4	22.1%	28.9%	23.9%	n/a
Liquidity ratios					
Current ratio	5	1.3	1.5	1.4	1.5
Quick ratio	6	1.1	1.2	1.2	1.3
Gearing ratio (%)	7	37.5%	47.4%	47.8%	50.2%
Inventory turnover days	8	84	89	64	25
Debtors' turnover days	9	63	88	71	61
Creditors' turnover days	10	97	80	97	66

Notes:

1. Gross profit margin is calculated based on the gross profit divided by turnover and multiplied by 100%.

2. Net profit margin is calculated based on the profit for the year/period divided by turnover and multiplied by 100%.

3. Return on assets is calculated based on the profit for the year divided by the total assets at the end of the year and multiplied by 100%.

4. Return on equity is calculated based on the profit for the year divided by issued share capital and reserves at the end of the year and multiplied by 100%.

5. Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the year/period.

6. Quick ratio is calculated based on the difference between the total current assets and the inventories divided by the total current liabilities at the end of the year/period.

7. Gearing ratio is calculated based on the total bank borrowings divided by total assets and multiplied by 100%.

8. Inventory turnover days is calculated based on the inventory at the end of the period divided by the total cost of sales during the period and multiplied by the number of days in the respective period.

9. Debtors' turnover days is calculated based on trade and bill receivables at the end of the period divided by turnover during the period and multiplied by the number of days in the respective period.

10. Creditors' turnover days is calculated based on trade payables at the end of the period divided by the total cost of sales during the period and multiplied by the number of days in the respective period.

ANALYSIS ON SELECTED FINANCIAL RATIOS

Gross profit margin ratio

Gross profit margin was 18.3% for the year ended 2007, 24.1% for the year ended 2008, 21.7% for the year ended 31 December 2009 and 20.2% for the six months ended 30 June 2010. The improvement of gross profit margin from 2007 to 2008 was mainly due to the increase in average selling price by 11.3%. The drop in gross profit margin from 2008 to 2009 and the six months ended 30 June 2010 was mainly due to the increase in average unit cost of Nin Jiom Pei Pa Koa products by 10.3% which could not fully passed to customers.

Net profit margin ratio

The Group's net profit margin was 5.5% for the year 31 December 2007, 6.4% for the year ended 31 December 2008, 6.7% for the year ended 31 December 2009 and 3.4% for the six months ended 30 June 2010. The rise in net profit margin from 2007 to 2008 was mainly due to the increase in gross profit margin by 5.8% which was partially net off by the increase in selling cost and administrative expenses. The rise in net profit margin from 2008 to 2009 was mainly due to the decrease in finance costs and selling and distribution costs which was partially net off by the increase in cost of sales. The drop in net profit margin for the six months ended 30 June 2010 was mainly due to the increase in selling and distribution costs and the decrease in other net income.

Current and quick ratios

The current ratio of the Group was approximately 1.3 as at 31 December 2007, 1.5 as at 31 December 2008, 1.4 as at 31 December 2009 and 1.5 as at 30 June 2010; and the quick ratio of the Group was approximately 1.1 as at 31 December 2007, 1.2 as at 31 December 2008, 1.2 as at 31 December 2009 and 1.3 as at 30 June 2010, respectively. The current and quick ratio in general showed an increasing trend as at 31 December 2007, 2008 and 2009 and 30 June 2010 respectively, which were mainly attributable to the combined effects of (i) increase in the pledges bank deposits from approximately RMB69.0 million as at 31 December 2007 to approximately RMB197.5 million as at 30 June 2010 due to Group required more banking facilities from the banks for increasing the scale of operation of the Group; (ii) decrease in trade and payables which was mainly attributable to the decrease in payables for the purchase of Mentholatum Product Series in order to take advantage of discount offered by Suppliers and (iii) decrease in the inventory level due to the Group kept less stock.

Gearing ratio

The gearing ratio of the Group increased from approximately 37.5% to 50.2% during the Track Record Period. Due to the increase in the scale of the business operations during the Track Record Period, the Group had to support its level of working capital by means of bank borrowings. Accordingly, the gearing ratio has increased during the Track Record Period.

Return on assets

Return on assets is an indicator of how profitable a company is in terms of its total assets and gives an idea as to how efficient a company is in using its assets to generate earnings. The Group's return on assets for each of the three financial years ended 31 December 2009 amounted to approximately 5.9%, 6.3% and 5.8% respectively. The Group's return on assets was kept stable due to the fact that the increase in total assets by 9.7% in 2008 and 17.1% in 2009 was in line with the increase in net profit of the Group during the same period. The lower return on assets in 2009 compared with 2008 was because the increase in assets exceeded the increase in net profit.

Return on equity

Return on equity measures the efficiency of a company in generating profits from every dollar of net assets invested. The Group's return on equity for each of the three financial years ended 31 December 2009 amounted to approximately 22.1%, 28.9% and 23.9% respectively. The net profit of the Group increased steadily for the three financial years ended 31 December 2009. The higher return on equity in 2008 was due to the decrease in equity as a result of the payment of dividend to shareholders. The lower return on equity in 2009 compared with 2008 was because the increase in equity exceeded the increase in net profit.

Inventories and the inventory turnover days

Inventories balance as at the respective year end during the Track Record Period represents trading stocks.

The Group's inventories level was stable during the year 2007 to 2008 and decreased slightly by approximately 0.5% from approximately RMB99.1 million as at 31 December 2007 to approximately RMB98.6 million as at 31 December 2008.

The Group's inventories level decreased by approximately 23.0% from approximately RMB98.6 million as at 31 December 2008 to approximately RMB75.9 million as at 31 December 2009. The inventories level further reduced to approximately RMB35.0 million as at 30 June 2010. The sharp decrease was mainly attributable to the Group's determination to reduce the inventory turnover days in order to enhance the liquidity of the Group.

The Group's inventory turnover days were 84, 89 and 64 for each of the three financial years ended 31 December 2009 and 25 for the six months ended 30 June 2010, respectively. The downward trend is in line of the reduction in inventories level for each of the three financial years ended 31 December 2009 and the six months period ended 30 June 2010.

Trade and bills receivables and debtors' turnover days

Trade and bills receivables balance as at the respective year end during the Track Record Period represents the outstanding amounts receivable by the Group from its customers who have been granted with credit period. Most of the Group's distributors make payment by telegraphic transfer. The granting of credit to customers is assessed on a case-by-case basis and the Group generally grant credit terms of 30 to 90 days.

The Group's trade and bills receivables balance increased by approximately 42.0% from approximately RMB90.7 million as at 31 December 2007 to approximately RMB128.8 million as at 31 December 2008. The increase was primarily due to the growth of the Group's business scale which leads to a higher level of receivables.

The Group's trade and bills receivables balance decreased by approximately 15.4% from approximately RMB128.8 million as at 31 December 2008 to approximately RMB109.0 million as at 31 December 2009. The Group's trade and bills receivables balance decreased by approximately 3.4% from approximately RMB109.0 million as at 31 December 2009 to approximately RMB105.3 million as at 30 June 2010. The decrease was mainly attributable to its increased effort in settling receivables in order to preserve a higher cash level during the slowdown in the PRC economy.

The Group's debtors' turnover days was 63, 88, 71 and 61 for each of the three financial years ended 31 December 2009 and the six months period ended 30 June 2010 respectively. During the Track Record Period, most of the Group's sales were made on a cash-on-delivery basis or with a 30 to 90

day credit period from the date of billing. Customers with overdue balances are generally requested to settle all outstanding balances before any further goods are delivered to them. As such, the ageing of most of the Group's trade receivables balance as at each of 31 December 2007, 2008 and 2009 and as at 30 June 2010 can be maintained within 90 days from the date of billing to its customers.

Trade and bills payables and creditors' turnover days

Trade and bills payables balance as at the respective year end during the Track Record Period represents the outstanding amounts payable by the Group to its Suppliers. The credit periods granted by various Suppliers are generally within 90 days during the Track Record Period.

The Group's trade payables balance was approximately RMB114.7 million, RMB89.4 million, RMB116.0 million and RMB91.7 million for each of the three financial years ended 31 December 2009 and the six months period ended 30 June 2010 respectively.

The Group's creditors' turnover days was 97, 80, 97 and 66 for each of the three financial years ended 31 December 2009 and the six months period ended 30 June 2010, respectively. The creditors' turnover days decreased from 97 for the financial year ended 31 December 2009 to 66 for the six months ended 30 June 2010. The decrease was in line with the Group's reduction in inventories level.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity

The following table summarises the cash flows during the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net cash generated from/(used in) operating activities	(122,542)	5,615	158,647	315
Net cash generated from/(used in) investing activities	63	3,458	(352)	2,813
Net cash generated from/(used in) financing activities	125,203	(26,355)	(105,821)	(37,363)
Net increase/(decrease) in cash and cash equivalents	2,724	(17,282)	52,474	(34,235)

Cash flows

The Group generally finance its operations through a combination of shareholders' equity, internally generated cash flows and bank borrowings. Following completion of the Share Offer, the Group expects to finance its capital expenditure and operational requirements through internally generated cash flows, net proceeds from the Share Offer and its cash reserve. The Group's Directors believe that on a long-term basis, its liquidity will be funded from operations and, if necessary, additional equity financing or bank borrowings.

As at 30 June 2010, the Group had bank and cash balances of approximately RMB247.0 million (including pledged bank deposits of approximately RMB197.5 million).

Net cashflow from operating activities

The Group's major operating cash flows during the Track Record Period are cash receipts from customers. In general, the operating cash inflow increased due to the increase in sales receipt and decreased due to the movement of its net working capital along with the growth of business during the Track Record Period.

The following table sets forth a breakdown of net cashflow from operating activities for the years and period indicated:

	Year ended 31 December			Six months ended 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Profit before taxation	35,570	45,441	46,753	14,466
Adjustments for:				
Depreciation	927	1,097	881	421
Impairment loss for trade receivables	223	187	50	222
Finance costs	8,958	16,570	9,610	3,568
Interest income	(2,063)	(5,016)	(4,481)	(3,037)
Unrealised (gain)/loss on forward exchange contracts	(312)	85	(3,068)	(1,116)
Valuation (gain)/loss on investment property	—	1,891	(600)	—
Loss on disposal of property, plant and equipment	—	13	7	2
Amortisation on prepaid lease payments	—	—	81	122
Write-down of inventories	—	—	559	—
Reversal of impairment loss on trade receivables	—	—	(14)	—
Operating profit before changes in working capital	43,303	60,268	49,778	14,648
Decrease in inventories	2,982	516	22,199	40,821
Decrease/(increase) in trade and other receivables	(128,432)	(33,417)	86,445	8,985
(Decrease)/increase in trade and other payables	(34,784)	(13,286)	8,153	(59,030)
Cash generated from/(used in) operating activities	(116,931)	14,081	166,575	5,424
PRC income tax paid	(5,611)	(8,466)	(7,928)	(5,109)
Net cash generated from/(used in) operating activities	(122,542)	5,615	158,647	315

The net cash generated from/(used in) operation was approximately RMB(122.5) million, RMB5.6 million, RMB158.6 million and RMB0.3 million for the year ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 respectively. The increase in net cash generated from

operating activities for the Track Record Period was mainly the result of the increase in profit before taxation and the decrease in trade and other receivables which was partially net off by the decrease in trade and other payables. The increase in trade and other receivables for the year ended 31 December 2007 was mainly due to the short term cash advances of RMB101.2 million to SZ Industry. As confirmed by the Director, the short term cash advances was used for working capital purpose and the amount had been fully settled before the end of 2009.

Net cashflow from investing activities

The principal items affecting net cashflow from investing activities during the Track Record Period were the payment for the purchase of property, plant and equipment and prepaid lease payment in the PRC and interest received.

The following table sets forth a breakdown of net cashflow from investing activities for the years and period indicated:

	Year ended 31 December			Six months ended 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payment for the purchase of property, plant and equipment	(2,020)	(163)	(424)	(224)
Proceeds from sale of property, plant and equipment	20	8	4	—
Interest received	2,063	5,016	4,481	3,037
Payment for the purchase of investment property*(Note)*	—	(1,403)	—	—
Prepaid lease payment paid	—	—	(4,413)	—
Net cash generated from/(used in) investing activities	63	3,458	(352)	2,813

Note: The Group had major non-cash transactions for the acquisition of an investment property of RMB45,888,000 during the year ended 31 December 2008 from SZ Industry and a property of RMB3,820,000 which was recognised in the Group's prepaid lease payments and buildings held for own use of RMB3,170,000 and RMB650,000 respectively during the year ended 31 December 2009 from SH Industry as settlement of the respective amount due from these related parties.

Net cashflow from financing activities

The Group's financing activities during the Track Record Period mainly included proceeds from and repayments of loans from bank and the change in pledged bank deposits.

The following table sets forth a breakdown of net cashflow from financing activities for the years and period indicated:

	Year ended 31 December			Six months ended 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Proceeds from new bank loans	224,333	431,167	247,538	96,599
Repayment of bank loans	(172,676)	(358,905)	(200,527)	(147,439)
Decrease/(increase) in pledged bank deposits	3,504	(34,347)	(143,223)	49,082
Finance costs paid	(8,958)	(16,570)	(9,610)	(3,568)
Dividends paid	—	(47,700)	—	(32,037)
Proceeds from shareholders' loan	79,000	—	—	—
lssue of shares	—	—	1	—
Net cash generated from/(used in) financing activities	125,203	(26,355)	(105,821)	(37,363)

Capital structure

As at 30 June 2010, the Group had net assets of approximately RMB134.7 million, comprising non-current assets of approximately RMB56.8 million (consisting of investment property, prepaid lease payments and property, plant and equipment), net current assets of approximately RMB139.9 million and non-current liabilities of approximately RMB62.0 million (consisting of bank loans and deferred tax liabilities).

Capital management

The Group's objectives when managing capital are to ensure that members of the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt.

The Group monitors its capital structure on the basis of a debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. The Group defines net debt as interest-bearing bank loans less pledged bank deposits and cash and cash equivalents. Adjusted capital comprises all components of equity.

The Group's net debt-to-adjusted capital ratio at 31 December 2007, 2008 and 2009 and as at 30 June 2010 were as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	187,333	259,595	306,606	255,766
Total debt	187,333	259,595	306,606	255,766
Less: Pledged bank deposits	(69,049)	(103,396)	(246,619)	(197,537)
Cash and cash equivalents	(48,444)	(31,240)	(83,562)	(49,433)
Net debt	69,840	124,959	—	8,796
Total equity	132,160	118,935	156,028	134,709
Net debt-to-adjusted capital ratio	52.9%	105.1%	0%	6.5%

Capital expenditures management

During the Track Record Period, the Group's capital expenditure were funded by the cash generated from the Group's operating activities.

In order to meet the expected growth in demand for the pharmaceutical and healthcare products in the PRC, the Directors believe that sufficient capital expenditure investment will be fundamental to its expansion plans, details of which have been set out in the section headed "Future plans and use of proceeds" in this prospectus. The Group expects to spend

(i) approximately RMB91 million to expand and improve the coverage of its distribution network in the northeastern and southern regions of the PRC by acquiring the distribution business of well-established distributors with stable cash flow and an established network of retail outlets such as pharmacies, supermarkets, clinics, hospitals and rural markets and good credit terms with financial institutions and its customer base;

(ii) approximately RMB30.3 million to upgrade its transportation and delivery services to customers by constructing its own delivery centre equipped with standard GSP qualifications in Shenzhen; and

(iii) approximately RMB15.2 million to further expand the Product Display Booth Scheme by increasing the number of the Products Display Booths in retail outlets such as pharmacies, supermarkets, clinics and chain stores in well populated areas in Guangdong, Fujian, Jiangxi, Hunan, Hubei, Beijing and other provinces in the PRC.

The Group expects to meet future capital expenditure requirements through its available cash and cash equivalents, cash generated from its operating activities, available banking facilities and the expected net proceeds from the Share Offer. The amount of its capital expenditures and capital commitments during the Track Record Period, the capital commitment existed as at the Latest Practicable Date and the estimated capital expenditure budget of the Group for the three years ending 31 December 2011 are shown as follows:

	Year ended 31 December			Six months ended 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure	2,020	1,566	4,837	224
Capital commitment	0	0	0	9,000

	Year ending 31 December		
	2010	2011	2012
	RMB'000	*RMB'000*	*RMB'000*
Estimated capital expenditure budget	0	39,300*(Note)*	1,000
Capital commitment existed as at the Latest Practicable Date	9,000	0	0

Note: Approximately RMB30.3 million is estimated to be used to upgrade its transportation and delivery services to customers by constructing its own delivery centre equipped with standard GSP qualifications in Shenzhen.

Other than the Group's share of capital commitments of the jointly controlled entity in respect of capital expenditure for the construction of office premise and warehouse of RMB9 million as at 30 June 2010 and at the Latest Practicable Date, the Group did not have any other significant capital commitments.

The Directors expect that the estimated capital expenditure budget will be financed by the net proceeds from the Share Offer and the internal financial resources.

Working capital and cash flow management

The Group finances its working capital requirements primarily through cash flow from its operating activities and bank borrowings. The net cash generated from its operating activities had improved during the Track Record Period and amounted to approximately a net cash outflow of RMB122.5 million, a net cash inflow of RMB51.5 million and a net cash inflow of RMB162.5 million for the three financial years ended 31 December 2009, respectively and a net cash inflow of RMB0.3 million for the six months ended 30 June 2010.

The Group has implemented and will implement several measures to improve its working capital management. For example, the Group monitors its cash balance closely and determine its working capital requirement and the optimal account receivables, payables and inventory turnover period with reference to the overall business environment of the PRC economy and the pharmaceutical and healthcare industry. Where variances occur, its management will analyse such variances and modify its plans or implement new measures accordingly.

Directors' opinion on the sufficiency of working capital

The Directors are of the opinion that the working capital available to the Group is sufficient for its present requirements for the next 12 months commencing from the date of this prospectus due to following reasons:

(a) as disclosed in the combined balance sheets, the net current assets of the Group as at 30 June 2010 amounted to approximately RMB139.9 million, which includes cash and cash equivalents of approximately RMB49.4 million;

(b) based on the satisfactory payment records of the trade debtors of the Group, the Directors expect that the trade receivables will be duly received within the normal credit terms;

(c) there is no indication that the available financing, including banking facilities, granted to the Group will be withdrawn by the counterparties in the near future; and

(d) the net proceeds from the Share Offer will increase the working capital level.

INDEBTEDNESS

At the close of business on 30 September 2010, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this prospectus, the Group had the following borrowings:

	RMB'000
Secured bank loans (note i)	
Within 1 year or on demand	134,799
After 2 years but within 5 years	60,000
	194,799
Amount due to related parties (note ii)	1,164
	195,963

Notes:

(i) The loans are interest bearing and secured by the Group's pledged bank deposits and investment property.

(ii) All of amounts due to related parties are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Directors, all amounts due from/to related parties as at 30 September 2010 are expected to be settled on or before the successful listing of the Company's shares in the Stock Exchange.

As at 30 September 2010, the Group had no material contingent liabilities. The Directors are of opinion that there has been no material change in the Group's indebtedness from 30 September 2010 to the Latest Practicable Date.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding borrowings and indebtedness at the close of business on 30 September 2010, any loan capital issued and outstanding or agreed to be issued, bank overdraft, loans or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, guarantees or other material contingent liabilities.

Save as disclosed in this section headed "Indebtedness", the Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 30 September 2010.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Business Risk

The Group has a certain concentration of business risk as 67%, 67%, 67% and 73% of its turnover for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 respectively was from a principal product, the Nin Jiom Product Series which was purchased from a sole Supplier. The Group, the manufacturer and the Supplier entered into a regional distribution agreement for a three year term and subject to renewal. If there is any change in consumer taste and demand of the product, or the Supplier does not renew the regional distribution agreement, the Group's turnover and profitability will be adversely affected.

Foreign Currency Exchange Risk

The Group is exposed to currency risk primarily through purchases which give rise to trade payable, bank balance and bank loans that are denominated in foreign currencies other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily HK$ and USD.

In order to manage this risk and to reduce the Group's exposure, it entered into foreign currency forward contracts with certain works from time to time.

Interest Rate Risk

The Group's exposure from changes in interest rates relate primarily to the interest expenses associated with its bank loans. An increase in prevailing interest rates would lead to an increase in interest cost on its bank borrowings when such borrowings are rolled over.

Inflation

In recent years, China has not experienced significant inflation and thus inflation has not materially impacted the results of operations. According to the National Bureau of Statistics of China, the change in Consumer Price Index in China was 1.5%, 4.8% and 5.9% in 2006, 2007 and 2008 respectively. Based on the upward change of the Consumer Price Index in late 2008, the PRC government announced measures to restrict bank lending and investment in China in order to reduce inflationary pressures on China's economy. Such measures adopted by the PRC government may not be successful in reducing or slowing the rate of inflation in China, and sustained or increased inflation in China in the future may adversely affect the Group's business and financial results.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

The Directors confirm that as at the Latest Practicable Date, there were no circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

DIVIDEND POLICY

The dividend of approximately RMB47.7 million was paid for the year ended 31 December 2008. In January 2010, dividend amounted to RMB26.4 million was paid for the year ended 31 December 2009. The dividend of approximately RMB5.6 million was paid for the six months ended 30 June 2010.

After completion of the Share Offer, the Group may distribute dividends as its Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of the Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. The Group's Board will review the dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- financial results of the Company;
- shareholders' interest;
- general business conditions, strategies and future expansion needs;
- the Company's capital requirements;
- the payment by its subsidiaries of cash dividends to the Company;
- possible effects on the liquidity and financial position of the Company; and
- other factors the Board may deem relevant.

Dividends may be paid only out of the Group's distributable profits as permitted under the relevant laws. The Group's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by it in the future.

The Directors currently intend that not less than 50% of the Group's profit after taxation may be distributed as dividends for the applicable financial year subject to the approval of the Board after considering the above factors and by its then Shareholders. Such intention does not amount to any guarantee or representation or indication that the Group must or will declare and pay dividend in such manner or declare and pay any dividend at all.

PROPERTY INTEREST AND PROPERTY VALUATION

Property valuation

DTZ Debenham Tie Leung Limited, an independent property valuer, has valued the Group's property interests as at 30 September 2010 and is of the opinion that the value of its property interests attributable to the Group in aggregate was approximately RMB58,550,000 as at 30 September 2010. There is a net revaluation surplus, representing the excess market value of the properties over their book value as of 30 June 2010. The full text of the letter, summary of values and valuation certificates with regard to such property interests are set forth in Appendix III to this prospectus.

Reconciliation of appraised property values with net book values

Disclosure of the reconciliation between the valuation of the interests in properties attributable to the Group and such property interests in the Group's combined balance sheets as of 30 June 2010 contained in the Accountants' Report as set out in Appendix I to this prospectus required under Rule 5.07 of Listing Rules is set forth below:

	RMB'000
Buildings included in property, plant and equipment	683
Prepaid lease payment	7,380
Investment properties	46,000
Net book value as of 30 June 2010	54,063
Movement from 1 July 2010 to 30 September 2010	
Add: Addition during the period	—
Less: Depreciation and amortisation during the period	69
Net book value as at 30 September 2010	53,994
Valuation surplus	4,556
Valuation of buildings, prepaid lease payment and investment property as at 30 September 2010	58,550

DISTRIBUTABLE RESERVES

As at 30 June 2010, the Company did not have reserves available for distribution to the Shareholders.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purpose only, and is set out below to illustrate the effect of the Share Offer on the combined net tangible assets of the Group attributable to the equity holders of the Company as of 30 June 2010 as if the Share Offer had taken place on 30 June 2010.

This unaudited pro forma adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group as at 30 June 2010 or at any future dates following the Share Offer. It is prepared based on the combined net tangible assets of the Group as at 30 June 2010 as set out in the Accountants' Report of the Group, the text of which is set out in Appendix I to the prospectus, and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2010	**Add: Estimated net proceeds from the Share Offer**	**Unaudited pro forma adjusted net tangible assets**	**Unaudited pro forma adjusted net tangible assets per Share**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	
Based on an Offer Price of HK$1.33 per Share	134,709	154,175	288,884	0.48	0.55
Based on an Offer Price of HK$1.60 per Share	134,709	188,529	323,238	0.54	0.62

Notes:

1. The audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2010 is arrived at based on the audited combined net assets of the Group attributable to equity holders of the Company as at 30 June 2010 as detailed on appendix I to the prospectus.

2. The estimated net proceeds from the Share Offer are based on the Offer Price of HK$1.33 and HK$1.60 per Share, being the lowest point and the highest point in the estimated offer price range of HK$1.33 and HK$1.60 per Share, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the Shares which may fall to be allotted and issued upon the exercise of the Over-Allotment Option or

any shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in the section headed "Further information about the Group" in appendix V to the prospectus.

3. The unaudited pro forma adjusted net tangible asset value per Share is arrived at based on the 600,000,000 Shares expected to be in issue immediately following completion of the Share Offer and the Capitalisation Issue but takes no account of any Shares which may fall to be allotted and issued upon the exercise of the Over-Allotment Option or any shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the general mandates granted to the Directors as referred to in the section headed "Further information about the Group" in appendix V of the prospectus.

4. By comparing the valuation of the Group's property interests of RMB58,550,000 as set out in appendix III to this prospectus and the unaudited net book value of these properties including buildings held for own use, investment properties and prepaid lease payments, of RMB53,994,000 as of 30 September 2010 as set out under the sub-section headed "Reconciliation of Appraised Property Values with Net Book Values" in the section of "Financial Information" to the prospectus, the net valuation surplus is approximately RMB4,556,000, which has not been included in the above net tangible assets attributable to equity holders of the Company as of 30 June 2010. The revaluation of the Group's property interests other than investment properties will not be incorporated in the Group's financial statements. If the revaluation surplus is to be included in the Group's financial statements, an additional depreciation and amortisation charge for the year of approximately RMB8,000 related to buildings held for own use and prepaid lease payments would be recorded.

5. The unaudited pro forma adjusted net tangible asset per Share is translated into HK$ at exchange rate of RMB0.87 to HK$1 as at 30 June 2010.

SIGNIFICANT SUBSEQUENT EVENTS

Subsequent to the six months ended 30 June 2010 (being date to which the latest audited combined financial statements of the Group were prepared), the Group had the following significant events:

1. **Amounts due from related parties**

   On 4 November 2010, the Group formalised the existing loan arrangement by entering into the loan agreements with each of the three related parties, Mr. Zhao, Ms. Chan and SZ Industry, pursuant to which the Group made a loan to each of Mr. Zhao and Ms. Chan in the amount of HK$16,800,000 (equivalent to RMB14,400,000) and HK$4,200,000 (equivalent to RMB3,600,000) respectively on 18 October 2010 and certain loans to SZ Industry in an aggregate amount of RMB18,800,000 in the period between September 2010 and October 2010. All of these loans are unsecured, interest-free and will be repayable by two installments of 50% each on or before 8 November 2010 and 21 November 2010 respectively, which will be before the Listing Date.

2. **Related party's guarantee**

   The personal guarantee of Mr. Zhao of RMB100,000,000, which was provided to a bank for the banking facilities granted to the Group, was released on 1 September 2010.

NO MATERIAL ADVERSE CHANGE

The Directors have confirmed that there has been no material adverse change in its financial or trading position since 30 June 2010 (being the date to which the latest audited combined financial statements of the Group were prepared, as set out in the Accountants' Report in Appendix I to this prospectus).

FUTURE PLANS

Please refer to the section headed "Business — Objective and Strategies" in this prospectus for the details of the Group's future plans.

USE OF PROCEEDS

Based on an Offer Price of HK$1.465 per Offer Share (being the mid-point of the indicative Offer Price range between HK$1.33 per Offer Share and HK$1.60 per Offer Share), the gross proceeds from of the Share Offer, assuming the Over-allotment Option is not exercised, are estimated to be approximately HK$219.8 million. The net proceeds from of the Share Offer (after deducting the underwriting fees and estimated expenses payable in connected with the Public Offer) assuming that the Over-allotment Option is not exercised, are estimated to be approximately HK$197 million.

At present, the Directors intend to apply the net proceeds from the Share offer of approximately HK$197 million in the following manner:

- HK$118.2 million or approximately 60% of the net proceeds from the Share Offer to expand and improve the coverage of the Group's distribution network in the PRC by acquiring up to three distribution businesses with the following criteria: each distribution business having (i) a business presence in the eastern provinces and/or southern provinces in the PRC; (ii) a proven record of sales turnover of approximately RMB40 million to 100 million in 2009; (iii) an established distribution network covering sub-distribution customers and retail outlets such as pharmacies, supermarkets and clinics; and (iv) good credit terms with financial institutions. As at the Latest Practicable Date, the Company had not identified any targets in relation to the potential acquisition of distribution businesses.

- HK$39.4 million or approximately 20% of the net proceeds from the Share Offer to upgrade the transportation and delivery services to customers by constructing the first phase of its own delivery centre in Shenzhen equipped with standard GSP qualifications. The construction of the delivery centre is currently planned to be divided into three phases and the estimated size of the delivery centre is approximately 25,000 square metres. The second and third phases will be funded by internal resources of the Group.

- HK$19.7 million or approximately 10% of the net proceeds from the Share Offer to further expand the Product Display Booth Scheme by increasing approximately 3,000 Product Display Booths in approximately 3,000 retail outlets, such as pharmacies, supermarkets, clinics and chain stores in Guangdong, Fujian, Jiangxi, Hunan, Hubei, Beijing and other provinces in the PRC during the period between 2010 and 2011.

- the remaining balance of HK$19.7 million or approximately 10% of the net proceeds from the Share Offer to be used as additional general working capital of the Group.

In order to implement the Group's development plan, the Directors estimated that the Group may have to recruit 196 new staff, of whom (i) two personnel will be assigned to each of the three distribution businesses to be acquired; (ii) 150 personnel will be assigned to the Product Display Booths in various retail outlets; and (iii) 40 personnel will be assigned to the delivery centre upon its establishment.

In the event that the Offer Price is fixed at HK$1.60 per Offer Share, being the highest end of the indicative Offer Price range, and assuming that the Over-allotment Option is not exercised, the net proceeds from the Share Offer will be increased by approximately HK$19.7 million to approximately HK$216.7 million. The Directors intend to apply such additional amount of HK$19.7 million for the above purposes on a pro-rata basis. In the event that the Offer Price is fixed at HK$1.33 per Offer Share, being the lower end of the indicative Offer Price range, and assuming that the Over-allotment Option is not exercised, the net proceed from the Share Offer will be reduced by approximately HK$19.8 million to approximately HK$177.2 million. In such circumstances, the net proceeds from the Share Offer allocated to general working capital will be reduced.

If the Over-allotment Option is exercised in full, based on the Offer Price of HK$1.465 per Offer Shares (being the mid-point of the indicative Offer Price range of between HK$1.33 per Offer Share and HK$1.60 per Offer Share), the net proceeds will be increased by approximately HK$33.14 million. The Directors intend to apply such additional proceeds for the above purposes on a pro-rata basis.

To the extent that any part of the net proceeds from the Share Offer are not immediately required for the above purposes and permitted by PRC laws and regulations, it is the present intention of the Directors that such net proceeds will be deposited in interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong and/or the PRC.

PUBLIC OFFER UNDERWRITERS

Sole Global Coordinator

Guotai Junan Securities (Hong Kong) Limited

Co-Managers

Ever-Long Securities Company Limited
OSK Securities Hong Kong Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreements

Pursuant to the Public Offer Underwriting Agreement, the Company has agreed to offer the Public Offer Shares to the public for subscription at the Offer Price under the Public Offer subject to the terms and conditions set forth in this prospectus and the Application Forms.

Pursuant to the Placing Underwriting Agreement, the Company has agreed to offer the Placing Shares to institutional, professional and other investors for subscription at the Offer Price under the Placing subject to the terms and conditions set forth in this prospectus.

Pursuant to the Underwriting Agreements, and conditional upon, among other things, the Listing Committee granting or agreeing to grant (subject to allotment) the listings of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus subject to such customary conditions that may be imposed by the Stock Exchange and to certain other conditions as set out in the Underwriting Agreements including the Offer Price being determined by the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) by entering into the Price Determination Agreement no later than the Price Determination Time, the Sole Global Coordinator has agreed to subscribe or procure subscribers to subscribe for, on and subject to the terms and conditions set forth in this prospectus and the placing documents, the Placing Shares which are not taken up under the Placing; and the Public Offer Underwriters have severally agreed to subscribe or procure subscribers to subscribe for, on the terms and conditions set forth in this prospectus and the Application Forms, the Public Offer Shares which are not taken up under the Public Offer.

Grounds for termination

The Sole Global Coordinator (for itself and on behalf of the other Underwriters) is entitled to terminate any of the Underwriting Agreements by giving written notice before the Termination Time (as defined in the Underwriting Agreements) to the Company if certain events, including without limitation to the following events, shall occur prior to the Termination Time:

(a) there comes to the notice of any of the Sole Sponsor or the Sole Global Coordinator (for itself and on behalf of the other Underwriters) of any matter or event showing any of the representations, warranties or undertakings contained in any of the Underwriting Agreements to be untrue, inaccurate or misleading in any respect when given or repeated or there has been a breach of any of the warranties or any other obligations imposed on any party to the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (other than those undertaken by the Sole Sponsor, the Sole Global Coordinator and/or the Underwriters) which, in any such cases, is considered, in the sole and absolute opinion of the Sole Global Coordinator (on behalf of the other Underwriters), to be material in the context of the Share Offer; or

(b) any statement contained in this prospectus or the Application Forms or the documents for the Share Offer was when such documents were issued, or has become or been discovered to be, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Underwriters), untrue, incorrect or misleading in any respect; or

(c) any event, series of events, matter or circumstance occurs or arises on or after the respective dates of the Underwriting Agreements and before the Termination Time, being event, matter or circumstance which, if it had occurred before the respective dates of the Underwriting Agreements, would have rendered any of the warranties contained in any of the Underwriting Agreements untrue, incorrect or misleading in any respect, and comes to the knowledge of any of the Sole Sponsor, the Sole Global Coordinator or any of the Underwriters and which is considered, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Underwriters), to be material in the context of the Share Offer; or

(d) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Underwriters), a material omission in the context of the Share Offer; or

(e) any event, act or omission which occurs may give or is likely to give rise to any material liability of the Company or any of Golden Land, Mr. Zhao, Golden Morning and Ms. Chan ("Covenantors") and the executive Directors arising out of or in connection with any representations, warranties or undertakings contained in any of the Underwriting Agreements; or

(f) there comes to the notice of the Sole Sponsor, the Sole Global Coordinator or any of the Underwriters any breach by any party to any of the Underwriting Agreements (other than the Sole Sponsor, the Sole Global Coordinator or the Underwriters) of any provision thereof which, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Underwriters), is material; or

(g) there shall develop, occur, exist or come into effect or shall have developed, occurred, existed or come into effect any event or series of events, matter or circumstance whether occurring or continuing before, on and/or after the respective dates of the Underwriting Agreements and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:

(i) any new law or regulation or any change in existing laws or regulations of any nature whatsoever or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the Cayman Islands, the BVI, the PRC, any of the jurisdictions in which the Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the Group; or

(ii) any change, or any event or series of events or developments resulting or likely to result in any change (whether or not forming part of a series of changes occurring or continuing before, on and/or after the respective dates of the Underwriting Agreements and including an event or change in relation to or a development of an existing state of affairs) in local, national, regional or international financial, currency, political, military, industrial, fiscal, economic, stock market or other market conditions or prospects in Hong Kong, the Cayman Islands, the BVI, the PRC, any of the jurisdictions in which the Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the Group; or

(iii) any change in the conditions of the local, regional, national or international securities or commodities markets (or in conditions affecting a sector only of such market) including, for the avoidance of doubt, any significant adverse change in the index level or volume of turnover of any such markets; or

(iv) the imposition of any moratorium, suspension or material restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances or otherwise; or

(v) a change or development involving a change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the Cayman Islands, the BVI, the PRC, any of the jurisdictions in which the Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the Group; or

(vi) any litigation or claim brought by any third party against any member of the Group which will or is reasonably likely to result in the Group incurring liability that is material to the Group as a whole; or

(vii) any of the obligations or undertakings expressed to be assumed by or imposed on any of the Company, the executive Directors, the Covenantors under any of the Underwriting Agreements has not been complied with or observed by any of them in any respect considered by the Sole Global Coordinator (for itself and on behalf of the other Underwriters) in its sole and absolute opinion to be material; or

(viii) any information, matter or event which in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Underwriters) may lead to a material adverse change or prospective material adverse change in the business or in the financial or trading position or prospects of the Group taken as a whole; or

(ix) the imposition of economic sanction or withdrawal of trading privileges in relation to the business of the Group, in whatever form, directly or indirectly by Hong Kong, the PRC or any other relevant jurisdiction; or

(x) a general moratorium on commercial banking activities in the PRC or Hong Kong as declared by the relevant authorities; or

(xi) a petition is presented for the winding-up or liquidation of any member of the Group, or any member of the Group makes any composition or arrangement with its creditors or enters in a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group, or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group, or anything analogous thereto occurs in respect of any member of the Group; or

(xii) any event or series of events of force majeure, beyond the reasonable control of the Underwriters, including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, earthquake, explosion, epidemic, pandemic, outbreak of an infectious disease, calamity, economic and/or financial crisis, acts of terrorism, strike or lock-out (whether or not covered by insurance), acts of government; or

(xiii) any other change whether or not ejusdem generis with any of the foregoing,

which, in each case, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Underwriters):

(aa) is or will be or is likely to be adverse, in any material respect, to the business, financial or trading condition or prospects of the Group taken as a whole or, in the case of sub-paragraph (v) above, on any present or prospective shareholder of the Company in his/her/its capacity as such shareholder; or

(bb) has or will have or is likely to have a material adverse effect on the success of the Placing and/or the Public Offer or the level of the Placing Shares or the Public Offer Shares being demanded, applied for or accepted or the distribution of the Offer Shares; or

(cc) for whatever reason makes it impracticable, inadvisable, inexpedient or not commercially viable for the Underwriters to proceed with the Placing and/or the Public Offer or the delivery of the Offer Shares on the terms and in the manner contemplated by the documents for the Public Offer and/or the Placing.

For the above purpose, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the US or any change of the value of Hong Kong or PRC currency (whether of an appreciative or depreciative nature) under such system shall be taken as an event resulting in a change in currency conditions; and any market fluctuations, whether or not within the normal range therefor, may be considered a change of market conditions.

UNDERTAKINGS

Each of Golden Land, Mr. Zhao, Golden Morning and Ms. Chan (together, the "Covenantors"), has undertaken to the Company, the Sole Sponsor, the Sole Global Coordinator and the Stock Exchange not to (except pursuant to or in connection with the Stock Borrowing Agreement) dispose of its/his/her interest in the Company during certain periods. Details of such non-disposal undertaking are set out in the paragraph headed "Restriction on disposal of Shares" in the section headed "Persons having notifiable interests under the SFO" in this prospectus.

The Company has undertaken to and covenanted with the Sole Sponsor, the Sole Global Coordinator and the Underwriters that, and each of the Covenantors and the executive Directors jointly and severally undertakes and covenants with the Sole Sponsor, the Sole Global Coordinator and the Underwriters to procure that, without the prior written consent of the Sole Sponsor (for itself and on behalf of the Sole Global Coordinator and the Underwriters) (such consent not to be unreasonably withheld or delayed), and subject always to the requirements of the Stock Exchange, save for the Offer Shares, the Over-allotment Shares upon the exercise of the Over-allotment Option by the Sole Global Coordinator, the Shares to be issued pursuant to the Capitalisation Issue, and any Shares which may fall to be issued pursuant to the exercise of any option which may be granted by way of the Share Option Scheme or scrip dividend schemes or similar arrangements in accordance with the Articles, neither the Company nor any of its subsidiaries shall:

a allot and issue or agree to allot and issue any Shares or any subsidiary of the Company or grant or agree to grant any options, warrants or other rights carrying any rights to subscribe for or otherwise acquire any securities of the Company or any subsidiary of the Company within the First Lock-up Period; or

b allot and issue or agree to allot and issue any of the Shares or other interests referred to in (a) above within the Second Lock-up Period if, immediately following such allotment and issue, the Covenantors, either individually or taken together; or

c with any other of them, would cease to be a Controlling Shareholder or the single largest shareholder of the Company; or

d during the First Lock-up Period purchase any Shares or securities of the Company.

Commission and expenses

The Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price payable for the Offer Shares, out of which they will (as the case may be) pay any sub-underwriting commissions. In addition, the Sole Sponsor will receive advisory and documentation fees for acting as the sole sponsor to the Share Offer. Assuming the Over-allotment Option is not exercised, based on an Offer Price of HK$1.465 (being the mid-point of the indicative Offer Price range between HK$1.33 per Offer Share and HK$1.60 per Offer Share), such underwriting commission and fees, together with the Stock Exchange listing fee, legal and other professional fees, applicable printing and other expenses relating to the Share Offer are estimated to amount to approximately HK$22.8 million in total which is payable by the Company.

Underwriters' interests in the Company

Save for their respective obligations and interests under the Underwriting Agreements as disclosed above, none of the Underwriters has any shareholding interests in the Company or any member of the Group or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Sole Sponsor's independence

The Sole Sponsor satisfies the independence criteria applicable to sole sponsor as required under Rule 3A.07 of the Listing Rules.

OFFER PRICE PAYABLE ON APPLICATION

The Offer Price payable by the applicants for the Offer Shares will be the maximum indicative Offer Price of HK$1.60 per Offer Share, plus 1% brokerage fee, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee. This means that for one board lot of 4,000 Shares, you should pay HK$6,464.51 at the time of your application.

If the Offer Price, as finally determined in the manner described below, is lower than HK$1.60, the Company will refund the respective difference, including the brokerage fee, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies. The Company will not pay interest on any refunded amounts. Further details are set out in the section headed "How to apply for the Public Offer Shares" of this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be fixed by Price Determination Agreement on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Thursday, 18 November 2010, and in any event, not later than Tuesday, 23 November 2010.

The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer.

The Sole Global Coordinator, on behalf of the Underwriters, may, where considered appropriate based on the level of interest expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of the Company, reduce the number of Offer Shares and/or the indicative offer price range below that is stated in this prospectus prior to the morning of the last day for lodging applications under the Public Offer. In such a case, the Company will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Public Offer publish a notice in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Company (**www.kingworld.com.cn**) and the website of the Stock Exchange (**www.hkexnews.hk**) of the reduction in the number of Offer Shares and/or the indicative offer price range.

Upon issue of such a notice, the revised number of Offer Shares and/or offer price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Global Coordinator, on behalf of the Underwriters, and the Company, will be fixed within such revised offer price range. In this notice, the Company will also confirm or revise, as appropriate, the working capital statement, the Statistics of the Share Offer as currently set out in the section headed "Summary" of this prospectus, and any other financial information which may change as a result of such reduction. If the Company does not publish a notice in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Company (**www.kingworld.com.cn**) and the website of the Stock Exchange (**www.hkexnews.hk**) of a reduction in the number of Offer Shares and/or the indicative offer price range stated in this prospectus on or before the morning of the last day for

lodging applications under the Public Offer, the Offer Price, if agreed upon by the Sole Global Coordinator, on behalf of the Underwriters, and the Company, will be within the offer price range as stated in this prospectus. Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative offer price range may not be made until the day which is the last day for lodging applications under the Public Offer.

If the Company is unable to reach an agreement with the Sole Global Coordinator (on behalf of the Underwriters) on the Offer Price by Tuesday, 23 November 2010, the Share Offer (including the Public Offer) will not proceed and will lapse.

The applicable Offer Price, level of applications in the Public Offer, the level of indications of interest in the Placing, and the basis of allocations of the Public Offer Shares are expected to be announced on Wednesday, 24 November 2010 through a variety of channels as described in the section headed "How to apply for Public Offer Shares" in this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares in the Share Offer is conditional upon:

(a) **Listing**

The Listing Committee granting the listing of, and permission to deal in, the Shares, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange; and

(b) **Underwriting Agreements**

The execution and delivery of the Underwriting Agreements in accordance with their terms or otherwise, on or before the Price Determination Date; and

The respective obligations of the Underwriters under each of the Underwriting Agreements becoming and remaining unconditional (including the waiver of any condition(s) by the Sole Global Coordinator (for itself and on behalf of the Underwriters)) and the Underwriting Agreements not being terminated in accordance with their respective terms or otherwise, in each case on or before the dates and times specified in each of the Underwriting Agreements; and

(c) **Determination of Price**

The Offer Price having been determined and the execution and delivery of the Price Determination Agreement on or about the Price Determination Date; and

If any of the above conditions is not fulfilled at or before 8:00 a.m., on Thursday, 25 November 2010, the Share Offer will lapse and all application monies together with the brokerage, Stock Exchange trading fee and SFC transaction levy will be returned, without interest on the terms set out in the paragraph headed "Refund of your application money" in the Application Forms.

In the meantime, such application monies will be held in one or more separate bank account(s) with the Bank of Communications Co., Ltd. Hong Kong Branch and Wing Lung Bank Limited, the receiving banks in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

OFFER MECHANISM — BASIS OF ALLOCATION OF SHARES

THE SHARE OFFER

The Share Offer consists of the Placing and Public Offer. The number of Offer Shares comprises the Placing Shares and the Public Offer Shares, both subject to re-allocation. The 150,000,000 Offer Shares will represent 25% of the enlarged number of Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue but without taking into account any Shares that may be allotted and issued upon the exercise of the Over-allotment Option.

Initially 15,000,000 Shares, representing 10% of the number of the Offer Shares, are offered under the Public Offer. The Public Offer is open to all members of the public in Hong Kong as well as to institutional, professional and other investors in Hong Kong. Out of the total 150,000,000 Offer Shares, 135,000,000 Shares, representing 90% of the number of the Offer Shares, will be placed with professional, institutional and other investors in Hong Kong and elsewhere under the Placing. The Placing Shares will be offered in Hong Kong and other jurisdictions outside the United States in offshore transactions. The Placing Shares will be allocated prior to the Listing Date. The level of indications of interest in the Placing and the level of applications of the Public Offer and the basis of allotment under the Public Offer are expected to be published on the website of the Company at **www.kingworld.com.cn** and the website of the Stock Exchange at **www.hkex.com.hk** on or before 24 November 2010.

The net proceeds from the Share Offer are estimated to be approximately HK$115 million.

THE PUBLIC OFFER

The Company is initially offering 15,000,000 Offer Shares (subject to re-allocation), representing 10% of the number of the Offer Shares, for subscription by way of the Public Offer. The allocation of the Offer Shares between the Placing and the Public Offer is subject to re-allocation.

If the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the initial number of the Public Offer Shares, additional Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of the Offer Shares available for subscription under the Public Offer will increase to 45,000,000 Shares, representing 30% of the total number of the Offer Shares. If the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the initial number of the Public Offer Shares, additional Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of the Offer Shares available for subscription under the Public Offer will increase to 60,000,000 Shares, representing 40% of the total number of the Offer Shares. If the number of Offer Shares validly applied for under the Public Offer represents 100 times or more, the initial number of the Public Offer Shares, additional Offer Shares will be reallocated to the Public Offer from the

Placing so that the total number of the Offer Shares available for subscription under the Public Offer will increase to 75,000,000 Shares, representing 50% of the total number of the Offer Shares. If the Public Offer Shares are not fully subscribed, the Sole Global Coordinator, at its absolute discretion, may re-allocate all or any unsubscribed Public Offer Shares to the Placing.

Guotai Junan Securities (Hong Kong) Limited is the bookrunner and the Sole Global Coordinator of the Share Offer. The Public Offer is fully underwritten by the Public Offer Underwriters on and subject to the terms and conditions of the Public Offer Underwriting Agreement.

Allocation of the Public Offer Shares to investors will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of the Public Offer Shares validly applied for by applicants but, subject to that, will be made strictly on a pro-rata basis, even though this could, where appropriate, consist of balloting. Balloting would mean that some applicants may receive a higher allocation than others who have applied for the same number of the Public Offer Shares and those applicants who are not successful in the ballot may not receive any Public Offer Shares. The results of allocations in the Public Offer and basis of allocation of the Public Offer Shares are expected to be published on the website of the Company at **www.kingworld.com.cn** and the Stock Exchange at **www.hkex.com.hk** on 24 November 2010.

BASIS OF ALLOCATION OF THE PUBLIC OFFER SHARES

For allocation purposes only, the number of the Public Offer Shares will be divided equally into two pools: pool A and pool B. The Public Offer Shares in pool A will consist of 7,500,000 Shares and will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares in the value of HK$5 million (excluding 1% brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee payable thereon) or less. The Public Offer Shares available in pool B will consist of 7,500,000 Shares and will be allocated on an equitable basis to applicants who have applied for Public Offer Shares in the value of more than HK$5 million (excluding 1% brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee) and up to the total initial value of pool B.

Investors should be aware that allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Any application made for more than 100% of the Public Offer Shares initially available under pool A or pool B will be rejected.

OVER-ALLOTMENT OPTION

In connection with the Share Offer, the Company is expected to grant to the Sole Global Coordinator the Over-allotment Option which will expire on a date which is 30 days from the date of the last day of lodging applications under the Public Offer. Pursuant to the Over-allotment Option, the Company may be required by the Sole Global Coordinator to allot and issue up to and not more than 22,500,000 additional new Shares (representing 15% of the total number of the Offer Shares initially available under the Share Offer) at the Offer Price to cover over-allocations in the Placing. The Sole

Global Coordinator may also cover such over-allocations by, among other means, purchasing Shares in the secondary market or through stock borrowing arrangements with Golden Land or by a combination of these means or otherwise as may be permitted under the applicable laws and regulatory requirements. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised in full, the additional 22,500,000 new Shares will represent approximately 3.61% of the Company's enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made by the Company in accordance with the Listing Rules.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Share Offer, the Sole Global Coordinator, as the stabilising manager, or its affiliates or any person acting for it, for itself and on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. The number of Shares that may be over-allocated will be up to, but not more than, an aggregate of 22,500,000 additional Shares, being the number of the Shares that may be issued under the Over-allotment Option. Such stabilizing actions may include over-allocating Placing Shares and covering such over allocations by exercising the Over-allotment Option or by making purchases in the secondary market or through stock borrowing arrangement with Golden Land or through a combination of these means or otherwise. However, there is no obligation on the Sole Global Coordinator to do this. Such stabilisation action, if commenced, may be discontinued at any time, and is required to be brought to an end after a limited period. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements.

Subject to and under the Securities and Futures (Price Stabilising) Rules of the SFO, the Sole Global Coordinator may take all or any of the following actions ("primary stabilising action") with respect to any Shares during the stabilisation period, which should end on 17 December 2010, being the 30th day after the last date for lodging applications under the Public Offer:

(1) purchase, or agree to purchase, any of the Shares;

(2) offer or attempt to do anything as described in paragraph (1), for the sole purpose of preventing or minimizing any reduction in the market price of the Shares. The Sole Global Coordinator may also, in connection with any primary stabilising action, take all or any of the following actions:

(a) for the purpose of preventing or minimizing any reduction in the market price of the Shares:

(i) allocate a greater number of Shares than the number that is initially offered under the Share Offer; or

(ii) sell or agree to sell Shares so as to establish a short position in them;

(b) pursuant to an option or other right to purchase or subscribe for Shares, purchase or subscribe for or agree to purchase or subscribe for Shares in order to close out any position established under paragraph (a);

(c) sell or agree to sell any Shares acquired by it in the course of the primary stabilising action in order to liquidate any position that has been established by such action; and/or

(d) offer or attempt to do anything as described in paragraphs (a)(ii), (b) or (c).

Specifically, prospective applicants for and investors in the Offer Shares should be aware:

- that the Sole Global Coordinator may, in connection with the stabilizing action, maintain a long position in the Shares;
- that there is no certainty regarding the extent to which and the time period for which the Sole Global Coordinator will maintain such a long position;
- of possible impact in the case of liquidation of such a long position by the Sole Global Coordinator;
- that stabilising action cannot be taken to support the price of the Shares for longer than the stabilising period which begins on the Listing Date and ends on the earlier of the 30th day after the last day for the lodging of applications under the Public Offer or the commencement of trading of the Shares on the Stock Exchange, that the stabilising period is expected to expire on 17 December 2010, and that after this date, when no further stabilising action may be taken, demand for the Shares, and therefore its price could fall;
- that the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and that stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price the investor has paid for the Shares.

THE PLACING

The Company is initially offering 135,000,000 Offer Shares (subject to re-allocation), representing approximately 90% of the total number of Shares initially available under the Share Offer, for subscription by way of the Placing. The Placing will be fully underwritten by the Sole Global Coordinator on and subject to the terms and conditions of the Placing Underwriting Agreement.

The Sole Global Coordinator is soliciting from prospective professional, institutional and other investors indications of interest in subscribing for the Placing Shares. Prospective professional, institutional and other investors will be required to specify the number of Placing Shares they would be prepared to subscribe for at the Offer Price. This process is known as "book building". In Hong Kong, retail investors should apply for the Public Offer Shares under the Public Offer, as retail investors applying for the Placing Shares (including applying through banks and/or other institutions) are unlikely to be allocated any Placing Shares.

Allocation of the Placing Shares is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell its Shares after the Listing. Such allocation is generally intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a broad shareholder base to the benefit of the Company and the Shareholders as a whole.

The Sole Global Coordinator or selling agents nominated by the Sole Global Coordinator shall, on behalf of the Company, conditionally place the Placing Shares with professional, institutional and other investors in Hong Kong. The Placing shall be subject to the Share Offer restrictions set forth in the section headed "Information about this prospectus and the Share Offer" of this prospectus.

The Placing is conditional on the same conditions as set forth in the paragraph headed "Structure and conditions of the Share Offer" above. The total number of Placing Shares to be allotted and issued may change as a result of the re-allocation of Offer Shares between the Public Offer and the Placing as referred to in the paragraph headed "The Public Offer" above and any reallocation of unsubscribed Shares originally included in the Public Offer.

LISTING ON ANY OTHER STOCK EXCHANGE

The Directors are not considering any listing of the Company's securities on any other overseas stock exchange. The Company has not submitted any application nor obtained any approval for the listing of the Shares on any other overseas stock exchange.

REALLOCATION OF THE OFFER SHARES BETWEEN THE PUBLIC OFFER AND THE PLACING

The allocation of the Offer Shares between the Public Offer and the Placing is subject to reallocation on the following basis:

(a) if the number of Public Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Public Offer Shares initially available for subscription under the Public Offer, then an additional 30,000,000 Shares, representing 20% of the Shares being offered pursuant to the Share Offer will be reallocated to the Public Offer from the Placing, so that an aggregate of 45,000,000 Shares will be available under the Public Offer, representing 30% of the Shares being offered pursuant to the Share Offer;

(b) if the number of Public Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, then an additional 45,000,000 Shares, representing 30% of the Shares being offered pursuant to the Share Offer will be reallocated to the Public Offer from the Placing, so that an aggregate of 60,000,000 Shares will be available under the Public Offer, representing 40% of the Shares being offered pursuant to the Share Offer; and

(c) if the number of Public Offer Shares validly applied for under the Public Offer represents 100 times or more the number of Public Offer Shares initially available for subscription under the Public Offer, then an additional 60,000,000 Shares, representing 40% of the Shares being offered pursuant to the Share Offer will be reallocated to the Public Offer from the Placing, so that an aggregate of 75,000,000 Shares will be available under the Public Offer, representing 50% of the Shares being offered pursuant to the Share Offer.

New Placing Shares being offered in the Placing may be re-allocated and made available as additional Public Offer Shares at the discretion of the Sole Global Coordinator (on behalf of the Underwriters) to satisfy valid applications made pursuant to the Public Offer.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

There are three ways to make an application for the Public Offer Shares. You may apply for the Public Offer Shares by either (i) using a **WHITE** or **YELLOW** Application Form; (ii) applying online through designated website of the HK eIPO White Form Service Provider, referred herein as the "HK eIPO White Form Service", or (iii) by giving **Electronic Application Instructions** to HKSCC to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, **you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying using a WHITE or YELLOW Application Form or applying online through HK eIPO White Form Service or by giving Electronic Application Instructions to HKSCC.**

Who can apply for the Offer Shares

(a) You, the applicant(s), and any person(s) for whose benefit you are applying, must be 18 years of age or above and must have a Hong Kong address.

(b) If you are a firm, the application must be made in the name(s) of the individual member(s), not in the firm's name.

(c) If you are a body corporate, the application must be stamped with the company chop (bearing the company name) and signed by a duly authorised officer, who must state his or her representative capacity.

(d) Save under the circumstances permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you or any person(s) for whose benefit you are applying is/are:

- an existing beneficial owner of the shares in the Company or any of its subsidiaries;
- the chief executive or a director of the Company or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- within the United States or a U.S. person(s) as defined in Regulation S of the U.S. Securities Act 1933, as amended;
- a connected person (as defined in the Listing Rules) of the Company or a person who will become a connected person of the Company (as defined in the Listing Rules) immediately upon completion of the Share Offer;
- a legal or natural person of the PRC (other than Hong Kong, Macau and Taiwan);
- a person who does not have a Hong Kong address; or
- have been allotted or have applied for or indicated an interest in any Placing Shares under the Placing.

(e) The total number of joint applicants may not exceed four.

If you wish to apply for the Offer Shares online through the **HK eIPO White Form** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

Which application method to use

(a) ***WHITE*** *Application Form*

Use a **WHITE** Application Form if you want the Public Offer Shares to be issued in your own name.

(b) ***HK eIPO White Form***

Instead of using a **WHITE** Application Form, you may apply for the Public Offer Shares by means of the **HK eIPO White Form** service by submitting an application online through the designated website at **www.hkeipo.hk**. Use the **HK eIPO White Form** service if you want the Shares to be registered in your own name.

(c) ***YELLOW*** *Application Form*

Use a **YELLOW** Application Form if you want the Public Offer Shares to be issued in the name of HKSCC Nominees and to be deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

(d) *Instruct HKSCC to make an electronic application on your behalf*

Instead of using a **YELLOW** Application Form, you may give Electronic Application Instruction to HKSCC to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf via CCASS. Any Public Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participants stock account or your designated CCASS Participant's stock account.

Note: The Public Offer Shares are not available to the directors, and chief executive of the Company or its subsidiaries or any of their respective associates (as defined in the Listing Rules).

Where to collect this prospectus and the Application Forms

You can collect a **WHITE** Application Form and this prospectus during normal business hours from 9:00 a.m. on Friday, 12 November 2010 until 12:00 noon on Wednesday, 17 November 2010 from any of the following addresses:

Guotai Junan Securities (Hong Kong) Limited
27th Floor, Low Block
Grand Millennium Plaza
181, Queen's Road Central
Hong Kong

Ever-Long Securities Company Limited
18th Floor, Dah Sing Life Building
99-105, Des Voeux Road Central
Hong Kong

OSK Securities Hong Kong Limited
12th Floor, World-Wide House
19 Des Voeux Road Central
Hong Kong

or any of the following branches of:

(a) **Bank of Communications Co., Ltd. Hong Kong Branch**

District	**Branch Name**	**Address**
Hong Kong Island:	Hong Kong Branch	20 Pedder Street, Central
	North Point Sub-Branch	442-444 King's Road
Kowloon:	Kowloon Sub-Branch	G/F., 563 Nathan Road
	Shamshuipo Sub-Branch	G/F., Shop 1, Golden Centre 94 Yen Chow Street, Sham Shui Po
New Territories:	Tseung Kwan O Sub-Branch	Shop 253-255, Metro City Shopping Arcade, Phase I
	Tsuen Wan Sub-Branch	G/F., Shop G9B-11, Pacific Commercial Plaza, Bo Shek Mansion, 328 Sha Tsui Road

(b) **Wing Lung Bank Limited**

District	Branch Name	Address
Hong Kong Island:	Head Office	45 Des Voeux Road Central
	Johnston Road Branch	118 Johnston Road
Kowloon:	Mongkok Branch	B/F Bank Centre 636 Nathan Road
	Tsim Sha Tsui Branch	4 Carnarvon Road
	Lamtin Sceneway Plaza Branch	Shop 59, 3/F Sceneway Plaza 8 Sceneway Road
New Territories:	Shatin Plaza Branch	21 Shatin Centre Street

You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on Friday, 12 November 2010 until 12:00 noon on Wednesday, 17 November 2010 from:

(i) the **Depository Counter of HKSCC** at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; and

(ii) your broker, who may have such Application Forms and this prospectus available.

Applying by using an Application Form

There are detailed instructions on each Application Form. You should read those instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

If your application is made through a duly authorised attorney, the Company and the Sole Global Coordinator and their respective agents or nominees as agent for the Company will have full discretion to reject or accept any application, in full or in part, without assigning any reasons therefor and subject to any conditions they think fit.

(a) You should note that by completing and submitting the Application Form, you (and if you are joint applicants, each of you jointly and severally), for yourself or as agent or nominee and on behalf of each person for whom you as agent or nominee, amongst other things:

(i) **agree** with the Company, for itself and on behalf of each Shareholder, and the Company agrees with each Shareholder, to observe and comply with the Companies Ordinance, the Companies Law, the memorandum of association of the Company and the Articles;

(ii) **agree** with the Company and each of the Shareholder that the Shares are freely transferable by the holder thereof;

(iii) **confirm** that you have received a copy of this prospectus, and have only relied on the information and representations in this prospectus and the Application Form in making your application and that you will not rely on any other information and/or representations save as set out in any supplement to this prospectus;

(iv) **agree** that none of the Company, the Sole Sponsor, the Sole Global Coordinator and the Public Offer Underwriters, any other parties involved in the Share Offer, their respective directors, officers, employees, partners, agents and advisers will be liable for any information or representations not contained in the Application Form, this prospectus and any supplement to this prospectus;

(v) **agree** (without prejudice to any other rights you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation other than as provided in this prospectus;

(vi) (if the application is made for your own benefit) **warrant** that the application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **Electronic Application Instructions** to HKSCC via CCASS or to the **HK eIPO White Form** Service Provider via **HK eIPO White Form** service (**www.hkeipo.hk**);

(vii) (if the application is made by an agent on your behalf) **warrant** that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;

(viii) (if you are making the application as agent for the benefit of another person) **warrant** that reasonable enquiries have been made of that other person and that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by way of giving **Electronic Application Instructions** to HKSCC via CCASS or to the **HK eIPO White Form** Service Provider via the **HK eIPO White Form** service (**www.hkeipo.hk**), and that you are duly authorised to sign the Application Form as that other person's agent;

(ix) **warrant** the truthfulness and accuracy of the information contained in the Application Form;

(x) **agree** to disclose to the Company, the Company's Hong Kong branch share registrar and transfer office, the receiving banker, the Sole Sponsor, the Sole Global Coordinator and the Public Offer Underwriters (and their respective agents, advisers or nominees) personal data and any information which they require about you or the person(s) for whose benefit you have made the application;

(xi) **agree** that the processing of your application, including the despatch of refund cheques (where applicable), may be done by any of the Company's receiving bankers and is not restricted to the bank at which your Application Form was lodged;

(xii) **instruct** and **authorise** the Company, the Public Offer Underwriters and/or the Sole Global Coordinator (or their respective agents or nominees) each acting as an agent of the Company to do on your behalf all things necessary to register any Public Offer Shares allotted to you in your name(s) or the name of HKSCC Nominees, as the case may be, and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;

(xiii) **undertake** to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Public Offer Shares to be allotted to you, and as required by the memorandum of association of the Company and the Articles;

(xiv) **represent**, **warrant** and **undertake** that you are not restricted by any applicable laws of Hong Kong or elsewhere from making this application, pay any application monies for, or being allotted or taking up any Public Offer Shares; and you understand that the Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended and you are not a U.S. person (as defined in Regulation S of the U.S. Securities Act 1933, as amended) or a person to or by whom the allotment of or application for the Public Offer Shares is made would require the Company, the Sole Sponsor, the Sole Global Coordinator, and/or the Public Offer Underwriters to comply with any requirement under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong;

(xv) **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

(xvi) **undertake** and **agree** to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xvii) **authorise** the Company to place your name(s) or the name of HKSCC Nominees, as the case may be, on the register of members of the Company as the holders(s) of any Public Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any refund cheque (where applicable) to you or the first-named applicant in the Application Form (in case of joint applicants) by ordinary post at your own risk to the address stated in your application form (except that if you have applied for 1,000,000 Public Offer Shares or more and have indicated in your Application Form that you will collect your share certificate(s) and/or refund cheque(s) (if any) in person, you can collect your share certificate(s) and/or refund cheque(s) (where applicable) in person between 9:00 a.m. and 1:00 p.m. on Wednesday, 24 November 2010 from Tricor Investor Services Limited;

(xviii) **understand** that these declarations and representations will be relied upon by the Company and the Sole Global Coordinator and their respective agents or nominees in deciding whether or not to allocate any Public Offer Shares in response to your application and that you may be prosecuted for making any false declaration; and

(xix) if the laws of any place outside Hong Kong are applicable to your application, **agree** and **warrant** that you have complied with all such laws and none of the Company, the Sole Sponsor, the Sole Global Coordinator, the Public Offer Underwriters and other parties involved in the Share Offer nor any of their respective directors, employees, partners, agents, officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the application forms.

In order for the **YELLOW** Application Form to be valid:

The applicant(s) must complete the form as indicated below and sign on the first page of the application form. Only written signatures will be accepted.

(i) **If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant)**, the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box in the Application Form.

(ii) If the application is made by an individual CCASS Investor Participant:

(a) the Application Form must contain the CCASS Investor Participant's name and Hong Kong identity card number; and

(b) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.

(iii) If the application is made by a joint individual CCASS Investor Participant:

(a) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong identity card numbers of all joint CCASS Investor Participants; and

(b) the participant I.D. must be inserted in the appropriate box in the Application Form.

(iv) If the application is made by a corporate CCASS Investor Participant:

(a) the Application Form must contain the company name and Hong Kong business registration number; and

(b) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant or the omission of details of the CCASS Participant including participant I.D. and/or company chop bearing its company name or other similar matters may render the application invalid.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominees" account numbers or other identification code for each beneficial owner or, in the case of joint beneficial owners, for each such beneficial owner.

If you apply for the Public Offer Shares using a **YELLOW** Application Form, in addition to the confirmations and agreements referred to in (a) above, you (and if you are joint applicants, each of you jointly and severally) are deemed to do the following:

(i) **agree** that any Public Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, in accordance with your election in the Application Form;

(ii) **agree** that each of HKSCC and HKSCC Nominees reserves the right at its absolute discretion (1) not to accept any or part of the Public Offer Shares allocated to you issued in the name of HKSCC Nominees or not to accept such Public Offer Shares for deposit into CCASS; (2) to cause such Public Offer Shares to be withdrawn from CCASS and transferred into your name (or, if you are joint applicants, to the name of the first-named applicant) at your own risk and costs; (3) to cause such allotted Public Offer Shares to be issued in your name (or, if you are a joint applicant, in the name of the first-named applicant) and in such a case, to post the certificates for such allotted Public Offer Shares at your own risk to the address stated in the Application Form by ordinary post or to make available the same for your collection;

(iii) **agree** that each of HKSCC and HKSCC Nominees may adjust the number of allocated Public Offer Shares issued in the name of HKSCC Nominees;

(iv) **agree** that neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the Application Form; and

(v) **agree** that neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

How to make payment for the application

Each completed **WHITE** or **YELLOW** Application Form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left hand corner of the Application Form.

If you pay by cheque, the cheque must:

(i) be in Hong Kong dollars;

(ii) be drawn on your Hong Kong dollar bank account in Hong Kong;

(iii) bear your account name (or, in the case of joint applicants, the name of the first-named applicant) (either pre-printed on the cheque or endorsed on the reverse of the cheque by an authorised signatory of the bank on which it is drawn), which must be the same as the name on your Application Form (or, in the case of joint applicants, the name of the first-named applicant). If the cheque is drawn on a joint account, one of the joint account names must be the same as the name of the first-named applicant);

(iv) be made payable to "Bank of Communications (Nominee) Co. Ltd. — Kingworld Medicines Public Offer";

(v) be crossed "Account Payee Only"; and

(vi) not be post dated.

Your application may be rejected if your cheque does not meet all of these requirements or is dishonoured on first presentation.

If you pay by banker's cashier order, the banker's cashier order must:

(i) be in Hong Kong dollars;

(ii) be issued by a licensed bank in Hong Kong and have your name certified on the reverse of the banker's cashier order by an authorised signatory of the bank on which it is drawn. The name on the reverse of the banker's cashier order and the name on the Application Form must be the same. If the application is a joint application, the name on the back of the banker's cashier order must be the same as the name of the first-named applicant;

(iii) be made payable to "Bank of Communications (Nominee) Co. Ltd. — Kingworld Medicines Public Offer";

(iv) be crossed "Account Payee Only"; and

(v) not be post dated.

Your application may be rejected if your banker's cashier order does not meet all of these requirements.

The right is reserved to present all or any remittance for payment. However, your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Wednesday, 17 November 2010. The Company will not give you a receipt for your payment. The Company will keep any interest accrued on your application monies (up until, in the case of monies to be refunded, the date of despatch of refund cheques). The right is also reserved to retain any share certificates and/or any surplus application monies or refunds pending clearance of your cheque or banker's cashier order.

Members of the public — time for applying for Public Offer Shares

Completed **WHITE** or **YELLOW** Application Forms, with payment in Hong Kong dollars for the full amount on application attached, must be lodged by **12:00 noon on Wednesday, 17 November 2010**, or, if the application lists are not open on that day, then by 12:00 noon on the next Business Day the lists are open.

Your completed **WHITE** or **YELLOW** Application Form, with payment in Hong Kong dollars for the full amount payable on application attached, should be deposited in the special collection boxes provided at any of the branches of Bank of Communications Co., Ltd. Hong Kong Branch and Wing Lung Bank Limited listed on the paragraph headed "Where to collect this prospectus and the Application Forms" above at the following times:

Friday, 12 November 2010 — 9:00 a.m. to 5:00 p.m.
Saturday, 13 November 2010 — 9:00 a.m. to 1:00 p.m.
Monday, 15 November 2010 — 9:00 a.m. to 5:00 p.m.
Tuesday, 16 November 2010 — 9:00 a.m. to 5:00 p.m.
Wednesday, 17 November 2010 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 17 November 2010.

Application for the Public Offer Shares will not be processed, and no allotment of any such Public Offer Shares will be made, until the close of the application lists.

Applying through HK eIPO White Form

General

(i) You may apply through **HK eIPO White Form** by submitting an application through the designated website at **www.hkeipo.hk** if you satisfy the relevant eligibility criteria for this as set out in "Who can apply for Offer Shares" and on the same website. If you apply through **HK eIPO White Form**, the Shares will be issued in your own name.

(ii) Detailed instructions for application through the **HK eIPO White Form** service are set out on the designated website at **www.hkeipo.hk**. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated HK eIPO White Form Service Provider and may not be submitted to the Company.

(iii) If you give **Electronic Application Instructions** through the designated website at **www.hkeipo.hk**, you will have authorised the designated HK eIPO White Form Service Provider to apply on the terms and conditions set out in this prospectus, as supplemented and amended by the terms and conditions applicable to the **HK eIPO White Form** service.

(iv) In addition to the terms and conditions set out in this prospectus, the designated HK eIPO White Form Service Provider may impose additional terms and conditions upon you for the use of the **HK eIPO White Form** service. Such terms and conditions are set out on the designated website at **www.hkeipo.hk**. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

(v) By submitting an application to the designated HK eIPO White Form Service Provider through the **HK eIPO White Form** service, you are deemed to have authorised the designated HK eIPO White Form Service Provider to transfer the details of your application to the Company and the registrars.

(vi) You may submit an application through the **HK eIPO White Form** service in respect of a minimum of 4,000 Offer Shares. Each electronic application instruction in respect of more than 4,000 Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at **www.hkeipo.hk**.

(vii) You should give **Electronic Application Instructions** through **HK eIPO White Form** at the times set out in the paragraph headed "Time for applying for the Public Offer Shares" below.

(viii) You should make payment for your application made by **HK eIPO White Form** service in accordance with the methods and instructions set out in the designated website at **www.hkeipo.hk**. **If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Wednesday, 17 November 2010 or such later time as described under the paragraph headed "Effect of bad weather on the opening of the application lists" below, the designated HK eIPO White Form Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.hkeipo.hk.**

(ix) Once you have completed payment in respect of any Electronic Application Instruction given by you or for your benefit to the designated HK eIPO White Form Service Provider to make an application for Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an Electronic Application Instruction under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular payment application reference number will not constitute an actual application.

(x) Warning: The application for Offer Shares through the **HK eIPO White Form** service is only a facility provided by the designated HK eIPO White Form Service Provider to public investors. **The Company, the Directors, the Sole Sponsor, the Sole Global Coordinator and the Public Offer Underwriters take no responsibility for such applications, and provide no assurance that applications through the HK eIPO White Form service will be submitted to the Company or that you will be allotted any Offer Shares.**

Please note that internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the HK eIPO White Form service, you are advised not to wait until the last day for submitting applications in the Public Offer to submit your Electronic Application Instructions. In the event that you have problems connecting to the designated website for the **HK eIPO White Form** service, you should submit a **WHITE** Application Form. However, once you have submitted **Electronic Application Instructions** and completed payment in full using the payment reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** or **YELLOW** Application Form.

Conditions of the HK eIPO White Form service

In using the **HK eIPO White Form** service to apply for the Offer Shares, the applicant shall be deemed to have accepted the following conditions:

That the applicant:

- **applies** for the desired number of Offer Shares on the terms and conditions of the Prospectus and **HK eIPO White Form** subject to the memorandum of association of the Company and the Articles;

- **undertakes and agrees** to accept the Offer Shares applied for, or any lesser number allotted to the applicant on such application;

- **declares** that this is the only application made and the only application intended by the applicant to be made whether on a **WHITE** or **YELLOW** Application Form or by giving **Electronic Application Instruction** to HKSCC or to the **HK eIPO White Form** Service Provider under the **HK eIPO White Form** service, to benefit the applicant or the person for whose benefit the applicant is applying;

- **undertakes and confirms** that the applicant and the person for whose benefit the applicant is applying has not applied for or taken up, or indicated an interest for, or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up, or indicate an interest for, any Offer Shares under the Public Offer nor otherwise participate in the Public Offer;

- **understands** that the declaration and representation made in the **HK eIPO White Form will be replied upon by the Company in deciding whether or not to make any allotment of Offer Shares in response to such application;**

- **authorizes** the Company to place the applicant's name on the register of members of the Company as the holder of any Offer Shares to be allotted to the applicant, and (subject to the terms and conditions set out in this prospectus) to send any share certificates and/or any refund cheque(s) by ordinary post at the applicant's own risk to the address given on the **HK eIPO White Form** except where the applicant has applied for 1,000,000 or more Offer Shares and that applicant collects any share certificate(s) and/or refund cheque(s) in person in accordance with the procedures prescribed in the **HK eIPO White Form** and this prospectus;

- **aequests** that any e-Auto Refund payment instruction(s)/refund cheque(s) be made payable to the applicant; and (subject to the terms and conditions set out in this prospectus) to send any refund cheques by ordinary post and at the applicant's own risk to the address given on the **HK eIPO White Form** (except where the applicant has applied for 1,000,000 or more Offer Shares and collects any refund cheque(s) in person in accordance with the procedures prescribed in the **HK eIPO White Form** and the Prospectus);

- **has read** the terms and conditions and application procedures set out in/on the **HK eIPO White Form**, this prospectus and the **HK eIPO White Form** website and agree to be bound by them;

- **represents, warrants and undertakes** that the applicant, and any persons for whose benefit the applicant is applying are non-U.S. person(s) outside the United States (as defined in Regulation S), when completing and submitting the **HK eIPO White Form** or is a person described in paragraph (h)(3) of Rule 902 of Regulation S or the allotment of or application for the Offer Shares to or by whom or for whose benefit the application is made would not require the Company to comply with any requirements under any law or regulation (whether nor not having the force of law) of any territory outside Hong Kong; and

- **agrees** that such application, any acceptance of it and the resulting contract, will be governed by and construed in accordance with the laws of Hong Kong.

Supplemental Information

If any supplement to this prospectus is issued, applicant(s) who have already submitted an electronic application instruction through the **HK eIPO White Form** service may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications through the **HK eIPO White Form** service that have been submitted remain valid and may be accepted. Subject to the above and below, an application once made through the **HK eIPO White Form** service is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

Effect of completing and submitting an application through the HK eIPO White Form service

By completing and submitting an application through the **HK eIPO White Form** service, you for yourself or as agent or nominee and on behalf of any person for whom you act as agent or nominee shall be deemed to:

- **instruct and authorize** the Company and/or the Sole Sponsor and/or the Sole Global Coordinator as agent for the Company (or their respective agents or nominees) to do on your behalf all things necessary to register any Offer Shares allotted to you in your name as required by the Articles and otherwise to give effect to the arrangements described in this prospectus and the **HK eIPO White Form** Application Form;

- **confirm** that you have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;

- **agree** that the Company and the Directors, are liable only for the information and representations contained in this prospectus and any supplement thereto;

- **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

- (if the application is made for your own benefit) **warrant** that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **Electronic Application Instructions** to HKSCC or to the HK eIPO White Form service Provider via the **HK eIPO White Form** service;

- (if you are an agent for another person) **warrant** reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** application form or by giving **Electronic Application Instructions** to HKSCC or to the HK eIPO White Form Service Provider via the **HK eIPO White Form** service, and that you are duly authorised to submit the application as that other person's agent;

- **undertake and confirm** that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made this application have not applied for or taken up, or indicated an interest for, and will not apply for, take up or indicate an interest for, any Offer Shares under the Placing;

- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

- **agree** to disclose to the Company, and/or its registrars, receiving bankers, the Sole Sponsor, the Sole Global Coordinator and their respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made this application;

- **agree** with the Company and each shareholder of the Company, and the Company agrees with each of its shareholder, to observe and comply with the Companies Ordinance, the Companies Law, the memorandum of association of the Company and the Articles;

- **agree** with the Company and each shareholder of the Company that the Shares in the Company are freely transferable by the holders thereof;

- **represent, warrant and undertake** that you are not, and none of the other person(s) for whose benefit you are applying, is a U.S. person (as defined in Regulation S);

- **represent and warrant** that you understand that the Shares have not been and will not be registered under the U.S. Securities Act and you are outside the United States (as defined in Regulation S) when completing the Application Form or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus, the **HK eIPO White Form** application form and the eIPO website and agree to be bound by them;

- **undertake and agree** to accept the Shares applied for, or any lesser number allocated to you under your application; and

- if the laws of any place outside Hong Kong are applicable to your application, **agree and warrant** that you have complied with all such laws and none of the Company, the Sole Sponsor, the Sole Global Coordinator and the Public Offer Underwriters nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus, the **HK eIPO White Form** Application Form and the eIPO website.

The Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters and their respective directors, officers, employees, partners, agents, advisers, and any other parties involved in the Share Offer are entitled to rely on any warranty, representation or declaration made by you in such application.

HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

General

CCASS Participants may give **Electronic Application Instructions** to HKSCC to apply for the Public Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give **Electronic Application Instructions** through the CCASS Phone System by calling 2979 7888 or CCASS Internet System at https://ip.ccass.com (according to the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **Electronic Application Instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F., Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Copies of this prospectus are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **Electronic Application Instructions** via CCASS terminals to apply for Public Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to the Company and the Company's Hong Kong branch share registrar and transfer office.

Application for the Public Offer Shares by HKSCC Nominees on your behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **Electronic Application Instructions** to apply for the Public Offer Shares:

(i) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees does the following things on behalf of each such person:

- **agrees** that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has input **Electronic Application Instructions** on that person's behalf or that person's CCASS Investor Participant stock account;

- **undertakes** and **agrees** to accept the Public Offer Shares in respect of which that person has given **Electronic Application Instructions** or any lesser number;

- **undertakes** and **confirms** that that person has not applied for or taken up any Offer Shares under the Placing nor otherwise participated in the Placing;

- (if the **Electronic Application Instructions** are given for that person's own benefit) declares that only one set of **Electronic Application Instructions** has been given for that person's benefit;

- (if that person is an agent for another person) declares that that person has only given one set of **Electronic Application Instructions** for the benefit of that other person and that that person is duly authorised to give those instructions as that other person's agent;

- **understands** that the above declaration will be relied upon by the Company, the Directors and the Sole Global Coordinator in deciding whether or not to make any allotment of the Public Offer Shares in respect of the **Electronic Application Instructions** given by that person and that that person may be prosecuted if he makes a false declaration;

- **authorises** the Company to place the name of HKSCC Nominees on the register of members of the Company as the holder of the Public Offer Shares allotted in respect of that person's **Electronic Application Instructions** and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between the Company and HKSCC;

- **confirms** that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;

- **confirms** that that person has only relied on the information and representations in this prospectus (and any supplement thereto) in giving that person's **Electronic Application Instructions** or instructing that person's broker or custodian to give **Electronic Application Instructions** on that person's behalf;

- **agrees** that the Company, the Sole Sponsor, the Sole Global Coordinator, the Public Offer Underwriters, their respective directors, officers, employees, advisers and any other parties involved in the Share Offer are not liable for the information and representations not so contained in this prospectus and any supplement thereto;

- **agrees** to disclose that person's personal data to the Company, its registrars, receiving bankers, the Sole Global Coordinator, the Public Offer Underwriters and any of their respective agents and any information which they may require about that person;

- **agrees** (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;

- **agrees** that any application made by HKSCC Nominees on behalf of that person pursuant to **Electronic Application Instructions** given by that person is irrevocable before the expiration of the fifth day after the opening of the application lists or such later date as the application lists may open as described under "Effect of bad weather on the opening of the application lists" below, such agreement to take effect as a collateral contract with the Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person before the expiration of the fifth day after the opening of the application lists except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the end of the fifth day after the time of the opening of the application lists if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus (for the purpose of this paragraph, the term "day" shall be construed to exclude any Saturday, Sunday or public holiday in Hong Kong);

- **agrees** that any application made by HKSCC Nominees on behalf of that person pursuant to **Electronic Application Instructions** given by that person is irrevocable, save as provided for in this prospectus;

- **agrees** that once the application of HKSCC Nominees is accepted, neither that application nor that person's **Electronic Application Instruction** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Public Offer published by the Company;

- **agrees** to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **Electronic Application Instructions** relating to the Public Offer Shares;

- **agrees** with the Company, for itself and for the benefit of each of the Shareholders (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for the Company and on behalf of each of the Shareholders, with each CCASS Participant giving **Electronic Application Instructions**), to observe and comply with the Companies Law, the memorandum of association of the Company and the Articles;

- **agrees** with the Company (for itself and for the benefit of each of the Shareholders) that the Shares are freely transferable by the holders thereof; and

- **agrees** that that person's application, any acceptance of it and the resulting contract will be governed by and constructed in accordance with the laws of Hong Kong.

EFFECT OF GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

By giving **Electronic Application Instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, you each jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to the Company or any other person in respect of the things mentioned below:

- **instructed and authorised** HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;

- **instructed and authorised** HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or if the Offer Price is less than the maximum offer price per Share initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee, by crediting your designated bank account; and

- **instructed and authorised** HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

Minimum subscription amount and permitted multiples

You may give or cause your broker or a custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **Electronic Application Instructions** in respect of a minimum of 4,000 Public Offer Shares. Such instructions in respect of more than 4,000 Public Offer Shares must be in one of the numbers or multiples set out in the table in the Application Forms. No application for any number of the Public Offer Shares will be considered and any such application is liable to be rejected.

Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **Electronic Application Instructions** to make an application for Public Offer Share given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made. Further information in this regard is set forth under the paragraph headed "How many applications you may make" below.

Allocation of the Public Offer Shares

For the purposes of allocating the Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **Electronic Application Instructions** or each person for whose benefit each such instruction is given will be treated as an applicant.

Personal Data

The paragraph headed "Personal Data" in the Application Forms applies to any personal data held by the Company, its registrars, receiving bankers, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Section 40 of the Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, **Electronic Application Instructions** is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

Warning

The application for the Public Offer Shares by giving **Electronic Application Instructions** to HKSCC is only a facility provided to CCASS Participants. The Company, the Directors, the Sole Sponsor, the Sole Global Coordinator and the Public Offer Underwriters take no responsibility for the application and provide no assurance that any CCASS Participants will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **Electronic Application Instructions** to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **Electronic Application Instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to CCASS Phone System/CCASS Internet System for submission of **Electronic Application Instructions**, they should either (i) submit the **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an application instruction input request form for **Electronic Application Instructions** before 12:00 noon on Wednesday, 17 November 2010 or such later time as described under the paragraph headed "Effect of bad weather on the opening of the application lists" below.

HOW MANY APPLICATIONS YOU MAY MAKE

You may make more than one application for the Public Offer Shares if you are a nominee. You may both give **Electronic Application Instructions** to HKSCC (if you are a CCASS participant) and lodge more than one application in your own name if each application is made on behalf of different beneficial owners. In the box on the Application Form marked "For nominees" you must include:

(i) an account number; or

(ii) some other identification code for **each** beneficial owner. If you do not include this information, the application will be treated as being for your benefit.

Except where you are a nominee and provide the information required to be provided in your application, **all** of your applications may be rejected as multiple applications if you, or you and/or your joint applicants together:

- make more than one application on a **WHITE** or **YELLOW** Application Form or by giving **Electronic Application Instructions** to HKSCC or to the HK eIPO White Form Service Provider via the **HK eIPO White Form** service; or

- both apply (whether individuality or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **Electronic Application Instructions** to HKSCC or to the **HK eIPO White Form** Service Provider in the **HK eIPO White Form** service; or

- apply on one **WHITE** or **YELLOW** Application Form or by giving **Electronic Application Instructions** to HKSCC or to the **HK eIPO White Form** Services Provider via the **HK eIPO White Form** service for more than 100% of the Public Offer Shares initially available under pool A and pool B as referred to in the section headed "Structure and Conditions of the Share Offer" in this prospectus; or

- have applied for or taken up, or indicated an interest in applying for or taking up or have been allotted or will be allotted Placing Shares under the Placing.

All of your applications will also be rejected as multiple applications if more than one application is made for **your benefit** (including the part of the application made by HKSCC Nominees acting on **Electronic Application Instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being for your benefit.

Unlisted company *means a company with no equity securities listed on the Stock Exchange.*

Statutory control *means you:*

- control the composition of the board of directors of the company; or
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW MUCH ARE THE PUBLIC OFFER SHARES

The maximum Offer Price is HK$1.60 per Offer Share. You must also pay brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. This means that for every 4,000 Public Offer Shares, you will pay HK$6,464.51. Each Application Form has a table showing the exact amount payable for certain multiples of the Public Offer Shares. You must pay the maximum Offer Price, the brokerage, the Stock Exchange trading fee and the SFC transaction levy in full when you apply for the Public Offer Shares.

Your payment must be made by one cheque or one banker's cashier order and must comply with the terms of the related Application Form (if you apply by an Application Form). Your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Wednesday, 17 November 2010. If your application is successful, the brokerage is paid to participants of the Stock Exchange, the transaction levy is paid to the Stock Exchange collecting on behalf of the SFC, and the trading fee is paid to the Stock Exchange. If the Offer Price as finally determined is less than HK$1.60 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the surplus application monies) will be made to applicants, without interests. Details of the procedures for refund are contained below in the section headed "Despatch/collection of share certificates, e-Auto Refund payment instructions and refund cheques".

The Company will not issue temporary documents of title, evidence of title or receipt for payment.

TIME FOR APPLYING FOR THE PUBLIC OFFER SHARES

WHITE and YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon on Wednesday, 17 November 2010, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed "Effect of bad weather on the opening of the application lists".

Your completed Application Form, with payment in Hong Kong dollars for the full amount payable on application attached, should be deposited in the special collection boxes provided at any one of the branches of the Bank of Communications Co., Ltd. Hong Kong Branch or Wing Lung Bank Limited listed under the paragraph headed "Where to collect the prospectus and Application Forms" above at the following times:

Friday, 12 November 2010 — 9:00 a.m. to 5:00 p.m.
Saturday, 13 November 2010 — 9:00 a.m. to 1:00 p.m.
Monday, 15 November 2010 — 9:00 a.m. to 5:00 p.m.
Tuesday, 16 November 2010 — 9:00 a.m. to 5:00 p.m.
Wednesday, 17 November 2010 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 17 November 2010.

HK eIPO White Form

You may submit your application to the designated HK eIPO White Form Service Provider through the designated website at **www.hkeipo.hk** from 9:00 a.m. on Friday, 12 November 2010 until 11:30 a.m. on Wednesday, 17 November 2010 or such later time as described under the paragraph headed "Effect of bad weather on the opening of the application lists" below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 17 November 2010, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed "Effect of bad weather on the opening of the application lists" below.

You will not be permitted to submit your application to the designated HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an payment reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Wednesday, 24 November 2010, or such later time as described under the sub-paragraph headed "Effects of bad weather on the opening of the Application Lists", the designated White Form eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.eipo.com.hk.

Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **Electronic Application Instructions** via CCASS at the following times on the following dates:

Friday, 12 November 2010 — 9:00 a.m. to 8:30 p.m.(1)
Saturday, 13 November 2010 — 8:00 a.m. to 1:00 p.m.(1)
Monday, 15 November 2010 — 8:00 a.m. to 8:30 p.m.(1)
Tuesday, 16 November 2010 — 8:00 a.m. to 8:30 p.m.(1)
Wednesday, 17 November 2010 — 8:00 a.m.(1) to 12:00 noon

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **Electronic Application Instructions** from 9:00 a.m. on Friday, 12 November 2010 until 12:00 noon on Wednesday, 17 November 2010 (24 hours daily, except the last application date).

The latest time for inputting your **Electronic Application Instructions** (if you are a CCASS Participant) is 12:00 noon on Wednesday, 17 November 2010 or, if the application lists are not open on that day, by the time and date stated under the paragraph headed "Effect of bad weather on the opening of the application lists" below.

Application Lists

Subject to the events as described in the paragraph headed "Effect of bad weather on the opening of the application lists" below, the application lists will open at 11:45 a.m. and close at 12:00 noon on Wednesday, 17 November 2010.

No proceedings will be taken on application for the Shares and no allotment of any such Shares will be made until the closing of the application lists.

EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number eight or above, or
- a "black" rainstorm warning

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 17 November 2010.

Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on such day.

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED THE PUBLIC OFFER SHARES

Full details of the circumstances in which you will not be allocated the Public Offer Shares are set out in the notes attached to the Application Forms, and you should read them carefully. You should note, in particular, the following two situations in which the Public Offer Shares will not be allocated to you:

If your application is revoked

By completing and submitting an Application Form, or by giving or submitting **Electronic Application Instructions** to HKSCC, by completing and submitting the HK eIPO White Form, you agree that you cannot revoke your application or the application made by HKSCC Nominees on your behalf on or before the expiration of the fifth day after the time of the opening of the application lists.

This agreement will take effect as a collateral contract with the Company, and will become binding when you lodge your Application Form or submit your **Electronic Application Instructions** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person before the end of the fifth day after the time of opening of the application lists except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after time of the closing of the application lists, if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

For the purpose of the above paragraphs, the term "day" shall be construed to exclude any Saturday, Sunday or public holiday in Hong Kong.

If any supplement to this prospectus is issued, applicants who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicants have not been so notified, or if applicants have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted will remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. Acceptance of application which are not rejected will be constituted by notification in the announcement of the results of allocation and, where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to satisfaction of such conditions or the results of such ballot, respectively.

Full discretion of the Company, the Sole Global Coordinator and their respective agents to reject or accept your application

The Company, the Sole Global Coordinator and their respective agents have full discretion to reject or accept any application, or to accept only part of an application, and do not have to give any reason for any rejection or acceptance.

If your application is rejected

Your application will be rejected if:

- it is a multiple application or a suspected multiple application; or
- you or the person(s) for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have received or have been or will be placed or allotted (including conditionally and/or provisionally) Placing Shares. Reasonable steps will be taken to identify and reject applications in the Public Offer from investors who have received the Placing Shares; and to identify and reject indications of interest in the Placing from investors who have received Public Offer Shares in the Public Offer; or
- your Application Form is not completed correctly or fully completed (if you apply by an Application Form); or
- your payment is not made in the correct form or amount; or
- you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation; or
- the Company and the Sole Global Coordinator (on behalf of the Public Offer Underwriters) or their respective agents or nominees as the agent of the Company believe that by accepting your application, they would violate the applicable securities laws or other laws, rules or regulations of the jurisdiction in which your application is received or your address is located; or
- your application is for more than 7,500,000 Public Offer Shares, being 50% of the Public Offer Shares initially available for subscription under the Public Offer.

If your application is not accepted

Your application (including the part of an application made by HKSCC Nominees acting upon **Electronic Application Instructions**) will not be accepted if either:

- the Public Offer Underwriting Agreement does not become unconditional in accordance with its terms and conditions; or
- the Public Offer Underwriting Agreement is terminated in accordance with its terms and conditions.

If the allotment of Public Offer Shares is void

Any allotment of the Public Offer Shares to you or to HKSCC Nominees (if you give **Electronic Application Instructions** or apply by a **YELLOW** Application Form) will be void if the Stock Exchange does not grant the approval of the listing of, and permission to deal in, the Shares either:

— within three weeks from the closing date of the application lists of the Public Offer; or

— within a longer period of up to six weeks if the Stock Exchange notifies the Company of that longer period within three weeks of the closing date of the application lists of the Public Offer.

DESPATCH/COLLECTION OF SHARE CERTIFICATES, E-AUTO REFUND PAYMENT INSTRUCTIONS AND REFUND CHEQUES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$1.60 per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, or if the conditions of the Public Offer are not fulfilled in accordance with the paragraph headed "Conditions of the Share Offer" under the section headed "Structure and conditions of the Share Offer" in this prospectus or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

No temporary documents of title will be issued in respect of the Public Offer Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on your Application Form:

(a) for applications on **WHITE** Application Forms or by giving **Electronic Application Instructions** through **HK eIPO White Form** service:

  (i) share certificate(s) for all the Public Offer Shares applied for, if the application is wholly successful; or

  (ii) share certificate(s) for the number of Public Offer Shares successfully applied for, if the application is partially successful (for wholly successful and partially successful applications on **YELLOW** Application Forms: share certificates for the Shares successfully applied for will be deposited into CCASS as described below); and/or

(b) for applications on **WHITE** or **YELLOW** Application Forms, refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Public Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the final Offer Price and the Offer Price of HK$1.60 per Offer Share paid on application in the event that the Offer Price is less than the offer price per Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interests; and/or

(c) for applicants applying through the HK eIPO White Form service by paying the application monies through a single bank account and applicant's application is wholly or partially unsuccessful and/or the final Offer Price being different from the maximum Offer Price initially paid on applicant's application, e-Auto Refund payment instructions (if any) will be despatched to application payment bank account on or around Wednesday, 24 November 2010; and/or

(d) for applicants applying through the HK eIPO White Form service by paying the application monies through multiple bank accounts and applicant's application is wholly or partially unsuccessful and/or the final Offer Price being different from the maximum Offer Price initially paid on applicant's application, refund cheque(s) will be sent to the address specified in applicant's application instructions to the designated HK eIPO White Form Service Provider on or around Wednesday, 24 November 2010, by ordinary post and at applicant's own risk.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and the difference between the Offer Price and the offer price per Share initially paid on application (if any) under **WHITE** or **YELLOW** Application Forms or by giving **Electronic Application Instructions** through **HK eIPO White Form** service; and share certificates for wholly and partially successful applicants under **WHITE** Application Forms or by giving **Electronic Application Instructions** through **HK eIPO White Form** service are expected to be posted on or around Wednesday, 24 November 2010. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s).

Pursuant to a new measure to improve security as agreed and adopted by The Hong Kong Association of Banks, the Hong Kong Monetary Authority, the Federation of Share Registrars and the SFC with effect from 2 April 2007, refund cheques will be printed with part of your Hong Kong identity card number or passport number. For joint applicants, the identity information of the first-named applicant will be printed. When a refund cheque is presented to a bank, the bank will cross-check both the name and the printed part of the Hong Kong identity card or passport number of the payee shown on the cheque against the bank's own record on the information of the account holder. If there is a discrepancy, the bank might request other proof of identity or take other steps for verification. If the bank is unable to be satisfied with the identity of the payee, the bank might reject the deposit of the refund cheque concerned. You are therefore advised to ensure that your identification numbers are accurately filled in on your Application Form to avoid delay in cashing your refund cheques. A cheque deposit might be rejected if you fail to fill in correct identity information.

Share certificates will only become valid certificates of title at 8:00 a.m. on Thursday, 25 November 2010 provided that the Share Offer has become unconditional in all respects and the rights of termination described in the paragraph headed "Grounds for termination" in the section headed "Underwriting" in this prospectus has not been exercised.

You will receive one Share certificate for all the Offer Shares issued to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Form or by **Electronic Application Instructions** to HKSCC where share certificates will be deposited in CCASS).

WHITE Application Form

If you have applied for 1,000,000 Public Offer Shares or above and have indicated on your Application Form that you will collect your Share certificate(s) (where applicable) and/or refund cheque (if any) in person, you may collect it/them from:

Tricor Investor Services Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wan Chai
Hong Kong

between 9:00 a.m. and 1:00 p.m. on Wednesday, 24 November 2010 or any other date notified by the Company in the newspaper as the date of despatch of share certificates and refund cheques.

If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must, in any event, produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited. If you do not collect your share certificate(s) and/or refund cheque (if any) within the time for collection specified above, they will be sent to you by ordinary post to the address as specified in your Application Form (or the address of the first-named applicant in case of a joint application) and at your own risk shortly after the time for collection.

If you have applied for 1,000,000 Public Offer Shares or above and have not indicated on your Application Form that you will collect your Share certificate(s) and/or refund cheque (if any) in person; or if you have applied for less than 1,000,000 Public Offer Shares; or if your application is rejected, not accepted or accepted in part only; or if the conditions of the Public Offer are not fulfilled in accordance with the paragraph headed "Conditions of the Share Offer" under the section headed "Structure and conditions of the Share Offer" in this prospectus, or if any application is revoked or any allotment pursuant thereto has become void, then your Share certificate(s) (where applicable) and/or refund cheque (where applicable) in respect of the application monies or the appropriate portion thereof, together with the related brokerage, Stock Exchange trading fee and SFC transaction levy (without interest) will be sent to the address on your Application Form (or the address of the first-named applicant in case of a joint application) by ordinary post and at your own risk on the date of despatch.

If you apply through HK eIPO White Form

If you apply for 1,000,000 Public Offer Shares or more through the **HK eIPO White Form** service by submitting an electronic application to the designated **HK eIPO White Form** Service

Provider through the designated website at **www.hkeipo.hk** and your application is wholly or partially successful, you may collect your Share certificate(s) and/or refund cheque(s) (where applicable) in person from Tricor Investor Services Limited, from 9:00 a.m. to 1:00 p.m. on Wednesday, 24 November 2010.

If you do not collect your Share certificate(s) and/or refund cheque(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider promptly thereafter, by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your Share certificate(s) and/ or refund cheque(s) (where applicable) will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** on Wednesday, 24 November 2010 by ordinary post and at your own risk.

YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you have applied for 1,000,000 Offer Shares or above and have not indicated on your Application Forms that you will collect refund cheque(s) (if any) in person, or you have applied for less than 1,000,000 Offer Shares or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Public Offer are not fulfilled in accordance with the paragraph headed "Conditions of the Share Offer" under the section headed "Structure and conditions of the Share Offer" in this prospectus, or if any application is revoked or any allotment pursuant thereto has become void, your refund cheque(s) in respect of the application monies or the appropriate parties thereof, together with the related brokerage, Stock Exchange trading fee, SFC transaction levy (without interest) will be sent to the address on your Application Form by ordinary post and at your own risk.

If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees Limited and deposited into CCASS for credit to your CASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you on Wednesday, 24 November 2010, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees Limited.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

- for the Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of the Public Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS investor participant:

- the Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the newspaper on Wednesday, 24 November 2010. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 24 November 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees Limited. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the "CCASS Phone System" and "CCASS Internet System" (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your stock account.

If you apply by giving Electronic Application Instructions to HKSCC

If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **Electronic Application Instructions** on your behalf or your CCASS Investor Participant's stock account on Wednesday, 24 November 2010, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

The Company will publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner, where supplied), your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner described in the paragraph headed "Publication of results" in this prospectus on Wednesday, 24 November 2010. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 24 November 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees.

If you have instructed your broker or custodian to give **Electronic Application Instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 24 November 2010. Immediately after the credit of the Public Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Office Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the offer price per Share initially paid on

application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 24 November 2010. No interests will be paid thereon.

PUBLICATION OF RESULTS

The Company expects to release an announcement of the Offer Price, the level of indication of interest in the Placing, the basis of allocation and the results of applications for the Public Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Wednesday, 24 November 2010.

Results of allocations in the Public Offer, including the Hong Kong identity card/ passport/Hong Kong business registration numbers of successful applicants (where supplied) and the number of Public Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms, by giving **Electronic Application Instructions** to HKSCC or to the **HK eIPO White Form** Service Provider under the **HK eIPO White Form**, will be made available at the times and dates and in the manner specified below:

- on the website of the Company at **www.kingworld.com.cn** and the Stock Exchange's website at **www.hkex.com.hk** from Wednesday, 24 November 2010 onward;

- on the Company's Public Offer results of allocations website at **www.tricor.com.hk/ipo/result** on a 24-hour basis from 8:00 a.m. on Wednesday, 24 November 2010 to 12:00 midnight on Tuesday, 30 November 2010. The user will be required to key in the Hong Kong Identity card/passport/Hong Kong business registration certificate number provided in his/her/its application form to search for his/her its own allocation result;

- from the Company's Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of the Public Offer Shares allocated to them, if any, by calling 369-18-488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 24 November 2010 to Monday, 29 November 2010 (excluding Saturday and Sunday); and

- from special allocation results booklets which set out the results of allocations and will be available for inspection during opening hours of the designated branches of the receiving bankers of the Public Offer from Wednesday, 24 November 2010 to Friday, 26 November 2010 at the addresses set forth in the paragraph headed "Where to collect the prospectus and application forms" in this section above.

COMMENCEMENT OF DEALINGS IN THE SHARES

The application monies (including the brokerages, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Wednesday, 24 November 2010. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Thursday, 25 November 2010. Shares will be traded in board lots of 4,000 Shares. The stock code of the Shares is 01110.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the approval of the listing of, and permission to deal in, the Shares on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Shares on the Stock Exchange or, under contingent situation, such other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements, as such arrangements will affect their rights and interests.

The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the reporting accountants of the Company, CCIF CPA Limited, Certified Public Accountants, Hong Kong.

CCIF
CCIF CPA LIMITED
34/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay Hong Kong

12 November 2010

The Directors
Kingworld Medicines Group Limited
Guotai Junan Capital Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Kingworld Medicines Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 (the "Relevant Periods") for inclusion in the prospectus of the Company dated 12 November 2010 (the "Prospectus") in connection with the proposed listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 10 July 2008. Pursuant to a corporate reorganisation as more fully explained in the section headed "The Reorganisation" in appendix V to the Prospectus (the "Reorganisation"), the Company became the holding company of the companies comprising the Group on 3 November 2010.

The particulars of the Company's subsidiaries during the Relevant Periods and as at the date of this report are as follows:

		Equity interest attributable to the Group						
		As at 31 December			As at 30 June	As at date of this	Issued and fully paid share capital/	
Name	Place and date of incorporation/ operations	2007	2008	2009	2010	report	registered capital	Principal activities
Kingworld Medicine and Healthcare Group Limited (formerly known as Kingworld Medicine Group Limited) ("BVI Kingworld")	British Virgin Islands ("BVI")/Hong Kong 7 February 2005	100%	100%	100%	100%	100%	USD110	Investment holding

Name	Place and date of incorporation/ operations	Equity interest attributable to the Group					Issued and fully paid share capital/ registered capital	Principal activities
		As at 31 December			As at 30 June	As at date of this report		
		2007	2008	2009	2010			
Kingworld Medicine Healthcare Limited ("HK Kingworld")	Hong Kong 14 May 2008	—	100%	100%	100%	100%	HK$101,162,537	Investment holding and provision of marketing service
深圳市金活醫藥有限公司 Shenzhen Kingworld Medicine Company Limited ("SZ Kingworld") (Note 1)	The People's Republic of China (the "PRC") 19 April 1996	100%	100%	100%	100%	100%	RMB80,000,000	Distribution sale of branded imported pharmaceutical and healthcare products in the PRC
武漢市金活信息諮詢服務有限責任公司 Wuhan City Kingworld Information Consultancy Services Company Limited ("Wuhan Consultancy") (Note 2)	The PRC 8 October 2002	100%	100%	100%	100%	100%	RMB100,000	Provision of marketing and consultancy service
無錫市金活信息諮詢服務有限責任公司 Wuxi City Kingworld Information Consultancy Services Company Limited ("Wuxi Consultancy") (Note 2)	The PRC 20 November 2002	100%	100%	100%	100%	100%	RMB100,000	Provision of marketing and consultancy service
南昌市金活信息諮詢服務有限責任公司 Nanchang City Kingworld Information Consultancy Services Company Limited ("Nanchang Consultancy") (Note 2)	The PRC 5 December 2002	100%	100%	100%	100%	100%	RMB100,000	Provision of marketing and consultancy service
太原市金活企業信息諮詢服務有限公司 Taiyuan City Kingworld Information Consultancy Services Company Limited ("Taiyuan Consultancy") (Note 2)	The PRC 27 November 2002	100%	100%	100%	100%	100%	RMB100,000	Provision of marketing and consultancy service

Name	Place and date of incorporation/ operations	Equity interest attributable to the Group					Issued and fully paid share capital/ registered capital	Principal activities
		As at 31 December			As at 30 June	As at date of this report		
		2007	2008	2009	2010			
福州金活企業信息諮詢服務有限公司 Fuzhou City Kingworld Information Consultancy Services Company Limited ("Fuzhou Consultancy") (Note 2)	The PRC 4 March 2003	100%	100%	100%	100%	100%	RMB100,000	Provision of marketing and consultancy service
北京市金活信息諮詢服務有限責任公司 Beijing City Kingworld Information Consultancy Services Company Limited ("Beijing Consultancy") (Note 2)	The PRC 12 November 2002	100%	100%	100%	100%	100%	RMB100,000	Provision of marketing and consultancy service
西安市金活信息諮詢服務有限責任公司 Xi'an City Kingworld Information Consultancy Services Company Limited ("Xi'an Consultancy") (Note 2)	The PRC 21 January 2003	100%	100%	100%	100%	100%	RMB100,000	Provision of marketing and consultancy service
蘭州市金活信息諮詢服務有限責任公司 Lanzhou City Kingworld Information Consultancy Services Company Limited ("Lanzhou Consultancy") (Note 2)	The PRC 10 January 2003	100%	100%	100%	100%	100%	RMB100,000	Provision of marketing and consultancy service
合肥市金活信息諮詢服務有限責任公司 Hefei City Kingworld Information Consultancy Services Company Limited ("Hefei Consultancy") (Note 2)	The PRC 6 March 2003	100%	100%	100%	100%	100%	RMB100,000	Provision of marketing and consultancy service

Name	Place and date of incorporation/ operations	Equity interest attributable to the Group					Issued and fully paid share capital/ registered capital	Principal activities
		As at 31 December			As at 30 June	As at date of this report		
		2007	2008	2009	2010			
鄭州市金活信息諮詢服務有限責任公司 Zhengzhou City Kingworld Information Consultancy Services Company Limited ("Zhengzhou Consultancy") (Note 2)	The PRC 3 March 2003	100%	100%	100%	100%	100%	RMB100,000	Provision of marketing and consultancy service
杭州金活信息諮詢服務有限公司 Hangzhou City Kingworld Information Consultancy Services Company Limited ("Hangzhou Consultancy") (Note 2)	The PRC 29 October 2004	100%	100%	100%	100%	100%	RMB100,000	Provision of marketing and consultancy service
南寧市金活商務服務有限公司 Nanning City Kingworld Business Services Company Limited ("Nanning Consultancy") (Note 2)	The PRC 24 May 2007	100%	100%	100%	100%	100%	RMB100,000	Provision of marketing and consultancy service

Notes:

1. Wholly-foreign owned enterprise established in the PRC.

2. A limited liability company established in the PRC.

3. The English names of the above PRC incorporated entities are for identification purpose only.

All of the subsidiaries are indirectly owned by the Company except for BVI Kingworld which is directly owned by the Company.

All of the companies comprising the Group have adopted 31 December as their financial year end date.

No statutory audited financial statements have been prepared for the Company and BVI Kingworld since their respective dates of incorporation as they were incorporated in countries where there are no statutory audit requirements. For the purpose of this report, we have, however, reviewed all the relevant transactions during the Relevant Periods and carried out such procedures as we considered necessary for inclusion of the Financial Information relating to these companies in this Prospectus.

The financial statements of all of the Group's subsidiaries established in the PRC were prepared in accordance with the relevant accounting principles and financial regulations applicable to the PRC enterprises. The statutory financial statements of HK Kingworld were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The financial statements of the Group's subsidiaries were audited by the following certified public accountants registered in Hong Kong or the PRC.

Name of subsidiary	Period covered	Certified Public Accountants
HK Kingworld	Each of the two years ended 31 December 2008 and 2009	CCIF CPA Limited
SZ Kingworld	Year ended 31 December 2007	Shenzhen Zhong Qing Certified Public Accountants Co., Ltd.
	Each of the two years ended 31 December 2008 and 2009	Shenzhen Zhong He Qing Certified Public Accountants
Wuhan Consultancy	Each of the two years ended 31 December 2007 and 2009	Wuhan Hengtong Certified Public Accountants
	Year ended 31 December 2008	Hubei Chengyi United Certified Public Accountants
Wuxi Consultancy	Year ended 31 December 2007	Wuxi Jiayu Certified Public Accountants Co., Ltd.
	Each of the two years ended 31 December 2008 and 2009	Wuxi Liangxi Certified Public Accountants Co., Ltd.
Nanchang Consultancy	Each of the two years ended 31 December 2007 and 2008	Jiangxi Zhongfu Certified Public Accountants Co., Ltd.
	Year ended 31 December 2009	Jiangxi Huipu Certified Public Accountants Co., Ltd
Taiyuan Consultancy	Year ended 31 December 2007	Shanxi Zhiqiang Certified Public Accountants Co., Ltd.
	Each of the two years ended 31 December 2008 and 2009	Shanxi Jin Qiang Certified Public Accountants Co., Ltd.
Fuzhou Consultancy	Each of the three years ended 31 December 2007, 2008 and 2009	Fujian Indetrust Certified Public Accountants Co., Ltd.

Name of subsidiary	Period covered	Certified Public Accountants
Beijing Consultancy	Each of the three years ended 31 December 2007, 2008 and 2009	Beijing Huizhihongjing Certified Public Accountants Co., Ltd.
Xi'an Consultancy	Each of the three years ended 31 December 2007, 2008 and 2009	Shaanxi Yiyou Certified Public Accountants Co., Ltd.
Lanzhou Consultancy	Each of the three years ended 31 December 2007, 2008 and 2009	Gansu Guotong Certified Public Accountants
Hefei Consultancy	Year ended 31 December 2007	JiuZhou (Anhui) Certified Public Accountants
	Each of the two years ended 31 December 2008 and 2009	Hefei Yide Certified Public Accountants
Zhengzhou Consultancy	Year ended 31 December 2007	Henan Yonghao United Certified Public Accountants
	Each of the two years ended 31 December 2008 and 2009	Henan Guangfa United Certified Public Accountants
Hangzhou Consultancy	Each of the three years ended 31 December 2007, 2008 and 2009	Hangzhou Xinjiyuan Certified Public Accountants
Nanning Consultancy	Each of the three years ended 31 December 2007, 2008 and 2009	Guangxi Tongrui Certified Public Accountants Co., Ltd.

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Relevant Periods in accordance with HKFRSs issued by the HKICPA (the "Underlying Financial Statements"). We have carried out an independent audit on the Underlying Financial Statements in accordance with Hong Kong Auditing Standards issued by the HKICPA. We have examined the Underlying Financial Statements and have carried out such procedures as we consider necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 1 to the Financial Information. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company, who approve their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis set out in note 1 in section A to the Financial Information, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 December 2007, 2008 and 2009 and 30 June 2010 and of its combined results and combined cash flows of the Group for the Relevant Periods.

The comparative combined income statement, combined statement of comprehensive income, combined statement of cash flows and combined statement of changes in equity of the Group for the six months ended 30 June 2009 together with the notes thereon have been extracted from the Group's unaudited combined financial information for same period (the "30 June 2009 Financial Information") which were prepared by the directors of the Company solely for the purpose of this report. We conducted our review in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review consists of making enquires of the Group management personnel and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 30 June 2009 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 June 2009 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information, which conform with HKFRSs.

A. FINANCIAL INFORMATION

COMBINED INCOME STATEMENTS

	Notes	Year ended 31 December			Six months ended 30 June	
		2007	**2008**	**2009**	**2009**	**2010**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Turnover	3	527,327	536,021	556,417	274,795	313,710
Cost of sales		(431,022)	(406,630)	(435,764)	(221,969)	(250,357)
Gross profit		96,305	129,391	120,653	52,826	63,353
Valuation (loss)/gain on investment property		—	(1,891)	600	—	—
Other revenue	4(a)	3,591	7,220	6,786	4,509	3,738
Other net income	4(b)	9,068	10,978	7,143	3,305	33
Selling and distribution costs		(51,748)	(62,357)	(58,378)	(33,991)	(37,485)
Administrative expenses		(12,688)	(21,330)	(20,441)	(10,274)	(11,605)
Profit from operations		44,528	62,011	56,363	16,375	18,034
Finance costs	5(a)	(8,958)	(16,570)	(9,610)	(6,067)	(3,568)
Profit before taxation	5	35,570	45,441	46,753	10,308	14,466
Income tax	6	(6,335)	(11,044)	(9,509)	(1,747)	(3,854)
Profit for the year/period		29,235	34,397	37,244	8,561	10,612
Attributable to:						
Equity holders of the Company		29,235	34,397	37,244	8,561	10,612
Dividends	7	—	47,700	26,400	—	5,637
Earnings per share						
Basic and diluted (RMB cents)	8	6.50	7.64	8.28	1.90	2.36

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit for the year/period	29,235	34,397	37,244	8,561	10,612
Other comprehensive income for the year/period					
Exchange differences on translation of financial statements of subsidiaries outside the PRC	8	78	(152)	(412)	106
	8	78	(152)	(412)	106
Total comprehensive income for the year/period	29,243	34,475	37,092	8,149	10,718

COMBINED BALANCE SHEETS

	Notes	At 31 December 2007	At 31 December 2008	At 31 December 2009	As at 30 June 2010
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	11	4,406	3,451	3,633	3,434
Investment property	12	—	45,400	46,000	46,000
Prepaid lease payments	13	—	—	7,502	7,380
		4,406	48,851	57,135	56,814
Current assets					
Inventories	15	99,136	98,620	75,862	35,041
Trade and other receivables	16	278,404	265,746	178,513	170,422
Pledged bank deposits	17	69,049	103,396	246,619	197,537
Cash and cash equivalents	18	48,444	31,240	83,562	49,433
		495,033	499,002	584,556	452,433
Current liabilities					
Trade and other payables	19	177,930	164,729	172,882	113,852
Bank loans	20	187,333	159,595	246,606	195,766
Current taxation	21(a)	2,016	3,414	4,637	2,896
		367,279	327,738	424,125	312,514
Net current assets		127,754	171,264	160,431	139,919
Total assets less current liabilities		132,160	220,115	217,566	196,733
Non-current liabilities					
Bank loans	20	—	100,000	60,000	60,000
Deferred tax liabilities	21(b)	—	1,180	1,538	2,024
		—	101,180	61,538	62,024
NET ASSETS		132,160	118,935	156,028	134,709
CAPITAL AND RESERVES					
Share capital	22	—	—	1	1
Reserves	23	43,160	29,935	156,027	134,708
Shareholders' equity loans	24	89,000	89,000	—	—
TOTAL EQUITY		132,160	118,935	156,028	134,709

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							
	Share capital	Share premium	Share-holders' equity loans	Capital reserve	Statutory and discretionary reserves	Exchange reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2007	—	—	10,000	68	5,861	—	7,988	23,917
Changes in equity:								
Transfer	—	—	—	—	3,752	—	(3,752)	—
Loans from shareholders	—	—	79,000	—	—	—	—	79,000
Total comprehensive income for the year	—	—	—	—	—	8	29,235	29,243
At 31 December 2007	—	—	89,000	68	9,613	8	33,471	132,160
At 1 January 2008	—	—	89,000	68	9,613	8	33,471	132,160
Changes in equity:								
Transfer	—	—	—	—	5,948	—	(5,948)	—
Dividend	—	—	—	—	—	—	(47,700)	(47,700)
Total comprehensive income for the year	—	—	—	—	—	78	34,397	34,475
At 31 December 2008	—	—	89,000	68	15,561	86	14,220	118,935
At 1 January 2009	—	—	89,000	68	15,561	86	14,220	118,935
Changes in equity:								
Capitalisation issue	1	89,000	(89,000)	—	—	—	—	1
Transfer	—	—	—	—	4,305	—	(4,305)	—
Total comprehensive income for the year	—	—	—	—	—	(152)	37,244	37,092
At 31 December 2009	1	89,000	—	68	19,866	(66)	47,159	156,028
At 1 January 2010	1	89,000	—	68	19,866	(66)	47,159	156,028
Changes in equity:								
Transfer	—	—	—	—	1,973	—	(1,973)	—
Dividend	—	—	—	—	—	—	(32,037)	(32,037)
Total comprehensive income for the period	—	—	—	—	—	106	10,612	10,718
At 30 June 2010	1	89,000	—	68	21,839	40	23,761	134,709
Unaudited								
At 1 January 2009	—	—	89,000	68	15,561	86	14,220	118,935
Changes in equity:								
Transfer	—	—	—	—	923	—	(923)	—
Total comprehensive income for the period	—	—	—	—	—	(412)	8,561	8,149
At 30 June 2009	—	—	89,000	68	16,484	(326)	21,858	127,084

COMBINED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Six months ended 30 June	
		2007	2008	2009	2009	2010
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Operating activities						
Profit before taxation		35,570	45,441	46,753	10,308	14,466
Adjustments for:						
Amortisation on prepaid lease payments		—	—	81	—	122
Depreciation		927	1,097	881	491	421
Finance costs		8,958	16,570	9,610	6,067	3,568
Impairment loss on trade receivables		223	187	50	38	222
Interest income		(2,063)	(5,016)	(4,481)	(3,396)	(3,037)
Loss on disposal of property, plant and equipment		—	13	7	4	2
Reversal of impairment loss on trade receivables		—	—	(14)	—	—
Unrealised (gain)/loss on forward exchange contracts		(312)	85	(3,068)	(1,405)	(1,116)
Valuation (gain)/loss on investment property		—	1,891	(600)	—	—
Write-down of inventories		—	—	559	—	—
Operating profit before changes in working capital		43,303	60,268	49,778	12,107	14,648
Decrease in inventories		2,982	516	22,199	32,797	40,821
(Increase)/decrease in trade and other receivables		(128,432)	(33,417)	86,445	94,075	8,985
Increase/(decrease) in trade and other payables		(34,784)	(13,286)	8,153	(70,344)	(59,030)
Cash generated from/(used in) operations		(116,931)	14,081	166,575	68,635	5,424
PRC income tax paid		(5,611)	(8,466)	(7,928)	(3,987)	(5,109)
Net cash generated from/(used in) operating activities		(122,542)	5,615	158,647	64,648	315

	Notes	Year ended 31 December 2007	2008	2009	Six months ended 30 June 2009	2010
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Investing activities						
Payment for the purchase of property, plant and equipment		(2,020)	(163)	(424)	(182)	(224)
Proceeds from sale of property, plant and equipment		20	8	4	—	—
Payment for the purchase of investment property		—	(1,403)	—	—	—
Prepaid lease payments paid		—	—	(4,413)	(4,011)	—
Interest received		2,063	5,016	4,481	3,396	3,037
Net cash generated from/(used in) investing activities		63	3,458	(352)	(797)	2,813
Financing activities						
(Increase)/decrease in pledged bank deposits		3,504	(34,347)	(143,223)	(77,896)	49,082
Proceeds from new bank loans		224,333	431,167	247,538	142,686	96,599
Repayment of bank loans		(172,676)	(358,905)	(200,527)	(105,191)	(147,439)
Finance costs paid		(8,958)	(16,570)	(9,610)	(6,067)	(3,568)
Proceeds from shareholders' loans		79,000	—	—	—	—
Dividend paid		—	(47,700)	—	—	(32,037)
Issue of shares		—	—	1	—	—
Net cash generated from/(used in) financing activities		125,203	(26,355)	(105,821)	(46,468)	(37,363)
Increase/(decrease) in cash and cash equivalents		2,724	(17,282)	52,474	17,383	(34,235)
Cash and cash equivalents at beginning of year/period		45,712	48,444	31,240	31,240	83,562
Effect of foreign exchange rates changes		8	78	(152)	(412)	106
Cash and cash equivalents at end of year/period	18	48,444	31,240	83,562	48,211	49,433

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PREPARATION OF FINANCIAL INFORMATION

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 10 July 2008. The address of the Company's registered office and the principal place of business are set out in the section headed "Corporate Information" to the Prospectus.

The Group is principally engaged in distribution sale of branded imported pharmaceutical and healthcare products in the PRC.

The combined income statements, combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows during the Relevant Periods are prepared as if the current group structure had been in existence throughout the Relevant Periods, or since the respective dates of incorporation/establishment of the relevant entity, where this is a shorter period. The combined balance sheets as at 31 December 2007, 2008 and 2009 and 30 June 2010 present the assets and liabilities of the companies now comprising the Group which had been incorporated/established as at the relevant balance sheet dates as if the current group structure had been in existence at those dates. The Group was under the control by Mr. Zhao Li Sheng ("Mr. Zhao") and Ms. Chan Lok San ("Ms. Chan") prior to and after the Reorganisation. Pursuant to the Reorganisation, which was completed on 3 November 2010 by interspersing the Company, BVI Kingworld, HK Kingworld, SZ Kingworld and its subsidiaries under the control by Mr. Zhao and Ms. Chan, the Company became the holding company of the companies comprising the Group. Accordingly, the Financial Information has been prepared as if the Company had been the holding company of the Group throughout the Relevant Periods in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by HKICPA.

The Financial Information comprises the Company and its subsidiaries and its interest in a jointly controlled entity.

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity. The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand except when otherwise indicated. Renminbi is the Company's functional and presentation currency.

The measurement basis used in the preparation of the Financial Information is the historical cost basis except that the following assets and liabilities are stated at their fair values as explained in the accounting policies set out below:

— investment property;

— financial instruments classified at fair value through profit or loss; and

— derivative financial instruments

The preparation of Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and estimates with a significant risk of material adjustment in the next year are discussed in note 27.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The Financial Information have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The Financial Information also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs. For the purposes of preparing the Financial Information, the Group has applied all these new and revised HKFRS applicable to the Relevant Periods except for any new and revised accounting standards and interpretation that are not yet effective for the Relevant Periods. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2010 are set out in note 31.

b) Basis of combination

i) *Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the Financial Information from the date that control commences until the date that control ceases.

ii) ***Acquisition from entities under common control***

Business combinations arising from transfer of interests in entities that are under the common control of the equity holder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling equity holder's combined financial statements. The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognised as part of other reserve. Any cash paid for the acquisition is recognised directly in equity.

iii) ***Transactions eliminated on combination***

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

c) **Jointly controlled entity**

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entity.

The Group recognises its interest in jointly controlled entity using proportionate consolidation. The Group's share of the assets, liabilities, income and expenses of the jointly controlled entity are combined with the Group's similar line items, line by line, in the Financial Information.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a business or a jointly controlled entity.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

d) **Financial assets at fair value through profit or loss**

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

— such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

— the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on the basis; or

— it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

e) **Derivative financial instruments**

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivative qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

f) **Investment property**

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(h)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(s)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(h)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(h).

g) **Property, plant and equipment**

Property, plant and equipment, other than investment property, are stated in the balance sheet at cost less accumulated depreciation and accumulated impairment losses, if any (see note 2(j)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Building	Over the shorter of the unexpired lease term and estimated useful lives, being no more than 20 years
Leasehold improvements	5 years or over the remaining term of the lease, if shorter
Furniture, fixtures and office equipment	10%-20% per annum
Motor vehicles	10%-20% per annum

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

h) **Leased assets**

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

i) ***Classification of assets leased to the Group***

Assets held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions.

— Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(f)).

— Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

ii) ***Assets acquired under finance leases***

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in prepaid lease payments and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset. Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(j)(ii). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

iii) ***Operating lease charges***

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

The cost of acquiring land held under operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

i) **Inventories**

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories

to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

j) **Impairment of assets**

i) ***Impairment of trade and other receivables***

Trade and other receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For trade and other receivables and other financial assets carried at amortised cost, impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

ii) ***Impairment of other assets***

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment; and

— prepaid lease payments

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

Recognition of impairment losses

An impairment loss is recognised in the profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

k) **Trade and other receivables**

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(j)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

l) **Trade and other payables**

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

m) **Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

n) **Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the combined statements of cash flows.

o) **Income tax**

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

p) **Provisions and contingent liabilities**

i) ***Contingent liabilities acquired in business combinations***

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(p)(ii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 2(p)(ii).

ii) ***Other provisions and contingent liabilities***

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

q) **Borrowing costs**

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

r) **Translation of foreign currencies**

Foreign currency transactions during the Relevant Periods are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in equity.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of operations outside PRC are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

s) **Revenue recognition**

Provided that when it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

i) ***Sales of goods***

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax and other sales taxes and is stated after deduction of returns and discounts.

ii) ***Rental income from operating leases***

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

iii) ***Commission income***

Commission income is recognised when the services are rendered.

iv) ***Interest income***

Interest income is recognised as it accrues using the effective interest method.

t) **Segment reporting**

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group is principally engaged in distribution sale of branded imported pharmaceutical and healthcare products. The revenue, results and assets of pharmaceutical products were more than 90% of the Group's revenue, results and assets during the Relevant Periods. No business segment analysis is presented accordingly.

The Group's turnover and results from operations mainly derived from activities in the PRC. The principal assets of the Group were located in the PRC during the Relevant Periods. Accordingly, no analysis by geographical segment is provided.

During the Relevant Periods, there was no revenue form transactions with a single external customer amounted to 10% or more of the Group's total revenue.

u) **Employee benefits**

i) ***Short term employee benefits and contribution to define contribution retirement plans***

Salaries, annual bonuses, paid annual leave, contribution to define contribution retirement plans and cost of non-monetary benefits are accrued in each of the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii) ***Defined contribution retirement plan obligation***

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in income statement as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

Contributions to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to the income statement when incurred.

iii) ***Termination benefits***

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

v) **Related parties**

For the purpose of the Financial Information, parties are considered to be related to the Group if:

i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

ii) the Group and the party are subject to common control;

iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3. TURNOVER

Turnover represents sales of branded imported pharmaceutical and healthcare products at net invoiced value of goods sold, less value-added and sales taxes, returns and discounts, during the Relevant Periods.

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Sales	527,327	536,021	556,417	274,795	313,710

4. OTHER REVENUE AND OTHER NET INCOME

a) **Other revenue**

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Total interest income on financial assets not at fair value through profit or loss:					
Bank interest income	2,063	5,016	4,481	3,396	3,037
Commission income	1,528	1,693	585	446	—
Rental income	—	439	1,325	667	701
Others	—	72	395	—	—
	3,591	7,220	6,786	4,509	3,738

b) **Other net income**

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Net gain on financial assets at fair value through profit or loss	—	—	303	160	71
Net realised and unrealised gain/(loss) on forward foreign exchange contracts	312	3,133	6,658	3,178	(1,005)
Net foreign exchange gain/(loss)	8,756	7,845	182	(33)	967
	9,068	10,978	7,143	3,305	33

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

		Year ended 31 December			Six months ended 30 June	
		2007	2008	2009	2009	2010
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
a)	**Finance costs**					
	Total interest expense on financial liabilities not at fair value through profit or loss:					
	Interest on bank borrowings wholly repayable within five years	8,958	16,570	9,610	6,067	3,568
b)	**Staff costs**					
	Salaries, and other benefits	12,682	19,271	18,941	10,829	10,622
	Contributions to defined contribution retirement plan	903	1,755	2,028	940	1,038
		13,585	21,026	20,969	11,769	11,660
c)	**Other items**					
	Amortisation on prepaid lease payments	—	—	81	—	122
	Auditors' remuneration	35	35	35	—	45
	Cost of inventories (note 15)	431,022	406,630	435,764	221,969	250,357
	Depreciation	927	1,097	881	491	421
	Impairment losses on trade receivables	223	187	50	38	222
	Loss on disposal of property, plant and equipment	—	13	7	4	2
	Operating lease charges in respect of land and buildings	1,836	2,087	1,882	1,030	929
	Write-down of inventories	—	—	559	—	—
	Rental income from investment property (less direct outgoings of RMB45,000, RMB260,000, RMB176,000 and RMB185,000 for the year ended 31 December 2008 2009 and the six months ended 30 June 2009 and 2010 respectively)	—	(394)	(1,065)	(491)	(516)
	Reversal of impairment loss on trade receivables	—	—	(14)	—	—

6. INCOME TAX

a) Taxation in the combined income statements represents:

	At 31 December			At 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current tax					
- PRC Income tax	6,335	9,864	7,668	1,373	3,368
Deferred tax (note 21(b))					
- current year/period	—	1,180	1,879	412	486
- attributable to a change in tax rate	—	—	(38)	(38)	—
	—	1,180	1,841	374	486
	6,335	11,044	9,509	1,747	3,854

i) Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

ii) No provision for Hong Kong Profits Tax has been provided during the Relevant Periods as the Group did not have assessable profits subject to Hong Kong Profits Tax.

iii) The PRC income tax charge of the Group during the Relevant Periods represents mainly the PRC income tax charge from SZ Kingworld and the Group's proportionate share of PRC income tax charge from Zhuhai City Jinming Medicine Company Limited (珠海市金明醫藥有限公司) ("Zhuhai Jinming"), a jointly controlled entity of the Group.

Pursuant to the relevant laws and regulations in the PRC, SZ Kingworld and Zhuhai Jinming are located in an approved economic zone in the PRC and were subject to an income tax rate of 15%, 18%, 20%, 20% and 22% during the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, respectively.

The National People's Congress of the PRC approved the Corporate Income Tax Law of the PRC ("New CIT Law") on 16 March 2007. With effect from 1 January 2008, the tax rate applicable to enterprises established in the PRC will be unified at 25% with certain grandfather provisions and preferential provisions. SZ Kingworld and Zhuhai Jinming are both entitled to the transitional tax rate of 18%, 20%, 22%, 24% and 25% in 2008, 2009, 2010, 2011, 2012 onwards respectively.

iv) Under the New CIT Law and its Implementation Rules, dividends receivable by non-PRC resident enterprises from PRC resident enterprises are subject to withholding tax at a rate of 10% unless reduced by tax treaties or agreements. Under the Agreement between the Mainland China and Hong Kong Special Administration Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion, or Mainland China/HKSAR DTA, Hong Kong corporate tax residents which hold 25% or more of a PRC enterprise are entitled to a reduced dividend withholding tax rate of 5%. Pursuant to CaiShui [2008] No. 1 Notice on Certain Preferential Enterprise Income Tax Policies, undistributed profits generated prior to 1 January 2008 are exempted from such withholding tax. Accordingly, dividends receivable by the Group's investment holding company in Hong Kong from the PRC subsidiaries in respect of profits earned since 1 January 2008 will be subject to 5% withholding tax. Deferred tax liabilities of RMBnil, RMB1,520,000, RMB1,759,000, RMB412,000 and RMB486,000 have been recognised by the Group for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June, 2009 and 2010 respectively for undistributed retained profits of the Group's PRC subsidiaries.

b) Reconciliation between tax expense and accounting profit at the applicable tax rates:

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit before taxation	35,570	45,441	46,753	10,308	14,466
Notional tax on profit before tax, calculated at the rates applicable in the jurisdictions concerned	5,365	8,214	9,366	2,068	3,215
Tax effect of non-deductible expenses	1,563	3,787	498	478	771
Tax effect of non-taxable income	(593)	(2,518)	(2,177)	(1,173)	(541)
Unrecognised temporary difference	—	41	101	—	(77)
Withholding tax on undistributed profits of PRC subsidiaries	—	1,520	1,759	412	486
Effect on opening deferred tax balance resulting from a change in tax rate	—	—	(38)	(38)	—
Actual tax expense	6,335	11,044	9,509	1,747	3,854

7. DIVIDENDS

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Interim dividends declared and paid	—	47,700	—	—	5,637
Final dividend proposed after the balance sheet date	—	—	26,400	—	—
	—	47,700	26,400	—	5,637

Dividends during the Relevant Periods represent dividends declared by BVI Kingworld to their then shareholders before it became a subsidiary of the Company.

The rates of dividend and the number of shares ranking for dividends are not presented as it is not indicative of the future dividend policy of the Company.

8. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to equity holders of the Company for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010 and on the assumption that 450,000,000 ordinary shares of the Company in issue or to be issued as at the date of this report and pursuant to the capitalisation issue occurred on the first day of the Relevant Periods.

There were no potential dilutive ordinary shares in issue during the Relevant Periods, the diluted earnings per share is same as the basic earnings per share during the Relevant Periods accordingly.

9. DIRECTORS' EMOLUMENTS

The directors of the Company were members of the senior management of the Group throughout the Relevant Periods and they have been disclosed in the Financial Information as if they had already been appointed at the beginning of the Relevant Periods. Details of the remuneration of directors during the Relevant Periods are as follows:

Details of directors' remuneration of the Company are set out below:

	Fees	Basic salaries, allowances and other benefits	Bonus	Contributions to retirement benefit schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2007					
Executive directors:					
Chan Lok San	—	—	63	—	63
Lin Yusheng	—	185	—	2	187
Zhao Li Sheng	—	—	—	—	—
Zhou Xuhua	—	—	5	—	5
	—	185	68	2	255
Year ended 31 December 2008					
Executive directors:					
Chan Lok San	—	449	72	32	553
Lin Yusheng	—	199	—	5	204
Zhao Li Sheng	—	649	—	32	681
Zhou Xuhua	—	475	—	32	507
	—	1,772	72	101	1,945
Year ended 31 December 2009					
Executive directors:					
Chan Lok San	—	559	78	8	645
Lin Yusheng	—	273	—	5	278
Zhao Li Sheng	—	755	—	8	763
Zhou Xuhua	—	670	—	45	715
	—	2,257	78	66	2,401

	Fees	Basic salaries, allowances and other benefits	Bonus	Contributions to retirement benefit schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2009 (unaudited)					
Executive directors:					
Chan Lok San	—	341	38	8	387
Lin Yusheng	—	128	—	2	130
Zhao Li Sheng	—	444	—	8	452
Zhou Xuhua	—	437	—	19	456
	—	1,350	38	37	1,425
Six months ended 30 June 2010					
Executive directors:					
Chan Lok San	—	355	44	—	399
Lin Yusheng	—	154	—	2	156
Zhao Li Sheng	—	461	—	—	461
Zhou Xuhua	—	448	—	26	474
	—	1,418	44	28	1,490

During the Relevant Periods, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 10 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which any director waived or agreed to waive any remuneration during the Relevant Periods.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group during the Relevant Periods include 1, 3, 4, 4 and 4 directors during the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010 respectively, whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries and allowance	287	104	121	63	80
Bonuses	356	410	66	34	39
Retirement scheme contributions	12	13	29	13	14
	655	527	216	110	133

The emoluments of individuals other than directors with the highest emoluments are within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
				(unaudited)	
HK$1 - HK$1,000,000	4	2	1	1	1

11. PROPERTY, PLANT AND EQUIPMENT

	Building	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost					
At 1 January 2007	—	72	2,790	2,799	5,661
Additions	—	44	1,054	922	2,020
Disposal	—	—	—	(114)	(114)
At 31 December 2007 and 1 January 2008	—	116	3,844	3,607	7,567
Additions	—	13	150	—	163
Disposals	—	—	(156)	(84)	(240)
At 31 December 2008 and 1 January 2009	—	129	3,838	3,523	7,490
Additions	707	110	135	122	1,074
Disposal	—	—	(40)	(62)	(102)
At 31 December 2009 and 1 January 2010	707	239	3,933	3,583	8,462
Additions	—	—	224	—	224
Disposal	—	—	(18)	—	(18)
At 30 June 2010	707	239	4,139	3,583	8,668

	Building	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation					
At 1 January 2007	—	15	995	1,318	2,328
Charge for the year	—	18	444	465	927
Disposal	—	—	—	(94)	(94)
At 31 December 2007 and 1 January 2008	—	33	1,439	1,689	3,161
Charge for the year	—	23	475	599	1,097
Disposal	—	—	(138)	(81)	(219)
At 31 December 2008 and 1 January 2009	—	56	1,776	2,207	4,039
Charge for the year	8	38	435	400	881
Disposal	—	—	(36)	(55)	(91)
At 31 December 2009 and 1 January 2010	8	94	2,175	2,552	4,829
Charge for the period	16	22	232	151	421
Disposal	—	—	(16)	—	(16)
At 30 June 2010	24	116	2,391	2,703	5,234
Carrying amount					
At 31 December 2007	—	83	2,405	1,918	4,406
At 31 December 2008	—	73	2,062	1,316	3,451
At 31 December 2009	699	145	1,758	1,031	3,633
At 30 June 2010	683	123	1,748	880	3,434

The building is situated in the PRC and held for the Group's own use.

12. INVESTMENT PROPERTY

	RMB'000
Fair value	
At 1 January 2007, 31 December 2007 and 1 January 2008	—
Additions	47,291
Fair value adjustment	(1,891)
At 31 December 2008 and 1 January 2009	45,400
Fair value adjustment	600
At 31 December 2009, 1 January 2010 and 30 June 2010	46,000

a) The Group's investment property was revalued as at 31 December 2008 and 2009 and 30 June 2010 respectively on an open market value basis calculated by reference to recent market transactions in comparable properties and net rental income allowing for reversionary income potential. The valuations were carried out by an independent firm of valuers, DTZ Debenham Tie Leung Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

b) The Group's investment property is held under medium-term lease in the PRC.

c) The Group's investment property was pledged to secure banking facilities granted to the Group during the Relevant Periods (note 20(c)).

d) The Group leases out property under operating lease. The lease runs for a period of four years. None of the lease includes contingent rentals.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	—	1,354	1,422	1,457
After 1 year but within 5 years	—	3,772	2,350	1,614
	—	5,126	3,772	3,071

13. PREPAID LEASE PAYMENTS

	RMB'000
Cost	
At 1 January 2007, 31 December 2007, 1 January 2008 and 31 December 2008 and 1 January 2009	—
Additions	7,583
At 31 December 2009, 1 January 2010 and 30 June 2010	7,583
Accumulated amortisation	
At 1 January 2007, 31 December 2007, 1 January 2008 and 31 December 2008 and 1 January 2009	—
Amortisation for the year	81
At 31 December 2009 and 1 January 2010	81
Amortisation for the period	122
At 30 June 2010	203
Net book value	
At 31 December 2007	—
At 31 December 2008	—
At 31 December 2009	7,502
At 30 June 2010	7,380

a) The Group's prepaid lease payments comprise land use rights held under medium term lease in the PRC.

b) The amortisation charge is included in administrative expenses in the combined income statements during the Relevant Periods.

14. JOINTLY CONTROLLED ENTITY

During the Relevant Periods, the Group had interests in the following jointly controlled entity:

Name of entity	Form of business structure	Place and date of incorporation and operation	Paid-up registered capital	Attributable equity interest indirectly held by the Group	Principal activities
Zhuhai Jinming	Limited liability company	The PRC 7 January 2004	RMB5,000,000	50%	Distribution sale of branded imported pharmaceutical and healthcare products in the PRC

The summarised financial information in respect of the Group's interests in the jointly controlled entity which are accounted for using proportionate consolidation with the line-by-line reporting format is set out below:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	674	565	4,456	4,378
Current assets	25,253	39,271	39,542	22,908
Current liabilities	(12,401)	(29,630)	(31,425)	(19,437)
Net assets	13,526	10,206	12,573	7,849

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Income	66,516	65,675	57,080	25,721	39,952
Expenses	(59,695)	(58,624)	(54,086)	(24,925)	(35,907)
Profit before taxation	6,821	7,051	2,994	796	4,045
Income tax	(1,157)	(1,625)	(629)	(77)	(768)
Profit for the year/period	5,664	5,426	2,365	719	3,277
Other comprehensive income	—	—	—	—	—

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of the jointly controlled entity's capital commitment				
Authorised but not contracted for:				
Capital expenditure for construction of office premise and warehouse	—	—	—	9,000

15. INVENTORIES

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trading stocks	99,136	98,620	75,862	35,041

The analysis of the amount of inventories recognised as expenses as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	431,022	406,630	435,205	250,357
Write-down of inventories	—	—	559	—
	431,022	406,630	435,764	250,357

16. TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables	93,302	131,583	111,745	108,121
Less: Allowance for doubtful debts	(2,633)	(2,784)	(2,779)	(2,794)
	90,669	128,799	108,966	105,327
Other receivables (note 16(f))	24,653	6,608	4,822	34,301
Amounts due from related parties (note 29(b))	159,130	121,222	47,519	12,285
Loans and receivables	274,452	256,629	161,307	151,913
Derivative financial instruments (note 25)	312	—	3,068	1,166
Prepayments	3,504	8,852	13,968	17,103
Other deposits	118	265	170	240
Trade deposits	18	—	—	—
	278,404	265,746	178,513	170,422

a) All of the trade and other receivables, including amounts due from related parties, are expected to be recovered or recognised as expense within one year.

b) **Ageing analysis**

Included in trade and other receivables are trade debtors and bills receivable (net of allowance for doubtful debts) with the following ageing analysis as of each balance sheet date:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0-90 days	60,146	101,121	72,732	78,330
91-180 days	5,765	22,046	19,092	17,682
181-365 days	2,973	3,734	16,047	9,033
More than 1 year but less than 2 years	792	66	1,068	282
Over 2 years	20,993	1,832	27	—
	90,669	128,799	108,966	105,327

The Group generally granted credit terms ranging from 30 days to 90 days to its customers during the Relevant Periods, except for the customers for purchase of the Group's product, Flying Eagle Wood Lok Medicated Oil (飛鷹活絡油), to which credit terms within 90 days, 90 days, 12 months and 12 months were granted for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 respectively. As at 31 December 2007, 2008, 2009 and 30 June 2010, the Group had trade debtors of this product of RMB372,000, RMB1,341,000, RMB14,540,000 and RMB14,158,000 respectively and bills receivables of this product of RMB117,000, RMB752,000, RMB1,940,000 and RMB2,409,000 respectively. Further details on the Group's credit policy are set out in note 26(a).

c) **Impairment of trade and bills receivables**

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivable directly.

Movements in the allowance for doubtful debts:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year	2,524	2,633	2,784	2,779
Impairment losses recognised	223	187	50	222
Uncollectible amounts written off	(114)	(36)	(41)	(207)
Impairment losses reversed	—	—	(14)	—
At end of the year/period	2,633	2,784	2,779	2,794

Note: At 31 December 2007, 2008 and 2009 and 30 June 2010, the Group's trade receivables of RMB2,633,000, RMB2,784,000, RMB2,779,000 and RMB2,794,000 respectively were individually determined to be impaired and full provision had been made. These individually impaired receivables were outstanding over a long period and management assessed that receivables are expected to be irrecoverable. Accordingly, specific allowances for doubtful debts were recognised as 31 December 2007, 2008 and 2009 and 30 June 2010. The Group does not hold any collateral over these balances.

d) **Trade and bills receivables that are not impaired**

The ageing analysis of trade and bills receivables (net of allowance for doubtful debts) that are neither individually nor collectively considered to be impaired are as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	60,146	101,121	79,219	82,686
Past due but not impaired				
- 91 -180 days	5,765	22,046	16,974	14,925
- 181 - 365 days	2,973	3,734	11,678	7,434
- More than 1 year but less than 2 years	792	66	1,068	282
- Over 2 years	20,993	1,832	27	—
	30,523	27,678	29,747	22,641

At 31 December 2007, 2008 and 2009 and 30 June 2010, trade and bills receivables that were past due but not impaired relate to a number of individual customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

e) Bills receivables of RMB28,733,000, RMB55,835,000, RMB1,139,000 and RMBnil as at 31 December 2007, 2008 and 2009 and 30 June 2010 respectively were pledged to banks for bank loans and banking facilities granted to the Group (note 20(c)).

f) At 30 June 2010, the other receivables included an amount of RMB31,179,000 which was reclassified from amount due from a related party (note 29(b)(vi)). In the opinion of the Company's directors, the amount is expected to be settled on or before the successful listing of the Company's shares on the Stock Exchange.

17. PLEDGED BANK DEPOSITS

All bank deposits are pledged to banks as security for banking facilities granted to the Group (see note 20(c)).

18. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB,000*	*RMB'000*	*RMB'000*
Bank balances	48,316	30,820	83,508	49,273
Cash on hand	128	420	54	160
Cash and cash equivalents in the combined balance sheets and the combined cash flow statements	48,444	31,240	83,562	49,433

Deposits with banks carry interest at market rates which range from 0.7% to 1%, 0.1% to 1%, 0.1% to 1% and 0.1% to 2% per annum for the years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2010 respectively.

19. TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB,000*	*RMB'000*	*RMB'000*
Trade payables	114,691	89,434	115,972	91,715
Accruals	1,744	1,930	1,735	1,514
Other payables	10,428	9,707	4,364	9,781
Amounts due to related parties (note 29(b))	14,310	21,969	1,393	879
Financial liabilities measured at amortised cost	141,173	123,040	123,464	103,889
Trade deposits received	33,192	37,236	46,748	7,477
Receipt in advance	3,565	4,368	2,670	2,486
Derivative financial instruments (note 25)	—	85	—	—
	177,930	164,729	172,882	113,852

a) All of the trade and other payables, including amounts due to related parties, are expected to be settled or recognised as income within one year or are repayable on demand.

b) **Ageing analysis**

Included in trade and other payables are trade creditors with the following ageing analysis as of each balance sheet date. The credit terms granted by the suppliers were generally ranging from 45 days to 90 days during the Relevant Periods.

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0-90 days	103,352	86,626	108,741	72,818
91-180 days	6,134	2,542	7,231	18,897
181-365 days	4,678	—	—	—
Over 1 year	527	266	—	—
	114,691	89,434	115,972	91,715

20. BANK LOANS

The bank loans were secured and repayable as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	187,333	159,595	246,606	195,766
After 1 year but within 2 years	—	—	60,000	60,000
After 2 years but within 5 years	—	100,000	—	—
	187,333	259,595	306,606	255,766
Representing:				
Current portion	187,333	159,595	246,606	195,766
Non-current portion	—	100,000	60,000	60,000

a) All of the non-current interest bearing loans are carried at amortised cost. None of the non-current interest-bearing loans are expected to be settled within one year.

b) The range of effective interest rates on the Group's bank loans are as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
Effective interest rates:				
Fixed rate loans	4.9% - 10.5%	2.1% - 7.6%	0.2% - 2.6%	0.4% - 2.5%
Variable rate loans	—	2.8% - 6.8%	0.1% - 5.4%	0.1% - 5.4%

c) The Group's bank loans were secured by certain assets of the Group, the properties of a related party and the guarantees given by the Company's directors and certain related parties (note 29(c)). An analysis of the carrying amounts of the Group's secured assets is as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investment property (note 12(c))	—	45,400	46,000	46,000
Bills receivables (note 16(e))	28,733	55,835	1,139	—
Pledged bank deposits (note 17)	69,049	103,396	246,619	197,537
	97,782	204,631	293,758	243,537

21. INCOME TAX IN THE BALANCE SHEET

a) **Current taxation in the combined balance sheet represents:**

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Provision for PRC income tax	6,335	9,864	7,668	3,368
Tax paid	(5,611)	(8,466)	(6,445)	(5,109)
	724	1,398	1,223	(1,741)
Balance of PRC income tax related to prior years	1,292	2,016	3,414	4,637
	2,016	3,414	4,637	2,896

b) **Deferred tax assets and liabilities recognised:**

The components of deferred tax (assets)/liabilities recognised in the combined balance sheet and the movements during the Relevant Periods are as follows:

	Revaluation of investment property *RMB'000*	**Withholding tax on undistributed profits of PRC subsidiaries** *RMB'000*	**Total** *RMB'000*
At 1 January 2007, 31 December 2007 and 1 January 2008	—	—	—
Charged/(credited) to combined income statement	(340)	1,520	1,180
At 31 December 2008	(340)	1,520	1,180
At 1 January 2009	(340)	1,520	1,180
Charged to combined income statement	120	1,759	1,879
Tax paid	—	(1,483)	(1,483)
Effect of change in tax rate	(38)	—	(38)
At 31 December 2009	(258)	1,796	1,538
At 1 January 2010	(258)	1,796	1,538
Charged to combined income statement	—	486	486
At 30 June 2010	(258)	2,282	2,024

c) **Deferred tax assets and liabilities not recognsied**

There were no significant unrecognsied deferred tax assets and liabilities during the Relevant Periods and as at 31 December 2007, 2008 and 2009 and 30 June 2010.

22. SHARE CAPITAL

Share capital in the combined balance sheet as at 31 December 2007 represents the issued share capital of BVI Kingworld of RMB82. Share capital in the combined balance sheet as at 31 December 2008 and 2009 and 30 June 2010 represents the aggregate amount of issued share capital of the Company and BVI Kingworld of RMB91, RMB778 and RMB778 respectively.

The Company was incorporated on 10 July 2008 with an authorised share capital of HK$380,000 comprising 3,800,000 ordinary shares of HK$0.1 each. On the date of incorporation and 25 September 2008, 1 and 99 ordinary shares, respectively, of HK$0.1 each were alloted and issued at par.

23. RESERVES

	Share premium *RMB'000* (note a)	Capital reserve *RMB'000* (note b)	Statutory and discretionary reserves *RMB'000* (note c)	Exchange reserve *RMB'000* (note d)	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2007	—	68	5,861	—	7,988	13,917
Changes in equity:						
Transfer	—	—	3,752	—	(3,752)	—
Total comprehensive income for the year	—	—	—	8	29,235	29,243
At 31 December 2007	—	68	9,613	8	33,471	43,160
At 1 January 2008	—	68	9,613	8	33,471	43,160
Changes in equity:						
Transfer	—	—	5,948	—	(5,948)	—
Dividend	—	—	—	—	(47,700)	(47,700)
Total comprehensive income for the year	—	—	—	78	34,397	34,475
At 31 December 2008	—	68	15,561	86	14,220	29,935
At 1 January 2009	—	68	15,561	86	14,220	29,935
Changes in equity:						
Capitalisation issue	89,000	—	—	—	—	89,000
Transfer	—	—	4,305	—	(4,305)	—
Total comprehensive income for the year	—	—	—	(152)	37,244	37,092
At 31 December 2009	89,000	68	19,866	(66)	47,159	156,027
At 1 January 2010	89,000	68	19,866	(66)	47,159	156,027
Change in equity:						
Tranfer	—	—	1,973	—	(1,973)	—
Dividend	—	—	—	—	(32,037)	(32,037)
Total comprehensive income for the period	—	—	—	106	10,612	10,718
At 30 June 2010	89,000	68	21,839	40	23,761	134,708
Unaudited						
At 1 January 2009	—	68	15,561	86	14,220	29,935
Changes in equity:						
Transfer	—	—	923	—	(923)	—
Total comprehensive income for the period	—	—	—	(412)	8,561	8,149
At 30 June 2009	—	68	16,484	(326)	21,858	38,084

Notes:

a) On 23 September 2009, the shareholders' equity loans of RMB89,000,000 (note 24) were capitalised into 100 ordinary shares of USD1 each at par of BVI Kingworld and a share premium of RMB88,999,000 was recognised.

b) **Capital reserve**

Capital reserve represents the excess of paid-up capital over the registered capital of the companies comprising the Group during the Relevant Periods.

c) **Statutory and discretionary reserves**

The Group's PRC subsidiaries are required to transfer 10% of their net profits as determined in accordance with the PRC regulations to the statutory reserve until the reserve balance reaches 50% of their registered capitals. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

The transfer of net profits to the discretionary reserve of the Group's PRC subsidiaries is determined by the shareholders in general meetings in accordance with the article of association and the PRC regulations. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

The statutory and discretionary reserves are non-distributable. They can be used to reduce previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

d) **Exchange reserve**

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the PRC. The reserve is dealt with in accordance with the accounting policy set out in note 2(r).

e) **Distributable reserves**

The Company was incorporated on 10 July 2008 and has not carried on any business since its date of incorporation save for the Reorganisation. Accordingly, there was no reserve available for distribution to equity holders of the Company as at 31 December 2008 and 2009 and 30 June 2010.

24. SHAREHOLDERS' EQUITY LOANS

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Zhao	71,200	71,200	—	—
Ms. Chan	17,800	17,800	—	—
	89,000	89,000	—	—

Mr. Zhao and Ms. Chan were the ultimate controlling parties of the Company during the Relevant Periods, as further detailed in note 1. The loans as at 31 December 2007 and 2008 were equity contribution in nature to provide capital to the Group and were unsecured and interest-free. The loans were capitalised into share capital of BVI Kingworld during the year ended 31 December 2009 (note 23(a)).

25. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Forward foreign exchange contracts, representing:				
- current assets (note 16)	312	—	3,068	1,166
- current liabilities (note 19)	—	(85)	—	—
Notional principal amounts of forward foreign exchange contracts outstanding at balance sheet date	67,388	103,760	245,466	195,766

a) All forward foreign exchange contracts have the maturity period within or on one year.

b) Derivative financial assets represented the amounts the Group would receive whilst derivative financial liabilities represented the amounts the Group would pay if the position were closed at the balance sheet date.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include cash and bank deposits, trade and other receivables and payables, bank loans, derivative financial instruments of forward foreign exchange contracts, amounts due from and to related parties. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk, currency risk and business risk. The policies on how to mitigate these risks are set out as below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) **Credit risk**

(i) As at 31 December 2007, 2008 and 2009 and 30 June 2010, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the combined balance sheet after deducting any impairment allowance.

(ii) In respect of trade receivables, in order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition is performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group does not require collateral in respect of its financial assets. Trade receivables are usually due within 30 days to 90 days from the date of billing, except for the receivables in relation to the Group's product, Flying Eagle Wood Lok Medicated Oil, which are due within 90 days, 90 days, 12 months and 12 months from the date of billing for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 respectively.

(iii) In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the balance sheet date, the Group had a certain concentration of credit risk as 4%, 8%, 10% and 7% of the total trade receivables were due from the Group's largest customer, and 16%, 36%, 24% and 18% of the total trade receivables were due from the Group's five largest customers as at 31 December 2007, 2008 and 2009 and 30 June 2010 respectively.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 16.

(iv) In respect of other receivables (including amounts due from related parties), the credit quality of the debtors is assessed by taking into account of their financial position, relationship with the Group, credit history and other factors. Management regularly reviews the recoverability about these other receivables and follow up the amounts overdue, if any. The directors are of the opinion that the default by counterparties is low.

(v) The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings given by international credit-rating agencies.

b) **Liquidity risk**

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group relies on bank borrowings as a significant source of liquidity.

The following liquidity risk tables set out the remaining contractual maturities at 31 December 2007, 2008 and 2009 and 30 June 2010 of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at 31 December 2007, 2008 and 2009 and 30 June 2010) and the earliest date the Group is required to pay:

	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Carrying amount *RMB'000*
At 31 December 2007					
Non-derivative financial liabilities					
Trade payables	114,691	—	—	114,691	114,691
Accruals	1,744	—	—	1,744	1,744
Other payables	10,428	—	—	10,428	10,428
Amounts due to related parties	14,310	—	—	14,310	14,310
Bank loans	187,333	—	—	187,333	187,333
	328,506	—	—	328,506	328,506
Derivative financial liabilities	—	—	—	—	—
At 31 December 2008					
Non-derivative financial liabilities					
Trade payables	89,434	—	—	89,434	89,434
Accruals	1,930	—	—	1,930	1,930
Other payables	9,707	—	—	9,707	9,707
Amounts due to related parties	21,969	—	—	21,969	21,969
Bank loans	159,595	—	113,376	272,971	259,595
	282,635	—	113,376	396,011	382,635
Derivative financial liabilities					
Forward foreign exchange contracts	85	—	—	85	85

	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Carrying amount *RMB'000*
At 31 December 2009					
Non-derivative financial liabilities					
Trade payables	115,972	—	—	115,972	115,972
Accruals	1,735	—	—	1,735	1,735
Other payables	4,364	—	—	4,364	4,364
Amounts due to related parties	1,393	—	—	1,393	1,393
Bank loans	246,606	66,391	—	312,997	306,606
	370,070	66,391	—	436,461	430,070
Derivative financial liabilities	—	—	—	—	—
At 30 June 2010					
Non-derivative financial liabilities					
Trade payables	91,715	—	—	91,715	91,715
Accruals	1,514	—	—	1,514	1,514
Other payables	9,781	—	—	9,781	9,781
Amounts due to related parties	879	—	—	879	879
Bank loans	195,766	64,776	—	260,542	255,766
	299,655	64,776	—	364,431	359,655
Derivative financial liabilities	—	—	—	—	—

c) **Interest rate risk**

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (note 20) and bank balances and deposits (notes 17 and 18) and fair value interest rate risk in relation to fixed-rate bank borrowings (note 20).

i) ***Interest rate profile***

The following table details the interest rate profile of the Group's bank loans at each of balance sheet date:

	As at 31 December						As at 30 June	
	2007		2008		2009		2010	
	Effective interest rates		Effective interest rates		Effective interest rates		Effective interest rates	
	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*
Fixed rate borrowing:								
Bank loans	4.9-10.5	187,333	2.1-7.6	112,494	0.2-2.6	91,457	0.4-2.5	125,560
Variable rate borrowings:								
Bank loans	—	—	2.8-6.8	147,101	0.1-5.4	215,149	0.1-5.4	130,206
Total borrowings		187,333		259,595		306,606		255,766
Net fixed rate borrowing as a percentage of total net borrowings		100%		43%		30%		49%
Variable rate bank balances and deposits	0.7-1.0	48,316	0.1-0.7	30,820	0.1-0.4	83,508	0.1-0.4	49,273

ii) ***Sensitivity analysis***

All of the bank loans of the Group which are fixed rate instruments are insensitive to any change in interest rates. A change in interest rates at the balance sheet date would not affect profit or loss.

At 31 December 2007, 2008 and 2009 and 30 June 2010, it is estimated that a general increase/decrease of 100 basis points in interest rates for variable rate bank loans, bank balances and deposits, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by approximately RMB483,000, RMB1,163,000, RMB1,316,000 and RMB809,000 respectively. Other components of combined equity would not change in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for the Relevant Periods.

d) **Currency risk**

The Group is exposed to currency risk primarily through purchases which give rise to trade payables, bank balances and bank loans that are denominated in foreign currencies other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars ("USD"), Hong Kong dollars ("HK$") and Euro dollars ("Euro"). The Group enters into forward foreign exchange contracts to manage its foreign currency risk arising from above anticipated transactions denominated in foreign currencies.

i) ***Exposure to currency risk***

	The Group			
	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets/(Liabilities)				
Cash and cash equivalents				
USD	1	1	1	1
HK$	2,816	1,147	2,322	2,628
Trade payables				
HK$	(88,517)	(89,168)	(115,925)	(82,815)
Bank loans				
USD	—	(41,586)	(36,362)	(125,560)
HK$	(67,388)	(51,663)	(209,104)	(70,206)
EURO	—	(10,511)	—	—
—				
Derivative financial assets/(liabilities)				
USD	—	(919)	(214)	(535)
HK$	312	170	3,282	1,701
EURO	—	664	—	—
	312	(85)	3,068	1,166
Total assets				
USD	1	1	1	1
HK$	3,128	1,317	5,604	4,329
EURO	—	664	—	—
Total liabilities				
USD	—	(42,505)	(36,576)	(126,095)
HK$	(155,905)	(140,831)	(325,029)	(153,021)
EURO	—	(10,511)	—	—

ii) ***Sensitivity analysis***

The following table indicates the approximate change in the Group's profit after tax (and retained profits) and other components of combined equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date.

The Group

	Increase/(decrease) in foreign exchange rates	**Effect on profit after tax and retained profits** *RMB'000*	**Effect on other components of equity** *RMB'000*
At 31 December 2007			
HK$	5%	(7,639)	—
	(5)%	7,639	—
At 31 December 2008			
USD	5%	(2,125)	—
	(5)%	2,125	—
HK$	5%	(6,975)	—
	(5)%	6,975	—
EURO	5%	(492)	
	(5%)	492	
At 31 December 2009			
USD	5%	(1,829)	—
	(5)%	1,829	—
HK$	5%	(15,971)	—
	(5)%	15,971	—
At 30 June 2010			
USD	5%	(6,305)	—
	(5)%	6,305	—
HK$	5%	(7,434)	—
	(5)%	7,434	—

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the Group entities' exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the balance sheet date for presentation purposes. The analysis is performed on the same basis for the Relevant Periods.

e) **Business risk**

The Group has a certain concentration of business risk as 67%, 67%, 67% and 73% of its total turnover during the years ended 31 December 2007, 2008 and 2009 and 30 June 2010 respectively from a principal product, Nin Jiom Pei Pa Koa (京都念慈庵蜜煉川貝枇杷膏), which was purchased from a sole supplier that is the designated distributor of the manufacturer of Nin Jiom Pei Pa Koa. In April 2010, the Group entered into a three-year period distribution agreement with the manufacturer and the supplier of Nin Jiom Pei Pa Koa, pursuant to which the Group is entitled the non-exclusive distribution right to sell Nin Jiom Pei Pa Koa in certain provinces in the PRC and is granted the credit terms of 60 days. If there is any change in consumer taste and demand of the product, or the supplier does not renew the purchase agreement, the Group's turnover and profitability will be adversely affected.

f) **Fair values**

The following table provides an analysis of financial instruments that are measured at fair value at 31 December 2007, 2008 and 2009 and 30 June 2010 respectively, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: fair value measurements are those derived from using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	Level 2	Level 2	Level 2	Level 2
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss				
Derivative financial assets	312	—	3,068	1,166
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	—	(85)	—	—

Save as disclosed above, the fair values of cash and bank deposits, trade and other receivables and payables, amounts due from and to related parties are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial instruments. The carrying amounts of bank loans approximate their fair values.

g) **Estimation of fair values**

The following summarises the major methods and assumptions used in estimating the fair values of the following financial instruments.

i) ***Interest-bearing bank loans***

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

ii) ***Forward foreign exchange contracts***

The fair value of forward foreign exchange contracts is determined by using the forward exchange rates at the balance sheet date and comparing to the contractual rates.

h) **Capital management**

The Group's objectives when managing capital are to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt.

The Group monitors its capital structure on the basis of a debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. The Group defines net debt as interest-bearing bank loans less pledged bank deposits and cash and cash equivalents. Adjusted capital comprises all components of equity.

The Group's net debt-to-adjusted capital ratio at 31 December 2007, 2008 and 2009 and 30 June 2010 were as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	187,333	259,595	306,606	255,766
Total debt	187,333	259,595	306,606	255,766
Less: Pledged bank deposits	(69,049)	(103,396)	(246,619)	(197,537)
Cash and cash equivalents	(48,444)	(31,240)	(83,562)	(49,433)
Net debt	69,840	124,959	—	8,796
Total equity	132,160	118,935	156,028	134,709
Net debt-to-adjusted capital ratio	53%	105%	0%	7%

27. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Financial Information. The significant accounting policies are set forth in note 2. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the Financial Information.

a) **Depreciation**

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

b) **Impairment of assets**

If circumstances indicate that carrying value of the Group's property, plant and equipment and prepaid lease payments may not be recoverable, the assets may be considered impaired, and an impairment loss may be recognised in profit or loss. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volumes, sales revenue and amount of operating costs.

c) **Valuation of investment property**

Investment property is included in the balance sheet at its open market value, which is assessed annually by independent qualified valuers, after taking into consideration on an open market value basis calculated by reference to recent market transactions in comparable properties and the net income allowing for reversionary potential.

The assumptions adopted in the property valuation are based on the market conditions existing at the balance sheet date, with reference to current market sales prices and the appropriate capitalisation rate.

d) **Impairment for bad and doubtful debts**

The Group estimates allowance for impairment of doubtful debts on trade and other receivables (including amounts due from related parties) resulting from inability of the debtors to make the required payments. The Group bases the estimates on the ageing of the trade and other receivables balance, debtor credit-worthiness, and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimates.

e) **Net realisable value of inventories**

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated selling expenses. These estimates are based on the current market conditions and the historical experience of selling merchandise of similar nature. It could change significantly as a result of changes in customer taste or competitor actions. The Group reassesses these estimates at each balance sheet date.

f) **Income tax**

Determining income tax provision involves judgement on the future tax treatment of certain transactions. The directors carefully evaluate tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, the directors' judgement is required to assess the probability of future taxable profits. The directors' assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

28. COMMITMENTS

a) **Commitments under operating lease**

The Group leases certain premises for use as its office and warehouse under operating leases arrangements. Leases for properties are negotiated for terms ranging from one to five years.

During the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	917	814	1,330	1,344
In the second to fifth year inclusive	1,382	673	1,956	1,366
	2,299	1,487	3,286	2,710

b) **Capital commitments**

Other than the Group's share of capital commitments of the jointly controlled entity disclosed in note 14, the Group did not have any other significant capital commitments as at 31 December 2007, 2008 and 2009 and 30 June 2010.

29. RELATED PARTY TRANSACTIONS

a) During the Relevant Periods, the directors are of the opinion that the following companies and parties are related parties of the Group:

Name of related parties	Relationship
Mr. Zhao	The Company's director and the sole shareholder of the ultimate holding company of the Company
Ms. Chan	The Company's director and the wife of Mr. Zhao
Huang Lanjiao ("Ms. Huang")	Mother of Mr. Zhao
Morning Gold Medicine Company Limited ("Morning Gold")	Wholly owned by both Mr. Zhao and Ms. Chan
Pearl Shining Co. ("Pearl Shining")	Note (i)
Yuen Tai Pharmaceuticals Limited ("Yuen Tai")	Subsidiary of Morning Gold
深圳市金活利生藥業有限公司 Shenzhen Kingworld Lifeshine Pharmaceutical Company Limited ("SZ Kingworld Lifeshine")	Subsidiary of Morning Gold
深圳市金活實業有限公司 Shenzhen Kingworld Industry Company Limited ("SZ Industry")	Directly wholly owned by Mr. Zhao prior to 9 September 2009 and indirectly wholly owned by both Mr. Zhao and Ms. Chan since the above date
上海金活實業有限公司 Shanghai Kingworld Industry Company Limited ("SH Industry")	Subsidiary of SZ Industry
深圳市新華鵬消毒劑有限公司 Shenzhen Xin Hua Ping Sterilization Company Limited ("Xin Hua Peng")	Subsidiary of SZ Industry
廣東金保利醫藥有限公司 Guangdong Jinbaoli Medicine Company Limited ("Jinbaoli")	Note (ii)

Name of related parties	Relationship
廣東金保寧醫藥有限公司 Guangdong Jinbaoning Medicine Company Limited ("Jinbaoning")	Note (v)
深圳市金世界百貨物業管理有限公司 Shenzhen Kingworld Department Store Property Management Company Limited ("Kingworld Department Store Property Management")	Note (iii)
深圳市金活吉遜高爾夫用品有限公司 Shenzhen King Gibson Golf Company Limited ("King Gibson PRC")	Note (iv)
Zhuhai Jinming	Jointly controlled entity of the Group

Notes:

i) The related party is owned and controlled by a close family member of Ms. Chan.

ii) The related party was owned and controlled by Mr. Huang Ruozhong ("Mr. Huang"), the legal representative and director of certain PRC subsidiaries of the Group, and a close family member of Ms. Chan during the years ended 31 December 2007, 2008 and 2009. During the six months ended 30 June 2010, the related party ceased to be owned and controlled by Mr. Huang and the close family member of Ms. Chan.

iii) The related party is owned and controlled by Ms. Huang, Ms. Chan and a close family member of Ms. Chan.

iv) The related party is owned and controlled by Ms. Chan and a close family member of Ms. Chan.

v) This related party was deregistered in November 2007 and had been controlled by Ms. Chan prior to its deregistration.

vi) The English names of the above PRC incorporated entities are for identification purpose only.

b) **Related party transactions and balances**

Recurring transactions

In the opinion of the Company's directors, the following related party transactions are expected to continue after the successful listing of the Company's shares in the Stock Exchange:

		Year ended 31 December			Six months ended 30 June	
	Notes	**2007**	**2008**	**2009**	**2009**	**2010**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Purchases of goods						
SZ Kingworld						
Lifeshine	(ii)	3,967	—	3,842	1,528	2,333
Pearl Shining	(ii)	367	340	1,443	—	—
		4,334	340	5,285	1,528	2,333
Rental expenses						
SZ Industry	(ii)	499	564	549	275	275
Packing service fee						
SZ Kingworld						
Lifeshine	(ii)	477	447	135	—	—

Save as disclosed above, the Group had the following related party transactions during the Relevant Periods:

— SZ Industry granted certain rights to the Group to use its trademarks and distribution right for sale of goods in the PRC and its domain names "Kingworld.cn" and "Kingworld.com.cn" with a nil consideration during the Relevant Periods.

— The Group acquired an investment property from SZ Industry, as further detailed in the following non-recurring transaction and (iv), during the year ended 31 December 2008 and leased out the property to two independent tenants under two lease agreements, pursuant to which the management service fee is borne by the tenants. SZ Industry and Kingworld Department Store Property Management entered into a property management contract on 1 January 2008, pursuant to which Kingworld Department Store Property Management was appointed to provide management service to SZ Industry's property, which was subsequently sold to the Group, for a period from 1 January 2008 to 31 December 2011 at a management service fee of RMB401,000 per year. The Group in the capacity of the owner of the property is jointly liable with SZ Industry for the management service fee if the tenants of the Group fail to pay the management service fee.

Non-recurring transactions

In the opinion of the Company's directors, the following related party transactions are expected to discontinue after the successful listing of the Company's shares on the Stock Exchange:

	Note	Year ended 31 December			Six months ended 30 June	
		2007	**2008**	**2009**	**2009**	**2010**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Sales of goods						
SH Industry	(i)	9,798	4,074	—	—	—
Jinbaoning	(i)	15,121	—	—	—	—
Jinbaoli	(i)	3,995	4,553	—	—	—
		28,914	8,627	—	—	—
Purchases of goods						
Morning Gold	(ii)	—	654	—	—	—
Jinbaoli	(ii)	16,793	29,975	16,033	11,441	—
Jinbaoning	(ii)	4,267	—	—	—	—
		21,060	30,629	16,033	11,441	—
Sales of trademark						
SZ Kingworld Lifeshine	(ii)	—	6	—	—	—
SZ Industry	(ii)	—	66	—	—	—
		—	72	—	—	—
Staff costs						
SH Industry	(iii)	707	796	352	230	117
Acquisition of an investment property	(iv)					
SZ Industry		—	45,888	—	—	—
Acquisition of a property						
SH Industry	(v)	—	—	3,820	—	—

Amounts due from/(to) related parties

		Outstanding balance				Maximum outstanding balance			
		As at 31 December			As at 30 June	Year ended 31 December			Six months ended 30 June
		2007	2008	2009	2010	2007	2008	2009	2010
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Zhao									
Other payable		(2,433)	(17,575)	(15)	(210)				
Net payable		(2,433)	(17,575)	(15)	(210)				
Ms. Chan									
Other payable		(608)	(4,394)	(4)	(53)				
Net payable		(608)	(4,394)	(4)	(53)				
Morning Gold									
Other receivable		1,344	1,344	—	—	1,344	1,344	1,344	—
Trade payable		—	(578)	(578)	(572)				
Other payable		—	—	(44)	(44)				
Net (payable)/receivable		1,344	766	(622)	(616)				
Pearl Shining									
Trade payable		—	—	(722)	—				
Net payable		—	—	(722)	—				
Yuen Tai									
Other receivable		9,435	9,456	9,418	9,418	9,435	9,456	9,456	9,418
Net receivable		9,435	9,456	9,418	9,418				

	Note	Outstanding balance				Maximum outstanding balance			
		As at 31 December			As at 30 June	Year ended 31 December			Six months ended 30 June
		2007	2008	2009	2010	2007	2008	2009	2010
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
SZ Kingworld Lifeshine									
Other receivable		33,214	27,916	4,218	4,218	33,553	33,291	27,982	4,218
Trade payable		(4,787)	(3,547)	(3,611)	(3,611)				
Net receivable		28,427	24,369	607	607				
SZ Industry									
Other receivable		101,198	35,056	—	—	106,286	129,119	41,358	—
Other payable		—	—	(30)	—				
Net (payable)/receivable		101,198	35,056	(30)	—				
SH Industry									
Trade receivable		12,527	6,653	2,260	2,260				
Net receivable		12,527	6,653	2,260	2,260				
Jinbaoli									
Other receivable	(vi)	—	42,530	35,234	—	—	42,530	50,093	35,234
Trade payable		(9,006)	—	—	—				
Net (payable)/receivable		(9,006)	42,530	35,234	—				
Kingworld Department Store Property Management									
Other receivable		3,807	—	—	—	9,580	3,807	—	—
Net receivable		3,807	—	—	—				

		Outstanding balance				Maximum outstanding balance			
		As at 31 December			As at 30 June	Year ended 31 December			Six months ended 30 June
		2007	2008	2009	2010	2007	2008	2009	2010
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
King Gibson PRC									
Other receivable		1,871	1,871	—	—	1,871	1,871	1,871	—
Net receivable		1,871	1,871	—	—				
Zhuhai Jinming									
Other payable		(2,263)	—	—	—				
Net payable		(2,263)	—	—	—				
Xin Hua Peng									
Other receivable		521	521	—	—	521	521	521	—
Net receivable		521	521	—	—				
Total net receivables included in amounts due from related parties (note 16)	(vii)	159,130	121,222	47,519	12,285				
Total net payables included in amounts due to related parties (note 19)	(vii)	(14,310)	(21,969)	(1,393)	(879)				

Notes:

i) The price of sales to these related parties was lower than the price charged to independent third party customers. In the opinion of the Company's directors, these related parties' transactions were conducted in the ordinary course of business.

ii) The transactions were based on the terms mutually agreed between the Group and the respective related parties. In the opinion of the Company's directors, these related parties' transactions were conducted in the ordinary course of business.

iii) The transactions were based on the terms mutually agreed between the Group and the related party.

iv) On 11 August 2008, the Group and SZ Industry entered into a sale and purchase agreement, pursuant to which the Group agreed to purchase and SZ Industry agreed to sell an investment property located in Shenzhen, the PRC for a consideration of RMB45,888,000 that was satisfied by settlement of amount due from SZ Industry. The consideration was based on recent market transactions in comparable properties. The property was valuated of RMB45,900,000 as at 14 August 2008, date of completion of the sale and purchase transaction, by an independent

firm of valuers, DTZ Debenham Tie Leung Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on an open market value basis calculated by reference to recent market transactions in comparable properties and net rental income allowing for reversionary income potential. In the opinion of the Company's directors, the related party transaction was conducted on normal commercial terms.

v) On 15 September 2009, the Group and SH Industry entered into a sale and purchase agreement, pursuant to which the Group agreed to purchase and SH Industry agreed to sell a property located in Shanghai, the PRC for a consideration of RMB3,820,000 that was satisfied by settlement of amount due from SH Industry. The consideration was based on recent market transactions in comparable properties. The property was valued as at 15 July 2009, the date of the Group and SH Industry agreed the terms of the transaction, and 15 September 2009, the date of sale and purchase agreement duly signed and submitted to the PRC authority, of RMB3,820,000 and RMB4,300,000 respectively by an independent firm of valuers, DTZ Debenham Tie Leung Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on an open market value basis calculated by reference to recent market transactions in comparable properties and net rental income allowing for reversionary income potential. In the opinion of the Company's directors, the related party transaction was conducted on normal commercial terms. The above property is held by the Group for own use and recognised in prepaid lease payments and building of the Group during the year ended 31 December 2009.

vi) Jinbaoli ceased to be a related party during the six months ended 30 June 2010 (details refer to note 29(a)(ii)). Accordingly, the amount due from Jinbaoli of RMB31,179,000 as at 30 June 2010 was reclassified as other receivable (note 16(f)).

vii) All of amounts due from/to related parties are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Company's directors, all amounts due from/to related parties as at 30 June 2010 are expected to be settled on or before the successful listing of the Company's shares in the Stock Exchange.

c) Save as disclosed above, the related parties provided the following guarantees and securities for banking facilities granted to the Group during the Relevant Periods:

Year ended 31 December 2007

(i) SZ Industry and Mr. Zhao made a joint guarantee of RMB55,710,000, it was released in April 2007.

(ii) SZ Industry made a guarantee of RMB5,000,000, it was released in December 2007.

(iii) SZ Industry, SZ Kingworld Lifeshine, Jinbaoning, Mr. Zhao and Ms. Chan made two joint guarantees of RMB30,000,000 and RMB32,000,000 respectively. The guarantee of RMB30,000,000 was released in July 2007.

(iv) SZ Industry and Mr. Zhao made a joint guarantee of RMB85,710,000.

(v) SZ Industry pledged its bank deposit and properties as securities. The bank deposit was released in July 2007.

Year ended 31 December 2008

(i) SZ Industry, SZ Kingworld Lifeshine, Jinbaoning, Mr. Zhao and Ms. Chan made a joint guarantee of RMB32,000,000, it was released in April 2008.

(ii) SZ Industry, Mr. Zhao and Ms. Chan made a joint guarantee of RMB32,000,000, it was released in December 2008.

(iii) SZ Industry and Mr. Zhao made a joint guarantee of RMB85,710,000.

(iv) Mr. Zhao made two personal guarantees of RMB100,000,000 and RMB5,000,000 respectively.

(v) SZ Industry pledged its properties as securities.

Year ended 31 December 2009

(i) SZ Industry and Mr. Zhao made a joint guarantee of RMB85,710,000, it was released in April 2009.

(ii) Mr. Zhao made two personal guarantees of RMB100,000,000 and RMB5,000,000 respectively. The guarantee of RMB5,000,000 was released in December 2009.

(iii) SZ Industry pledged its properties as securities. The securities were released in April 2009.

Year ended 30 June 2010

(i) Mr. Zhao made a personal guarantee of RMB100,000,000. The guarantee was conditional released subsequent to 30 June 2010, as further detailed in note (d) in section B in the Financial Information.

d) Key management remuneration:

	Year ended 31 December			As at 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries, allowances and other benefits	808	2,689	3,351	1,814	2,071
Bonus	227	714	695	370	369
Contributions to defined contribution retirement plan	26	163	265	129	153
	1,061	3,566	4,311	2,313	2,593

30. MAJOR NON-CASH TRANSACTIONS

The Group had major non-cash transactions for the acquisition of an investment property of RMB45,888,000 during the year ended 31 December 2008 and a property of RMB3,820,000 which was recognised in the Group's prepaid lease payments and buildings held for own use of RMB3,170,000 and RMB650,000 respectively during the year ended 31 December 2009 from two respective related parties. The considerations for acquisition of the above properties were satisfied by settlement of the respective amounts due from these related parties. Details of these transactions refer to note 29(b)(iv) and (v).

31. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATION ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIOD

Up to the date of issue of the Financial Information, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the Relevant Periods and which have not been early adopted in the Financial Information.

HKAS 24 (Revised)	Related Party Disclosures[2]
HKAS 32 (Amendment)	Classification of Rights Issues[1]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 7 (Amendments)	Disclosures — Transfer of Financial Assets[5]
HKFRS 9	Financial Instruments[6]
HK (IFRIC*) — INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement[2]
HK (IFRIC) — INT 19	Extinguishing Financial Liabilities with Equity Instruments[3]
HKFRS (Amendments)	Improvements to HKFRSs 2010[4]

* IFRIC represents the International Financial Reporting Interpretations Committee.
1 Effective for annual periods beginning on or after 1 February 2010.
2 Effective for annual periods beginning on or after 1 January 2011.
3 Effective for annual periods beginning on or after 1 July 2010.
4 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
5 Effective for annual periods beginning on or after 1 July 2011.
6 Effective for annual periods beginning on or after 1 January 2013.

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's operations and financial position.

32. BALANCE SHEET OF THE COMPANY

The balance sheet of the Company is not presented as the Company was incorporated on 10 July 2008 and has not carried on any business since its incorporation, except for the Reorganisation. The authorised and issue share capital of the Company is detailed in note 22.

33. IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors consider the immediate and ultimate holding company of the Company as at 30 June 2010 to be Golden Land International Limited, a company incorporated in the BVI.

B. SUBSEQUENT EVENTS

The following significant events took place subsequent to 30 June 2010:

a) **Reorganisation**

The companies now comprising the Group underwent the Reorganisation to facilitate the Group's structure in preparation for the listing of the Company's shares on the Stock Exchange. Details of the Reorganisation are set out in the section headed the "Reorganisation" in Appendix V to the Prospectus. As a result of the Reorganisation, the Company became the holding company of the Group on 3 November 2010.

b) **Capitalisation issue**

By resolutions approved in writing by the shareholders of the Company on 3 November 2010 and 5 November 2010, the Company resolved to increase the authorised share capital of the Company from HK$380,000 divided into 3,800,000 ordinary shares of par value of HK$0.10 each to HK$1,000,000,000 divided into 10,000,000,000 ordinary shares of par value of HK$0.10 each. In addition, conditional on the share premium account of the Company being credited as a result of the issue of the offer shares by the Company pursuant to the initial public offering of shares of the Company, the Company will capitalise HK$44,999,132 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 449,991,320 new ordinary shares of the Company. The new ordinary shares to be allotted and issued shall rank pari passu in all respects with the then existing issued ordinary shares of the Company. Details of the above are set out in the section headed the "Written resolutions passed by the Shareholders" in Appendix V to the Prospectus.

c) **Amounts due from related parties**

On 4 November 2010, the Group formalised the existing loan arrangement by entering into the loan agreements with each of three related parties, Mr. Zhao, Ms. Chan and SZ Industry, pursuant to which the Group made a loan to each of Mr. Zhao and Ms. Chan of HK$16,800,000 (equivalent to RMB14,400,000) and HK$4,200,000 (equivalent to RMB3,600,000) respectively on 18 October 2010 and certain loans to SZ Industry in an aggregate amount of RMB18,800,000 in the period between September 2010 and October 2010. All of these loans are unsecured, interest-free and will be repayable by two installments of 50% each on or before 8 November 2010 and 21 November 2010 respectively.

d) **Related party's guarantee**

On 1 September 2010, the personal guarantee of Mr. Zhao of RMB100,000,000, which was provided to a bank for the banking facilities granted to the Group (note 29(c) in section A in the Financial Information), was released subject to the successful listing of the Company's shares in the Stock Exchange within one year from 1 September 2010. If the listing of the Company's shares in the Stock Exchange is not successful, the bank will reinstate the personal guarantee of Mr. Zhao of RMB100,000,000 and additional securities on the properties of a related party, SZ Industry, will be pledged to the bank for the banking facilities to the Group.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 30 June 2010.

Yours faithfully,

CCIF CPA Limited
Certified Public Accountants
Hong Kong

Leung Chun Wa
Practising Certificate Number P04963

The information set out in this Appendix does not form part of the Accountants' Report prepared by the reporting accountants of the Company, CCIF CPA Limited, Certified Public Accountants as set out in Appendix I to this Prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report as set out in Appendix I to this Prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purpose only, and is set out below to illustrate the effect of the Share Offer on the combined net tangible assets of the Group attributable to the equity holders of the Company as of 30 June 2010 as if the Share Offer had taken place on 30 June 2010.

This unaudited pro forma adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group as at 30 June 2010 or at any future dates following the Share Offer. It is prepared based on the combined net tangible assets of the Group as at 30 June 2010 as set out in the Accountants' Report of the Group, the text of which is set out in Appendix I to the Prospectus, and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2010	**Estimated net proceeds from the Share Offer**	**Unaudited pro forma adjusted net tangible assets**	**Unaudited pro forma adjusted net tangible assets per Share**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	
Based on an Offer Price of HK$1.33 per Share	134,709	154,175	288,884	0.48	0.55
Based on an Offer Price of HK$1.60 per Share	134,709	188,529	323,238	0.54	0.62

Notes:

1. The audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2010 is arrived at based on the audited combined net assets of the Group attributable to equity holders of the Company as at 30 June 2010 as detailed on appendix I to the Prospectus.

2. The estimated net proceeds from the Share Offer are based on the Offer Price of HK$1.33 and HK$1.60 per Share, being the lowest point and the highest point in the estimated offer price range of HK$1.33 and HK$1.60 per Share, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the Shares which may fall to be allotted and issued upon the exercise of the Over-Allotment Option or any shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in the section headed "Further information about the Group" in appendix V to the Prospectus.

3. The unaudited pro forma adjusted net tangible asset value per Share is arrived at based on the 600,000,000 Shares expected to be in issue immediately following completion of the Share Offer and the Capitalisation Issue but takes no account of any Shares which may fall to be allotted and issued upon the exercise of the Over-Allotment Option or any shares which may be issued upon exercise of the options which may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the general mandates granted to the Directors as referred to in the section headed "Further information about the Group" in appendix V of the Prospectus.

4. By comparing the valuation of the Group's property interests of RMB58,550,000 as set out in appendix III to this prospectus and the unaudited net book value of these properties, including buildings held for own use, investment properties and prepaid lease payments, of RMB53,994,000 as of 30 September 2010 as set out under the sub-section headed "Reconciliation of Appraised Property Values with Net Book Values" in the section of "Financial Information" to the Prospectus, the net valuation surplus is approximately RMB4,556,000, which has not been included in the above net tangible assets attributable to equity holders of the Company as of 30 June 2010. The revaluation of the Group's property interests other than investment properties will not be incorporated in the Group's financial statements. If the revaluation surplus is to be included in the Group's financial statements, an additional depreciation and amortisation charge for the year of approximately RMB8,000 related to buildings held for own use and prepaid lease payments would be recorded.

5. The unaudited pro forma adjusted net tangible asset per Share is translated into HK$ at exchange rate of RMB0.87 to HK$1 as at 30 June 2010.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the reporting accountants, CCIF CPA Limited, Certified Public Accountants, Hong Kong.

CCIF
CCIF CPA LIMITED
34/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay Hong Kong

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF KINGWORLD MEDICINES GROUP LIMITED

We report on the unaudited pro forma financial information of Kingworld Medicines Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed initial public offering of the shares of the Company might have affected the financial information presented, for inclusion in Appendix II to the prospectus of the Company dated 12 November 2010 (the "Prospectus"). The basis of preparation of the unaudited pro forma financial information is set out in Section A in Appendix II to the Prospectus.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment

Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the unaudited pro forma financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2010 or at any future date.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 12 November 2010

Leung Chun Wa
Practising Certificate Number P04963

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this prospectus received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of value of the property interests held by the Group in the People's Republic of China as at 30 September 2010.

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

12 November 2010

The Directors
Kingworld Medicines Group Limited
Room Nos.1001 to 1008
Block A of Tian An International Building
Renminnan Road, Luohu District
Shenzhen
Guangdong Province
The People's Republic of China

Dear Sirs,

Instructions, Purpose & Date of Valuation

In accordance with your instructions for us to carry out market valuation of the property interests held by Kingworld Medicines Group Limited (the "Company") and its subsidiaries (hereinafter referred to as "the Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Group with our opinion of the value of such property interests as at 30 September 2010 (the "date of valuation").

Basis of Valuation

Our valuation of each of the property interests represents its market value in accordance with The Valuation Standards on Properties of The Hong Kong Institute of Surveyors is defined as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Assumptions

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the property interests, which are situated in the PRC, we have assumed that transferable land use rights in respect of the property interests for the respective terms at nominal annual land use fees have been granted and that any premium has already been fully settled. We have also assumed that the grantees or the users of the property interests have free and uninterrupted rights to use or to assign the property interests for the whole of the un-expired term as granted.

We have relied on the information given by the Group and the opinion of its PRC legal adviser, Haiwen & Partners, regarding the title to the property interests in the PRC and the interests of the Group in the properties in the PRC. The status of titles and grant of major approvals and licenses, in accordance with the information provided by the Group and the PRC legal opinion are set out in the notes in the valuation certificates.

No allowance has been made in our valuation for any charges, mortgages or amounts owing neither on the property interests nor for any expenses or taxation, which may be incurred in effecting sales. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoing of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors.

Methods of Valuation

In valuing the property interest in Group I which is held and occupied by the Group in the PRC, we have valued it by direct comparison approach assuming sale of the property in its existing state with the benefit of vacant possession by making reference to comparable sales transactions as available in the relevant market.

In valuing the property interest in Group II, which is owned by the Group in the PRC for investment purpose, we have valued the property interest by direct comparison approach by making reference to comparable sales evidence as available in the relevant market, and where appropriate, by capitalising the net rental receivable from the existing tenancies derived from the property interest with due allowance for the reversionary income potential of the property interest.

In respect of the property interest in Group III which is held by the Group for future development in the PRC, we have valued it by direct comparison approach by making reference to land comparable transactions as available in the relevant market.

The property interests in Group IV and V, which are rented by the Group in the PRC and Hong Kong, have no commercial value due to prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

Source of Information

In the course of our valuation, we have relied to a very considerable extent on the information given by the Group and its legal adviser, Haiwen & Partners, on PRC law and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, tenancy details, site and floor areas, site and floor plans and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information supplied.

Title Investigation

We have been provided with extracts of documents in relation to the title to the property interests in the PRC. However, we have not searched the original documents to ascertain ownership or to verify any amendments which may not appear on the copies handed to us. In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Group and its legal advisers on the PRC law. We have accepted advice given to us on such matters as planning approvals or statutory notice, easements, tenure, identification of properties, development schemes, construction costs, ancillary facilities costs within the properties, particulars of occupancy, tenancy details, site and floor areas, attributable interest of the Group in the properties and all other relevant matters.

Site Inspection

We have inspected the exterior and where possible, the interior of the properties. However, no structural survey had been made and no tests had been carried out on any of the services. In the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. We have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. of the property for any development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no unexpected extraordinary expenses or delays will be incurred during the construction period. We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the site and floor areas shown on the copies of documents handed to us are correct.

Currency

Unless otherwise stated, all sums stated in our valuation certificates are in Renminbi (RMB), the official currency of the PRC.

We enclosed herewith the summary of our valuations and our valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Andrew K.F. Chan
Registered Professional Surveyor (GP)
Registered China Real Estate Appraiser
MSc., M.H.K.I.S., M.R.I.C.S.
Director

Note: Mr. Andrew Chan is a Registered Professional Surveyor who has over 22 years of experience in the valuation of properties in the PRC, Hong Kong and Macau.

SUMMARY OF VALUATIONS

	Property	Capital value in existing state as at 30 September 2010 *RMB*	Attributable interest to the Group %	Capital value in existing state as at 30 September 2010 attributable to the Group *RMB*
Group I — Property interest held and occupied by the Group in the PRC				
1.	Unit B on Level 9 West, Yong Xing Office Building, No. 22, Lane 376 Yan'an Road West, Jing'an District, Shanghai, the PRC	4,400,000	100	4,400,000
		Sub-total:		**4,400,000**
Group II — Property interest held by the Group for investment purpose in the PRC				
2.	Part of the basement of Kingworld Department Store, Jiefang Road, Luohu District, Shenzhen, Guangdong Province, the PRC	50,000,000	100	50,000,000
		Sub-total:		**50,000,000**
Group III — Property interest held by the Group for future development in the PRC				
3.	A piece of industrial land, Qianshan Industrial Zone, Xiangzhou District, Zhuhai City, Guangdong Province, the PRC	8,300,000	50	4,150,000
		Sub-total:		**4,150,000**

	Property	Capital value in existing state as at 30 September 2010 *RMB*	Attributable interest to the Group %	Capital value in existing state as at 30 September 2010 attributable to the Group *RMB*
Group IV — Property interests rented by the Group in the PRC				
4.	Room Nos. 1001 to 1008, Block A of Tian An International Building, Renminnan Road, Luohu District, Shenzhen, Guangdong Province, the PRC	No commercial value		No commercial value
5.	301A, 302B, 303A, 304B, 401A and 402B of Xinyi Logistics Complex Building, Shabeili, Longdong, Longgang District, Shenzhen, Guangdong Province, the PRC	No commercial value		No commercial value
6.	No.602 of Block A, Bao'an Zhonghai Building, Nanhu Village, Hongshan Township, Hongshan District, Wuhan, Hubei Province, the PRC	No commercial value		No commercial value
7.	Room 502 on Level 5, 32 Beidajie, Wuxi, Jiangsu Province, the PRC	No commercial value		No commercial value
8.	Room 702 West on Level 7, 85 Xihu Road, Xihu District, Nanchang, Jiangxi Province, the PRC	No commercial value		No commercial value

	Property	Capital value in existing state as at 30 September 2010 *RMB*	Attributable interest to the Group %	Capital value in existing state as at 30 September 2010 attributable to the Group *RMB*
Group IV — Property interests rented by the Group in the PRC				
9.	Unit A27 on Level 12, South Inner Ring Street, Yingze District, Taiyuan, Shanxi Province, the PRC	No commercial value		No commercial value
10.	Unit 702 on Level 7, 177 Wuyi Central Road, Taijiang District, Fuzhou, Fujian Province, the PRC	No commercial value		No commercial value
11.	Flat 402, Unit 2, Block 4 Court No.18 Enjizhuang, Haidian District, Beijing, the PRC	No commercial value		No commercial value
12.	Unit 419 on Level 4 and Unit 1 on Level 1 of Sub-block 2, Guesthouse of 3rd Sinohydro Bureau, Lianhu District, Xi'an, Shanxi Province, the PRC	No commercial value		No commercial value
13.	Unit 1015 of News Tower, 123 Baiyin Road, Chengguan District, Lanzhou, Gansu Province, the PRC	No commercial value		No commercial value

	Property	Capital value in existing state as at 30 September 2010 *RMB*	Attributable interest to the Group *%*	Capital value in existing state as at 30 September 2010 attributable to the Group *RMB*
Group IV — Property interests rented by the Group in the PRC				
14.	Unit 104 of Block 9, Lubolang Sub-district, Yanhe West Road, Hefei, Anhui Province, the PRC	No commercial value		No commercial value
15.	Room 101, Unit 1, Block 3, Huangjiaan East Road, Jinshui District, Zhengzhou City, Henan Province, the PRC	No commercial value		No commercial value
16.	Room 7028 on Level 6, Block 15, 66-8 East Qingchun Road, Jianggan District, Hangzhou, Zhejiang Province, the PRC	No commercial value		No commercial value
17.	Unit 204 on Level 2 of Office Tower, 43 Sixian Road, Nanning, Guangxi Province, the PRC	No commercial value		No commercial value

	Property	Capital value in existing state as at 30 September 2010 *RMB*	Attributable interest to the Group *%*	Capital value in existing state as at 30 September 2010 attributable to the Group *RMB*
Group IV — Property interests rented by the Group in the PRC				
18.	North Portion of Level 6, News Building, 566 Yinhua Road, Xiangzhou District, Zhuhai, Guangdong Province, the PRC	No commercial value		No commercial value
19.	Level 1 of Block B, Nanping Technology Industrial Park, 7 Pingxi San Lu, Zhuhai, Guangdong Province, the PRC	No commercial value		No commercial value
		Sub-total:		**No commercial value**
Group V — Property interest rented by the Group in Hong Kong				
20.	Flat H on 14/F Everwin Mansion 18 Johnston Road Hong Kong 1/235 share of Inland Lot No.7722	No commercial value		No commercial value
		Sub-total:		No commercial value
		Grand-total:		**58,550,000**

VALUATION CERTIFICATE

Group I — Property interest held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010
1.	Unit B on Level 9 West, Yong Xing Office Building, No. 22, Lane 376 Yan'an Road West, Jing'an District, Shanghai, the PRC	The property comprises an office unit on the level 9 of a 12-storey commercial building completed in 1996. The gross floor area of the property is approximately 204.14 sq.m. According to the Shanghai Certificate of Real Estate Ownership, the land use rights of the property have been vested in the Group for office use for an unspecified term.	The property is occupied by the Group for office use.	RMB4,400,000

Notes:

(1) According to Shanghai Certificate of Real Estate Ownership No. (2009)006035 issued by Shanghai Housing and Land Resources Administration Bureau on 28 September 2009, the land use rights and building ownership of the property, comprising an apportioned site area of 19.50 sq.m. and a gross floor area of 204.14 sq.m., have been vested in Shenzhen Kingworld Medicine Co., Ltd. for office use for an unspecified term.

(2) According to a Sales and Purchase Agreement No. 795922 dated 15 September 2009 entered into between Shanghai Kingworld Enterprise Co., Ltd. (上海金活實業有限公司) ("Party A") and Shenzhen Kingworld Medicine Co., Ltd. ("Party B"), Party A has agreed to sell the property to Party B at a consideration of RMB3,820,000.

(3) According to Business Licence No. 440301503328289 dated 23 February 2009, Shenzhen Kingworld Medicine Co., Ltd. (深圳市金活醫藥有限公司) was established with a registered capital of RMB80,000,000 for a valid operation period from 19 April 1996 to 29 December 2016.

(4) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:

(i) Shenzhen Kingworld Medicine Co., Ltd. (深圳市金活醫藥有限公司) is in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government subject to tax and fees in transaction of property;

(ii) The property may be freely disposed of to third parties;

(iii) The property is not subject to any mortgage; and

(iv) The longest land use term for office use is 50 years. According to verbal inquiry with Shanghai Jingan Planning and Land Bureau, the local official agreed that the completion date of the building was 1996 and assuming that the land use rights was granted at the same time, the land use term has the latest expiry date in 2046.

(5) The status of title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:-

Shanghai Certificate of Real Estate Ownership	Yes
Sales and Purchase Agreement	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group II — Property interest held by the Group for investment purpose in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010
2.	Part of the basement of Kingworld Department Store, Jiefang Road, Luohu District, Shenzhen, Guangdong Province, the PRC	The property comprises a commercial area in the basement equipment room of Kingworld Department Store which is a commercial development completed in 2001. The property has a total gross floor area of approximately 956 sq.m. The land use rights of the property have been granted for a term of 40 years from 11 September 2000 to 10 September 2040 for commercial use.	Portion of property with floor area of 439 sq.m. is leased to an Independent Third Party from 1 January 2010 to 30 April 2012 with initial monthly rental of RMB53,239.73 and subject to an annual growth of 5% since 1 May 2010. Portion of the property with floor area of 517 sq.m. is leased to an Independent Third Party from 8 January 2010 to 7 October 2012 with monthly rental of RMB62,699.20.	RMB50,000,000

Notes:

(1) According to the Real Estate Title Certificate No. 2000416242 dated 14 August 2008, the land use rights and the building ownership of the property, with a total gross floor area of 956 sq.m., have been granted to Shenzhen Kingworld Medicine Co., Ltd. (深圳市金活醫藥有限公司) for a land use term of 40 years from 11 September 2000 to 10 September 2040 for commercial use, with the particulars as follows :

Real Estate Title Certificate No.	Unit	Use	Gross Floor Area *(sq.m.)*
2000416242	Equipment room, part of basement of Kingworld Department Store	Commercial	956

(2) According to Business Licence No. 440301503328289 dated 23 February 2009, Shenzhen Kingworld Medicine Co., Ltd. (深圳市金活醫藥有限公司) was established with a registered capital of RMB80,000,000 for a valid operation period from 19 April 1996 to 29 December 2016.

(3) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:

(i) Shenzhen Kingworld Medicine Co., Ltd. (深圳市金活醫藥有限公司) is in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government subject to tax and fees in transaction of property;

(ii) The property is subject to a mortgage;

(iii) The property may be disposed of to third parties subject to the consent of the mortgagee; and

(iv) The 2 leases are registered in the local real estate bureau.

(4) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:

Real Estate Title Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group III — Property interest held by the Group for future development in the PRC

	Property	Description and tenure	Particulars of Occupancy	Capital value in existing state as at 30 September 2010
3.	A piece of industrial land, Qianshan Industrial Zone, Xiangzhou District, Zhuhai City, Guangdong Province, the PRC	The property comprises a parcel of land with a site area of approximately 10,376.67 sq.m. The land use rights of the property have been granted for a term due to expire on 19 December 2057. According to the Group, the property is planned to develop as a logistic warehouse and office and scheduled to complete in 2011. According to the legal opinion, the land use rights was granted for industrial use.	As at the date of valuation, the property was a vacant land.	RMB8,300,000 (50% interest attributable to the Group RMB4,150,000)

Notes:

(1) According to the Real Estate Title Certificate issued by the Register Center of Zhuhai Real Estate (珠海市房地產登記中心), the land use rights of the property with a site area of 10,376.67 sq.m., have been granted to Zhuhai Jinming Medicine Co., Ltd. (珠海市金明醫藥有限公司) for a term due to expire on 19 December 2057, with the particulars as follows:

Location	:	Qianshan Industrial Zone, Xiangzhou District, Zhuhai
Lot No.	:	B0506015
Site area	:	10,376.67 sq.m.
Usage Term	:	due to expire on 19 December 2057)

(2) According to Transfer Contract of Zhuhai State-owned Land Use Rights (珠海市國有土地使用權轉讓合同書) entered into between Zhuhai Xiangzhou Zhengfang Holdings Co., Ltd. (珠海市香洲正方控股有限公司) ("Party A") and Zhuhai Jinming Medicine Co., Ltd. (珠海市金明醫藥有限公司) ("Party B"), the land use rights of the property, comprising a site area of 10,376.67sq.m., have been transferred to Party B at a total consideration of RMB7,783,000 for a term due to expire on 19 December 2057 for industrial use.

(3) We have been provided with a legal opinion on the property prepared by the Group's legal adviser, which contains, inter alia, the following information:-

(i) Zhuhai Jinming Medicine Co., Ltd. (珠海市金明醫藥有限公司) is in possession of a proper legal title to the property and is entitled to transfer the property with the residual term of land use rights at no extra land premium or other onerous payment payable to the government subject to tax and fees in transaction of property;

(ii) The property is not subject to mortgage; and

(iii) The property may be disposed of to third parties according to local regulations.

(4) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:-

Real Estate Title Certificate	Yes
Transfer Contract of Zhuhai State-owned Land Use Rights	Yes

VALUATION CERTIFICATE

Group IV — Property interests rented by the Group in the PRC

	Property	Description and tenancy particulars	Capital value in existing state as at 30 September 2010
4.	Room Nos. 1001 to 1008, Block A of Tian An International Building, Renminnan Road, Luohu District, Shenzhen, Guangdong Province, the PRC	The property comprises eight units on level 10 of a 34-storey commercial building completed in about 1993. The property has a total gross floor area of approximately 832.30 sq.m. The property is occupied by the Group as office use. The property is leased to Shenzhen Kingworld Medicine Co., Ltd. for a term of 3 years from 1 January 2009 to 31 December 2011 at a monthly rent of RMB45,776.5, for the 1st year and the rental for the 2nd and 3rd years are subject to adjustment as set out in the relevant guidelines issued by the Shenzhen Real Estate Association. exclusive of management fee and service charges.	No Commercial Value

Notes:

(1) The property is leased to Shenzhen Kingworld Medicine Co., Ltd. (深圳市金活醫藥有限公司), a company indirectly held by the Company.

(2) According to the PRC legal opinion, the lessor is entitled to lease the property. The lease has been registered in the relevant authority and it is legal, valid, binding on both parties and enforceable.

VALUATION CERTIFICATE

	Property	Description and tenancy particulars	Capital value in existing state as at 30 September 2010
5.	301A, 302B, 303A, 304B, 401A and 402B of Xinyi Logistics Complex Building, Shabeili, Longdong, Longgang District, Shenzhen, Guangdong Province, the PRC	The property comprises six units in a 5-storey industrial building completed in about 2003. The property has a total gross floor area of approximately 6,406.42 sq.m. The property is occupied by the Group as warehouse use. The property is leased to Shenzhen Kingworld Medicine Co., Ltd. for a term of 4 years from 1 March 2009 to 28 February 2013 at a monthly rent of RMB38,438.52 for the first 3 years, exclusive of management fee and service charges. The rent for the 4th year is to be negotiated by both parties.	No Commercial Value

Notes:

(1) The property is leased to Shenzhen Kingworld Medicine Co., Ltd. (深圳市金活醫藥有限公司), a company indirectly held by the Company.

(2) According to the PRC legal opinion, the lessor is entitled to lease the property. The property is subject to mortgage and the Group confirms that there is no limitation on the lease agreement. The lease has been registered in the relevant authority and it is legal, valid, binding on both parties and enforceable.

VALUATION CERTIFICATE

	Property	Description and tenancy particulars	Capital value in existing state as at 30 September 2010
6.	No.602 of Block A, Bao'an Zhonghai Building, Nanhu Village, Hongshan Township, Hongshan District, Wuhan, Hubei Province, the PRC	The property comprises a unit on level 6 of an 18-storey commercial building completed in about 2007. The property has a total gross floor area of approximately 131.42 sq.m. and is occupied by the Group for office use. The property is leased to Wuhan Kingworld Information Consultancy Services Co., Ltd. for a term of 3 years from 1 May 2009 to 30 April 2012 at a monthly rent of RMB2,000.	No Commercial Value

Notes:

(1) The property is leased to Wuhan Kingworld Information Consultancy Services Co., Ltd. (武漢市金活信息諮詢服務有限責任公司), a company indirectly held by the Company.

(2) According to the PRC legal opinion, the lessor is entitled to lease the property. The property is subject to mortgage and the Group confirms that there is no limitation on the lease agreement. The lease has been registered in the relevant authority and it is legal, valid, binding on both parties and enforceable.

VALUATION CERTIFICATE

	Property	Description and tenancy particulars	Capital value in existing state as at 30 September 2010
7.	Room 502 on level 5, 32 Beidajie, Wuxi, Jiangsu Province, the PRC	The property comprises a unit on level 5 of a 6-storey commercial building completed in the 1980's. The property has a total gross floor area of approximately 941.51 sq.m. and is occupied by the Group for office use. The property is leased to Wuxi Kingworld Information Consultancy Services Co., Ltd. (無錫市金活信息咨詢服務有限責任公司) for a term of one year from 1 January 2010 to 31 December 2010 at an annual rent of RMB28,800.	No Commercial Value

Notes:

(1) The property is leased to Wuxi Kingworld Information Consultancy Services Co., Ltd. (無錫市金活信息咨詢服務有限責任公司), a company indirectly held by the Company.

(2) According to the PRC legal opinion, the lessor is entitled to lease the property. The lease has not been properly registered but it would not have material adverse impact on the Group's using rights of the property. The lease is legal, valid, binding on both parties and subject to the risk of being unable to defend against third parties acting in good faith.

VALUATION CERTIFICATE

	Property	Description and tenancy particulars	Capital value in existing state as at 30 September 2010
8.	Room 702 West on Level 7, 85 Xihu Road, Xihu District, Nanchang, Jiangxi Province, the PRC	The property comprises a unit on level 7 of a 8-storey composite building completed in about 2001. The property has a total gross floor area of approximately 99.05 sq.m. and is occupied by the Group for office use. The property is leased to Nanchang Kingworld Information Consultancy Services Co., Ltd. for a term from 1 January 2010 to 31 December 2010 at a monthly rent of RMB1,800.	No Commercial Value

Notes:

(1) The property is leased to Nanchang Kingworld Information Consultancy Services Co., Ltd. (南昌市金活信息諮詢服務有限責任公司), a company indirectly held by the Company.

(2) According to the PRC legal opinion, the lessor is entitled to lease the property. The lease has not been properly registered but it would not have material adverse impact on the Group's using rights of the property. The lease is legal, valid, binding on both parties and subject to the risk of being unable to defend against third parties acting in good faith.

VALUATION CERTIFICATE

	Property	Description and tenancy particulars	Capital value in existing state as at 30 September 2010
9.	Unit A27 on Level 12, South Inner Ring Street, Yingze District, Taiyuan, Shanxi Province, the PRC	The property comprises a unit on level 12 of a 24-storey composite building completed in about 1999. The property has a total gross floor area of approximately 127 sq.m. and is occupied by the Group for office use. The property is leased to Taiyuan Kingworld Enterprise Information Consultancy Services Co., Ltd. for a term of 1 year from 11 July 2010 to 10 July 2011 at a monthly rent of RMB1,800.	No Commercial Value

Notes:

(1) The property is leased to Taiyuan Kingworld Enterprise Information Consultancy Services Co., Ltd. (太原市金活企業信息諮詢服務有限公司), a company indirectly held by the Company.

(2) According to the PRC legal opinion, the lessor is entitled to lease the property. The lease has been registered in the relevant authority and it is legal, valid, binding on both parties and enforceable.

VALUATION CERTIFICATE

	Property	Description and tenancy particulars	Capital value in existing state as at 30 September 2010
10.	Unit 702 on Level 7, 177 Wuyi Central Road, Taijiang District, Fuzhou, Fujian Province, the PRC	The property comprises a unit on level 7 of a 7-storey composite building completed in about 1992. The property has a total gross floor area of approximately 60 sq.m. and is occupied by the Group for office use. The property is leased to Fuzhou Kingworld Enterprise Information Consultancy Services Co., Ltd. for a term of 1 year from 1 June 2010 to 31 May 2011 at a monthly rent of RMB3,000.	No Commercial Value

Notes:

(1) The property is leased to Fuzhou Kingworld Enterprise Information Consultancy Services Co., Ltd. (福州市金活企業信息諮詢服務有限公司), a company indirectly held by the Company.

(2) According to the PRC legal opinion, the lessor is entitled to lease the property. The lease has not been properly registered but it will not have material adverse impact on the Group's using rights of the property. The lease is legal, valid, binding on both parties and subject to the risk of being unable to defend against third parties acting in good faith.

VALUATION CERTIFICATE

	Property	Description and tenancy particulars	Capital value in existing state as at 30 September 2010
11.	Flat 402, Unit 2, Block 4 Court No.18 Enjizhuang Haidian District, Beijing, the PRC	The property comprises a unit on level four of a 6 storey residential/commercial building completed in the 1997. The property has a total gross floor area of 185 sq. m. and is occupied by the Group for office uses. The property is leased to Beijing Kingworld Information Consultancy Services Co., Ltd. for a term of 2 years from 1 June 2010 to 31 May 2012 at an annual rent of RMB100,000.	No Commercial Value

Notes:

(1) The property is leased to Beijing Kingworld Information Consultancy Services Co., Ltd. (北京市金活信息諮詢服務有限責任公司), a company indirectly held by the Company.

(2) According to the PRC legal opinion, the lessor is entitled to lease the property. The lease has not been properly registered but it would not have material adverse impact on the Group's using rights of the property. The lease is legal, valid, binding on both parties and subject to the risk of being unable to defend against third parties acting in good faith.

VALUATION CERTIFICATE

	Property	Description and tenancy particulars	Capital value in existing state as at 30 September 2010
12.	Unit 419 on Level 4 and Unit 1 on Level 1 of Sub-block 2, Guesthouse of 3rd Sinohydro Bureau, Lianhu District, Xi'an, Shanxi Province, the PRC	The property comprises two units in a 7-storey composite building completed in the 1980's. The property has a total gross floor area of approximately 54 sq.m. and is occupied by the Group for residential use and office use respectively. The property is leased to Xi'an Kingworld Information Consultancy Services Co., Ltd. for a term of 1 year from 24 October 2009 to 24 October 2010 at a monthly rent of RMB1,650. It has been renewed for a term of 1 year from 24 October 2010 to 24 October 2011 at a monthly rent of RMB1,650.	No Commercial Value

Notes:

(1) The property is leased to Xi'an Kingworld Information Consultancy Services Co., Ltd. (西安市金活信息諮詢服務有限責任公司), a company indirectly held by the Company.

(2) According to the PRC legal opinion, the lease has not been properly registered and therefore it may be subject to the risk of being unable to defend against third parties acting in good faith, but it will not have material adverse impact on the Group's using rights of the property. No consent from the property owner with respect to the lease has been provided and therefore it is not certain whether the lessor is entitled to lease the property, if not, Xi'an Kingworld Information Consultancy Services Co., Ltd. is entitled to claim losses against the lessor.

VALUATION CERTIFICATE

	Property	Description and tenancy particulars	Capital value in existing state as at 30 September 2010
13.	Unit 1015 of News Tower, 123 Baiyin Road, Chengguan District, Lanzhou, Gansu Province, the PRC	The property comprises a unit on level 10 of a 22-storey commercial building completed in about 1996. The property has a total gross floor area of approximately 34.02 sq.m. and is occupied by the Group for office use. The property is leased to Lanzhou Kingworld Information Consultancy Services Co., Ltd. for a term of 1 year from 27 December 2009 to 26 December 2010 at a monthly rent of RMB1,000.	No Commercial Value

Notes:

(1) The property is leased to Lanzhou Kingworld Information Consultancy Services Co., Ltd. (蘭州市金活信息諮詢服務有限責任公司), a company indirectly held by the Company.

(2) According to the PRC legal opinion, the lessor is entitled to lease the property. The lease has been registered in the relevant authority and it is legal, valid, binding on both parties and enforceable.

VALUATION CERTIFICATE

	Property	Description and tenancy particulars	Capital value in existing state as at 30 September 2010
14.	Unit 104 of Block 9, Lubolang Sub-district, Yanhe West Road, Hefei, Anhui Province, the PRC	The property comprises a unit on level 1 of a 6-storey residential building completed in about 1996. The property has a total gross floor area of approximately 82.96 sq.m. and is occupied by the Group for office use. The property is leased to Hefei Kingworld Information Consultancy Services Co., Ltd. for a term of 1 year from 1 January 2010 to 31 December 2010 at a monthly rent of RMB2,000.	No Commercial Value

Notes:

(1) The property is leased to Hefei Kingworld Information Consultancy Services Co., Ltd. (合肥市金活信息諮詢服務有限責任公司), a company indirectly held by the Company.

(2) According to the PRC legal opinion, the lessor is entitled to lease the property. The lease has been registered in the relevant authority and it is legal, valid, binding on both parties and enforceable.

VALUATION CERTIFICATE

	Property	Description and tenancy particulars	Capital value in existing state as at 30 September 2010
15.	Room 101, Unit 1, Block 3 Huangjiaan East Road, Jinshui District, Zhengzhou City, Henan Province, the PRC	The property comprises a unit on level 1 of a composite building. The property has a total gross floor area of approximately 129.63 sq.m. and is occupied by the Group for office use. The property is leased to Zhengzhou Kingworld Information Consultancy Services Co., Ltd. for a term of 1 year from 1 January 2010 to 31 December 2010 at a monthly rent of RMB1,800.	No Commercial Value

Notes:

(1) The property is leased to Zhengzhou Kingworld Information Consultancy Services Co., Ltd. (鄭州市金活信息諮詢服務有限責任公司), a company indirectly held by the Company.

(2) According to the PRC legal opinion, the lessor is entitled to lease the property. The lease has been registered in the relevant authority and it is legal, valid, binding on both parties and enforceable.

VALUATION CERTIFICATE

	Property	Description and tenancy particulars	Capital value in existing state as at 30 September 2010
16.	Room 7028 on Level 6, Block 15, 66-8 East Qingchun Road, Jianggan District, Hangzhou, Zhejiang Province, the PRC	The property comprises a unit on level 6 of a 6-storey office building completed in about 1993. The property has a total gross floor area of approximately 41.25 sq.m. and is occupied by the Group for office use. The property is leased to Hangzhou Kingworld Information Consultancy Services Co., Ltd. for a term of 1 year from 1 January 2010 to 31 December 2010 at an annual rent of RMB30,113.	No Commercial Value

Notes:

(1) The property is leased to Hangzhou Kingworld Information Consultancy Services Co., Ltd. (杭州金活信息諮詢服務有限公司), a company indirectly held by the Company.

(2) According to the PRC legal opinion, the lessor is entitled to lease the property. The lease has been registered in the relevant authority and it is legal, valid, binding on both parties and enforceable.

VALUATION CERTIFICATE

	Property	Description and tenancy particulars	Capital value in existing state as at 30 September 2010
17.	Unit 204 on Level 2 of Office Tower, 43 Sixian Road, Nanning, Guangxi Province, the PRC	The property comprises a unit on level 2 of a 7-storey commercial building completed in about 1989. The property has a total gross floor area of approximately 27 sq.m. and is occupied by the Group for office use. The property is leased to Nanning Kingworld Business Services Co., Ltd. for a term of 12 months from 1 January 2010 to 31 December 2010 at a monthly rent of RMB790.	No Commercial Value

Notes:

(1) The property is leased to Hangzhou Nanning Kingworld Business Services Co., Ltd. (南寧市金活商務服務有限公司), a company indirectly held by the Company.

(2) According to the PRC legal opinion, the lessor is entitled to lease the property. The lease has not been properly registered but it will not have material adverse impact on the Group's using rights of the property. The lease is legal, valid, binding on both parties and subject to the risk of being unable to defend against third parties acting in good faith.

VALUATION CERTIFICATE

	Property	Description and tenancy particulars	Capital value in existing state as at 30 September 2010
18.	North Portion of Level 6, News Building, 566 Yinhua Road, Xiangzhou District, Zhuhai, Guangdong Province, the PRC	The property comprises a unit on level 6 of a 16-storey commercial building completed in about 2002. The property has a total gross floor area of approximately 399 sq.m. and is occupied by the Group for office use. The property is leased to Zhuhai Jinming Medicine Co., Ltd. for a term from 1 April 2008 to 1 April 2012 at a monthly rent of RMB18,573.	No Commercial Value

Notes:

(1) The property is leased to Zhuhai Jinming Medicine Co., Ltd. (珠海市金明醫藥有限公司), a company indirectly held by the Company.

(2) According to the PRC legal opinion, the lease has not been properly registered and therefore it may be subject to the risk of being unable to defend against third parties acting in good faith, but it will not have material adverse impact on the Group's using rights of the property. No title document has been issued to the lessor and therefore it is not certain whether the lessor is entitled to lease the property, if not, Zhuhai Jinming Medicine Co., Ltd. is entitled to claim losses against the lessor.

VALUATION CERTIFICATE

	Property	Description and tenancy particulars	Capital value in existing state as at 30 September 2010
19.	Level 1 of Block B, Nanping Technology Industrial Park, 7 Pingxi San Lu, Zhuhai, Guangdong Province, the PRC	The property comprises a unit on level 1 of a single-storey industrial building completed in about 2006. The property has a total gross floor area of approximately 1,300 sq.m. and is occupied by the Group for storage use. The property is sub-leased to Zhuhai Jinming Medicine Co., Ltd. for a term of 3 years from 8 March 2008 to 7 March 2011. The current monthly rent is RMB23,400.	No Commercial Value

Notes:

(1) The property is sub-leased to Zhuhai Jinming Medicine Co., Ltd. (珠海市金明醫藥有限公司), a company indirectly held by the Company.

(2) According to the PRC legal opinion, the lessor is entitled to lease the property. The lease has not been properly registered but it will not have material adverse impact on the Group's using rights of the property. The lease is legal, valid, binding on both parties and subject to the risk of being unable to defend against third parties acting in good faith.

VALUATION CERTIFICATE

Group V — Property interest rented by the Group in Hong Kong

	Property	Description and tenancy particulars	Capital value in existing state as at 30 September 2010
20.	Flat H on 14/F Everwin Mansion 18 Johnston Road Hong Kong 1/235 share of Inland Lot No.7722	The property comprises a residential unit on the 14th floor of a 17-storey composite building completed in 1965. The property has a saleable floor area of approximately 360 sq.ft. (33.44 sq.m.). The property is leased to Kingworld Medicine Healthcare Ltd. for a term of 2 years from 9 September 2009 to 8 September 2011 at a monthly rent of HK10,000, inclusive of management fee and rates.	No commercial value

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 10 July 2008 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and the Amended and Restated Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 5 November 2010. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Share certificates*

Every person whose name is entered as a member in the register of members shall be entitled without payment to receive a certificate for his shares. The Companies Law prohibits the issue of bearer shares to any person other than an authorised or recognised custodian defined in the Companies Law. The requirement on all service providers to implement appropriate due diligence procedures on the identity of a client in order to "know your client" as a result of proceeds of crime legislation mandates that special procedures should be followed when issuing bearer shares.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words "restricted voting" or "limited voting" or "non-voting" or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than 4 persons as joint holders of any share.

(b) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) *Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors and their associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) *Disclosure of interest in contracts with the Company or with any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or

otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

(aa) the giving of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a member or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associate(s) is derived) or of the voting rights;

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors, his associate(s) and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates; or

(ff) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(vi) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) *Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election. There is no shareholding qualification for Directors.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least 7 days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;

(bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;

(cc) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;

(gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or

(hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may

determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) *Borrowing powers*

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

(ix) *Register of Directors and officers*

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers.

(x) *Proceedings of the Board*

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Alteration of capital

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

Reduction of share capital — subject to the Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

(f) Special resolution - majority required

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, except in the case of an annual general meeting, if it is so agreed by a

majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than fourteen clear days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote, and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded or otherwise required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles). A poll may be demanded by:

(i) the chairman of the meeting; or

(ii) at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(h) Annual general meetings

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(i) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than twenty-one days before the general meeting to those shareholders that have consented and elected to receive the summarized financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of Directors in place of those retiring;

(dd) the appointment of auditors;

(ee) the fixing of the remuneration of the Directors and of the auditors;

(ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and

(gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

(k) Transfer of shares

Subject to the Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a newspaper circulating generally in Hong Kong or, where applicable, any other newspapers in accordance with the requirements of the Stock Exchange, at such times and for such periods as the Board may determine. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(l) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

(m) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(n) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the moneys so advanced may pay interest at such rate (if any) not exceeding 20 % per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(o) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled

to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

(q) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(t) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) Untraceable members

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

(i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;

(ii) upon the expiry of the 12 years and 3 months period (being the 3 months notice period referred to in sub-paragraph (iii)), the Company has not during that time received any indication of the existence of the member; and

(iii) the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such

advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 10 July 2008 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

In accordance with the Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) in the redemption and repurchase of shares (in accordance with the detailed provisions of section 37 of the Companies Law);

(iv) writing-off the preliminary expenses of the company;

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(vi) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

Notwithstanding the foregoing, the Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorise the manner of purchase, a company cannot

purchase any of its own shares without the manner of purchase first being authorised by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details).

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

(i) an act which is *ultra vires* the company or illegal;

(ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and

(iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions in the Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interest of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

Section 59 of the Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council:

(i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (1999 Revision).

The undertaking for the Company is for a period of twenty years from 9 June 2009.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments. The Cayman Islands are not a party to any double tax treaties.

(k) Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

The Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of the company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as the directors may, from time to time, think fit. The Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(o) Winding up

A Cayman Islands company may be wound up either by (i) an order of the court or (ii) voluntarily by a special resolution of its members. The court also has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or where the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no further executive action may be carried out without his approval.

A company is placed in liquidation either by an order of the court or by a special resolution of its members. A liquidator is appointed whose duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and discharge the company's liability to them, ratably if insufficient assets exist to discharge the liabilities in full, and settle the list of contributories ("members") and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets.

When the affairs of a company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This general meeting shall be called by public notice or such other means as the Registrar of Companies may direct.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(p) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on

behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(r) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, have sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE GROUP

1. Incorporation

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 10 July 2008. The Company has established a principal place of business in Hong Kong at 9th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong. The Company was registered as a non-Hong Kong company under Part XI of the Companies Ordinance on 20 October 2008. In connection with such registration, King & Wood of 9th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong, has been appointed as the agent of the Company for acceptance of service of process and any notices served on the Company in Hong Kong. As the Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and its constitution which comprises a memorandum and articles of association. A summary of certain relevant parts of its constitution and certain relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

2. Subsidiaries

The subsidiaries of the Company are listed in the Accountants' Report set out in Appendix I to this prospectus.

3. Changes in the share capital of the Company

As at the date of the Company's incorporation, its authorised share capital was HK$380,000 divided into 3,800,000 Shares of par value of HK$0.10 each. The following sets out the changes in the share capital since the date of the Company's incorporation:

(a) On 10 July 2008, one Share was allotted and issued to Offshore Incorporations (Cayman) Limited for cash at par and such Share was transferred to Golden Land on 25 September 2008.

(b) On 25 September 2008, the Company allotted and issued 79 Shares and 20 Shares to Golden Land and Golden Morning at par value respectively.

(c) Pursuant to the Reorganisation, on 3 November 2010, the Company entered into a sale and purchase agreement with Mr. Zhao and Ms. Chan, under which the Company acquired the entire issued share capital of BVI Kingworld in consideration of the allotment and issue of 6,864 fully paid up Shares and 1,716 fully paid up Shares to Golden Land and Golden Morning at par respectively.

(d) On 3 November 2010, a shareholders' resolution was passed to increase the authorised share capital of the Company, from HK$380,000 divided into 3,800,000 Shares of par value of HK$0.10 each, to HK$1,000,000,000 divided into 10,000,000,000 Shares of par value of HK$0.10 each.

Assuming that the Share Offer becomes unconditional and the Offer Shares and the Shares under the Capitalisation Issue are issued and the Over-allotment Option and the options which may be granted under the Share Option Scheme are not exercised, authorized share capital of the Company upon completion of the Capitalisation Issue and the Share Offer will be HK$1,000,000,000 divided into 10,000,000,000 Shares of which 600,000,000 Shares will be allotted and issued as fully paid or credited as fully paid, and 9,400,000,000 Shares will remain unissued. Other than pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorized but unissued share capital of the Company and, without the prior approval of the Shareholders at a general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed in this Appendix, there has been no alteration in the share capital of the Company since the date of its incorporation.

4. **Changes in the share capital of the subsidiaries of the Company**

Changes in the share capital (or registered capital, as the case may be) of the Company's subsidiaries occurred within the two years immediately preceding the date of this prospectus were as follows:

BVI Kingworld

On 23 September 2009, BVI Kingworld issued and allotted 80 and 20 new ordinary shares of par value of USD1 each in the share capital of BVI Kingworld to Mr. Zhao and Ms. Chan respectively by capitalising a shareholders' loan (in an aggregate amount of RMB89,000,000 provided by Mr. Zhao and Ms. Chan to BVI Kingworld according to their respective shareholdings in BVI Kingworld) into the capital of BVI Kingworld.

5. **Written resolutions passed by the Shareholders**

By resolutions approved in writing by the Shareholders on 3 November 2010, the Company resolved:

(1) that the acquisition by the Company of 100% issued share capital in BVI Kingworld was approved and in consideration of the acquisition, the Directors were authorised to allot and issue 6,864 Shares and 1,716 Shares to Golden Land and Golden Morning at par respectively, all credited as fully paid.

(2) to increase the authorised share capital of the Company, from HK$380,000 divided into 3,800,000 Shares of par value of HK$0.10 each to HK$1,000,000,000 divided into 10,000,000,000 Shares of par value of HK$0.10 each.

By resolutions approved in writing by the Shareholders on 5 November 2010, the Company resolved, among other things:

(1) that conditional upon the satisfaction of the conditions as stated in the section headed "Structure and Conditions of the Share Offer" in this prospectus:

(i) the Share Offer be and was hereby approved and the Directors were authorised to allot and issue, and to approve the transfer of, such number of Shares in connection with the Share Offer and any exercise of the Over-allotment Option as they see fit, on and subject to the terms and conditions stated in this prospectus and in the relevant Application Forms; and

(ii) the rules of the Share Option Scheme were approved and adopted, and the Directors were authorised, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal in Shares pursuant to the exercise of subscription rights attaching to any options granted under the Share Option Scheme, and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme, subject to the conditions therein;

(2) conditional on the share premium account of the Company being credited as a result of the issue of Offer Shares pursuant to the Share Offer (including any additional Shares issued pursuant to the exercise of the Over-allotment Option), the Directors be hereby authorised to capitalize the amount of HK$44,999,132 from the amount standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 449,991,320 Shares for allotment and issue to the holders of Shares whose name appears on the register of members of the Company at the close of business on 5 November 2010 (or as it/they may direct), in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in the Company, so that the Shares to be allotted pursuant to this resolution shall rank pari passu in all respects with the existing issued shares, and the Directors be and are hereby authorised to issue Shares relating to the Capitalisation Issue and give effect to such capitalisation.

(3) a general unconditional mandate be and is hereby given to the Directors to allot, issue and deal with Shares (otherwise than pursuant to (1) a rights issue; or (2) pursuant to any script dividend scheme; or (3) the exercise of any subscription warrants which may be issued by the Company from time to time; or (4) pursuant to the exercise of the options under the Share Option Scheme; or (5) an issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles; or (6) the Capitalisation Issue with an aggregate nominal value of not more than the sum of (i) 20% of the aggregate nominal value of the share capital of the Company in issue immediately following the completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of options that may be granted under the Share Option Scheme), such mandate to remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by any applicable law or the Articles; or

(iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting;

(4) a general unconditional mandate is and hereby given to the Directors to exercise all powers of the Company to repurchase Shares to be listed on the Stock Exchange or any other stock exchange on which the Shares may be listed and recognised by SFC and the Stock Exchange for this purpose such number of Shares would represent up to 10% of the aggregate nominal value of the share capital of the Company immediately following the completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or the exercise of options that may be granted under the Share Option Scheme), such mandate to remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by any applicable law of the Articles; or

(iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting;

(5) the general unconditional mandate mentioned in paragraph (3) above be and is hereby extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted and issued by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in paragraph (4) above provided that such extended amount shall not exceed 10% of the total nominal value of the share capital of the Company in issue immediately following the completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of options that may be granted under the Share Option Scheme); and

(6) to adopt and approve the Memorandum and the Articles, the terms of which are summarized in the section entitled "Appendix IV — Summary of the constitution of the Company and Cayman Islands Company Law".

6. **The Reorganisation**

The companies comprising the Group underwent a reorganisation to rationalize the Group's structure in preparation for the listing of the Shares on the Stock Exchange, pursuant to which the Company became the holding company of the Group.

The Group underwent the following restructuring:

(a) ***Incorporation of HK Kingworld***

HK Kingworld was incorporated under the laws of Hong Kong on 14 May 2008 with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1 each, of which 1 share was allotted and issued to BVI Kingworld on the date of its incorporation.

(b) ***Acquisition of equity interest in SZ Kingworld by HK Kingworld***

On 25 May 2008, BVI Kingworld and HK Kingworld entered into an equity transfer agreement, pursuant to which BVI Kingworld transferred 100% equity interest in SZ Kingworld to HK Kingworld for a consideration of RMB88,824,775 ("SZ Kingworld Equity Transfer"). After completion of the SZ Kingworld Equity Transfer, SZ Kingworld became a wholly-owned subsidiary of HK Kingworld.

(c) ***Increase in the authorised share capital of HK Kingworld and subscription of shares in HK Kingworld***

On 25 May 2008, HK Kingworld and BVI Kingworld entered into a subscription agreement, pursuant to which subject to the completion of SZ Kingworld Equity Transfer, BVI Kingworld shall subscribe for 99 new shares of HK$1 each in the authorised share capital of HK Kingworld to be allotted and issued for a consideration of RMB88,824,775.

On 29 September 2008, the authorised share capital of HK Kingworld was increased from HK$10,000 divided into 10,000 shares of HK$1 each to HK$300,000,000 divided into 300,000,000 shares of HK$1 each by the creation of an additional 299,990,000 shares of HK$1 each. On the same date, BVI Kingworld and HK Kingworld entered into a supplemental deed to the subscription agreement dated 25 May 2008 to revise the terms of such subscription agreement. Pursuant to the supplemental deed to the subscription agreement, subject to the completion of the SZ Kingworld Equity Transfer, BVI Kingworld shall subscribe for 101,162,536 new shares of HK$1 each instead of 99 new shares of HK$1 each in the authorised share capital of HK Kingworld to be allotted and issued for a consideration of HK$101,162,536 (equivalent to RMB88,824,775).

101,162,536 shares of HK$1 each in the authorised share capital of HK Kingworld were allotted and issued to BVI Kingworld on 29 September 2008 pursuant to the said supplemental deed to the subscription agreement.

(d) ***Incorporation of the BVI companies***

(i) On 27 May 2008, Golden Land was incorporated in the BVI with limited liability with an authorised capital of USD50,000 divided into 50,000 shares of USD1 each. One share in Golden Land was allotted and issued to Mr. Zhao on the date of its incorporation.

(ii) On 27 May 2008, Golden Morning was incorporated in the BVI with limited liability with an authorised capital of USD50,000 divided into 50,000 shares of USD1 each. One share in Golden Morning was allotted and issued to Ms. Chan on the date of its incorporation.

(e) ***Incorporation of the Company***

The Company was incorporated under the laws of the Cayman Islands on 10 July 2008 with an authorised share capital of HK$380,000 divided into 3,800,000 shares of HK$0.10 each.

After the incorporation of the Company, one share was issued and allotted to the initial subscriber which was transferred to Golden Land on 25 September 2008.

On 25 September 2008, the Company issued and allotted 79 Shares and 20 Shares to Golden Land and Golden Morning respectively.

(f) ***Share swap between BVI Kingworld and the Company***

Pursuant to a share transfer agreement dated 3 November 2010 made among Mr. Zhao, Ms. Chan and the Company referred to item (g) of the paragraph headed "Summary of material contracts" in this section of the prospectus, the Company acquired from Mr. Zhao and Ms. Chan 88 and 22 ordinary shares of USD1.00 each respectively in the issued share capital of BVI Kingworld in consideration of which the Company allotted and issued 6,864 and 1,716 Shares at par, all credited as fully paid, to Golden Land and Golden Morning respectively. Upon completion of the above share swap, the Company became the holding company of the Group.

(g) ***Increase in the authorised share capital of the Company***

On 3 November 2010, all Shareholders resolved to increase the authorised share capital of the Company from HK$380,000 to HK$1,000,000,000 by creation of 9,996,200,000 new Shares ranking pari passu in all respects with the then existing issued Shares.

(h) Upon the share premium account of the Company being credited as a result of the Share Offer, HK$44,999,132 standing to the credit of the share premium account of the Company will be capitalized and applied to pay in full 449,991,320 Shares in the Company for allotment and issue to Golden Land and Golden Morning for their respective shareholdings prior to the Listing.

7. **Repurchases of the Company's own securities**

This section includes information relating to the repurchase of the securities of the Company, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) ***Relevant Legal and Regulatory Requirements***

The Listing Rules permit the Shareholders to grant to the Directors a general mandate to repurchase securities that are listed on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) *Shareholders' Approval*

All proposed repurchases of securities by a company listed on the Stock Exchange (which must be fully paid up in case of shares) must be approved in advance by ordinary resolutions of the Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the resolutions in writing passed by all the Shareholders on 5 November 2010, a general unconditional mandate (the "Repurchase Mandate") was given to the Directors authorising any repurchase by the Company of Shares on the Stock Exchange or any other stock exchange of which the securities of the Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, up to 10% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding the Shares which may be issued pursuant to the exercise of the Over-allotment or exercise of options that may be granted under the Share Option Scheme), such mandate will expire at the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by any applicable law or the Articles ; or (iii) the time when such mandate is being revoked or varied by ordinary resolutions of the Shareholders in a general meeting (the "Relevant Period").

(ii) *Source of Funds*

The repurchase of the securities of the Company listed on the Stock Exchange must be funded out of funds legally available for the purpose in accordance with the Memorandum and the Articles and the applicable laws of the Cayman Islands. The Company may not repurchase the Shares on the Stock Exchange for consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(b) ***Reasons for Repurchases***

The Directors believe that it is in the Company's and the Shareholders' best interests for the Directors to have general authority to execute repurchases of the securities of the Company in the

market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such repurchases will benefit the Company and the Shareholders.

The Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of the Company which, in the opinion of the Directors, are from time to time appropriate for the Company. However, there might be a material adverse impact on the working capital requirement of the Company as set out in this prospectus in the event that the Repurchase Mandate is exercised in full.

(c) ***Funding of Repurchases***

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with the Memorandum and the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

(d) ***Exercise of Repurchase Mandate***

The exercise in full of the Repurchase Mandate, on the basis of 600,000,000 Shares in issue immediately after the Share Offer and Capitalisation Issue (assuming no exercise of the Over-allotment Option), could accordingly result in up to 60,000,000 Shares being repurchased by the Company during the Relevant Period.

(e) ***General***

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of its associates (as defined in the Listing Rules) currently intends to sell any of the Shares to the Company or its subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Memorandum and the Articles, the Companies Law and any other applicable laws of the Cayman Islands.

If, as a result of any repurchase of the securities of the Company, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the ''Takeovers Code''). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences of repurchases which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

The Company has not made any repurchases of its own securities since its incorporation.

No connected person (as defined by the Listing Rules) has notified the Company that he/she/it has a present intention to sell his/her/its Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this prospectus that are or may be material:

(a) a trademark licence agreement dated 1 January 2009 entered into between SZ Industry and SZ Kingworld, pursuant to which SZ Industry as licensor has granted to SZ Kingworld as licensee a right to use two registered trademarks and a trademark being applied for registration under certain terms and conditions for a term from 1 January 2009 to 6 July 2017 at nil consideration;

(b) a lease agreement dated 1 January 2010 between SZ Kingworld as landlord and Shenzhen You He Medicine Company Limited (深圳市友和醫藥有限公司) as tenant in respect of leasing a property in the total area of 439 sq.m. situated at Shop A026 Basement 1st Floor, Kingworld Department Store, Jie Fang Road, Luo Hu District, Shenzhen, the PRC commencing from 1 January 2010 to 30 April 2012 at a monthly rental of RMB53,239.73, which will be increased by 5% every year from 1 May 2010;

(c) a lease agreement dated 1 January 2010 between SZ Kingworld as landlord and Mr. Wu Qiu Wei (吳球偉) as tenant in respect of leasing a property in the total area of 517 sq.m. situated at Shop A028 Basement 1st Floor, Kingworld Department Store, Jie Fang Road, Luo Hu District, Shenzhen, the PRC commencing from 8 January 2010 to 7 October 2012 at a monthly rental of RMB62,699.20;

(d) a supplemental agreement dated 27 April 2010 entered into between SZ Kingworld and SZ Industry, pursuant to which SZ Industry agreed that the licence to use certain trademarks granted by SZ Industry to SZ Kingworld under the letter of authorisation to use trademarks dated 10 January 2008 is an exclusive licence;

(e) a supplemental agreement dated 27 April 2010 entered into between SZ Kingworld and SZ Industry, pursuant to which SZ Industry agreed that the licence to use certain trademarks granted by SZ Industry to SZ Kingworld under the trademark licence agreement dated 1 January 2009 is an exclusive licence;

(f) a deed of undertaking and indemnity dated 9 October 2010 given by SZ Kingworld Lifeshine in favour of the Group to indemnify the Group for any loss and expenses incurred by the Group in the event of any action and/or claims in relation to Imada Red Flower Oil brought against the Group by any third parties.

(g) a share transfer agreement dated 3 November 2010 made among Mr. Zhao, Ms. Chan and the Company, pursuant to which the Company acquired from Mr. Zhao and Ms. Chan 88 and 22 ordinary shares of US1.00 each in the issued share capital of BVI Kingworld respectively in consideration of which the Company (i) allotted and issued 6,864 and 1,716 Shares, all credited as fully paid to Golden Land and Golden Morning respectively;

(h) a loan agreement entered into between HK Kingworld and Mr. Zhao on 4 November 2010 which formalized the loan arrangement that HK Kingworld as lender has made available to Mr. Zhao as borrower an unsecured loan of a principal amount of HK$16,800,000 on 18 October 2010;

(i) a loan agreement entered into between HK Kingworld and Ms. Chan on 4 November 2010 which formalized the loan arrangement that HK Kingworld as lender has made available to Ms. Chan as borrower an unsecured loan of a principal amount of HK$4,200,000 on 18 October 2010;

(j) a loan agreement entered into between SZ Industry and SZ Kingworld on 4 November 2010 which formalized the loan arrangement that SZ Kingworld as lender has made available to SZ Industry as borrower an unsecured loan of a principal amount of RMB18,800,000 on several occasions during the period between September and October 2010;

(k) a deed of non-competition dated 5 November 2010 executed by the Controlling Shareholders as covenantors in favour of the Company containing the undertakings more particularly referred to in the sub-section headed "Deed of Non-Competition" to the section headed "Relationship with Controlling Shareholders" in this prospectus;

(l) a deed of indemnity dated 11 November 2010 entered into by Golden Land, Mr. Zhao, Golden Morning and Ms. Chan, in favour of the Company (for itself and as trustee for the other members of the Group) in connection with certain estate duty, tax and other indemnities; and

(m) the Public Offer Underwriting Agreement.

2. **Intellectual property rights**

(a) ***Trademark***

As at the Latest Practicable Date, the Group had registered the following trademarks:

Trademark	Registered Owner	Class	Registration number	Term of validity	Place of registration
	SZ Kingworld	5	200014639	28 December 1999 to 28 December 2016	Hong Kong
	SZ Kingworld	5	200014640	28 December 1999 to 28 December 2016	Hong Kong
A.(*Note 1*)	SZ Kingworld	5,30,35	301541682	9 February 2010 to 8 February 2020	Hong Kong
B.(*Note 2*)					
C.					

Notes:

1. The applicant claims the colours green and gold as elements of mark "A" in the series.

2. The applicant claims the colour gold as an element of mark "B" in the series.

Pursuant to a letter of authorisation to use trademarks executed by SZ Kingworld and SZ Industry and a trademark licence agreement entered into between SZ Industry as licensor and SZ Kingworld as licensee, SZ Industry granted licences to SZ Kingworld to use its certain trademarks (some of which are pending registration as listed below). Details of the letter of authorisation to use trademarks and the trademark license agreement are respectively set out as follows:

Date of letter of authorisation/ trademark licence agreement	Licensor	Licensee	Trademark Registration No./ Application No.	Consideration	Period of license
10 January 2008(Note (i))	SZ Industry	SZ Kingworld	Application No.6412368 Application No.6413656 Application No.6495497 Application No.6495498	Nil	10 January 2008 to 9 January 2018
1 January 2009(Note (ii))	SZ Industry	SZ Kingworld	Registration No.1049781 Registration No.1049782 Application No.5682706	Nil	1 January 2009 to 6 July 2017 (Note (iii))

Notes:

(i) On 27 April 2010, a supplemental agreement was executed by SZ Kingworld and SZ Industry, pursuant to which SZ Industry agreed that the licence to use certain trademarks granted by SZ Industry to SZ Kingworld under the letter of authorisation to use trademarks dated 10 January 2008 is an exclusive licence.

(ii) On 27 April 2010, a supplemental agreement was executed by SZ Kingworld and SZ Industry, pursuant to which SZ Industry agreed that the licence to use certain trademarks granted by SZ Industry to SZ Kingworld under the trademark licence agreement dated 1 January 2009 is an exclusive licence.

(iii) Application for filing of such trademark licence agreement relating to the registered trademarks with Registration Nos. 1049781 and 1049782 has been submitted to the PRC Trademark Office on 6 March 2009. On 25 June 2009, the PRC Trademark Office approved the filing of such trademark licence agreement relating to trademarks with Registration Nos.1049781 and 1049782, and the period of license granted is from 1 January 2009 to 31 December 2011.

Details of the aforesaid trademarks are set out as follows:

Registered trademarks(Note 1)

Trademark	Registered Owner	Place of Registration	Class(es)	Registration No.	Registration Date	Expiry Date
金活 KINGWORLD	SZ Industry	PRC	35	1049781	7 July 1997	6 July 2017
KINGWORLD 金活	SZ Industry	PRC	35	1049782	7 July 1997	6 July 2017

Note:

1. The Directors are of the opinion that the abovementioned trademark license agreement has provided sufficient protection to the Group for the continued use of the abovementioned registered trademarks. Pursuant to the abovementioned trademark license agreement, upon expiration of the license period of the abovementioned registered trademarks (i.e. 6 July 2017), SZ Kingworld and SZ Industry may renew such licence agreement if an extension of the license period is necessary. As SZ Industry is a company controlled by Mr. Zhao and Ms. Chan (for further details, please refer to the section headed "Relationship with Controlling Shareholders" of this prospectus), the abovementioned registered trademarks will not be transferred from SZ Industry to the Group.

Trademarks pending registration

Trademark	Applicant	Place of application	Date of Application	Class(es)	Application No.
	SZ Industry	PRC	26 October 2006	35	5682706
	SZ Industry	PRC	3 December 2007	5	6412368
	SZ Industry	PRC	3 December 2007	30	6413656
	SZ Industry	PRC	7 January 2008	30	6495497
	SZ Industry	PRC	7 January 2008	5	6495498

(b) ***Domain Names***

Pursuant to two letters of authorisation to use domain names dated 17 April 2003 and 24 October 2006 both issued by SZ Industry to SZ Kingworld, SZ Industry granted licences to SZ Kingworld to use its certain domain names at nil consideration. Details of the licences to use such domain names are listed below:

Domain Name	Registrant (as Licensor)	Licensee	Date of expiration	Period of Licence
kingworld.cn	SZ Industry	SZ Kingworld	17 March 2013	17 April 2003 to 17 March 2013
kingworld.com.cn	SZ Industry	SZ Kingworld	24 September 2011	24 October 2006 to 24 September 2011

(c) ***Disney license***

SZ Kingworld has entered into a license agreement with TWDC (Shanghai) whereby TWDC (Shanghai) has granted a license to SZ Kingworld to produce and sell sugar confectioneries and nutritional supplements within the healthcare segment bearing the Licensed Material (as licensed to SZ Kingworld) in the PRC (excluding Hong Kong, Macao and Taiwan) from 1 October 2007 to 30 September 2010.

HK Kingworld has also entered into a license agreement with TWDC (Asia Pacific) whereby TWDC (Asia Pacific) has granted a license to HK Kingworld to produce and sell sugar confectioneries and nutritional supplements within the healthcare segment bearing the Licensed Material (as licensed to HK Kingworld) in Hong Kong and Macao from 1 August 2008 to 30 September 2010.

SZ Kingworld and HK Kingworld are currently negotiating the renewal of the relevant license agreements with TWDC (Shanghai) and TWDC (Asia Pacific).

(d) ***Information management systems***

On 29 July 2005, SZ Kingworld entered into a computer system cooperation agreement with an independent software provider (together with agreements for the provision of software and related services under the ERP System, including that of the OA System), pursuant to which a licence was granted to SZ Kingworld and companies of which it has 51% or more interests in, for a fee of RMB490,000, for the use of the software and the provision of relevant services for the setting up and management of the ERP System.

SZ Kingworld has also entered into a mobile service agreement with an independent services provider pursuant to which a software which is integrated into the ERP System is provided to enable the Company to send messages via cell phones ("SMS") to the responsible person of the Region from

the respective Twelve Subsidiaries or representative offices upon the delivery of products. Such mobile service software was provided to SZ Kingworld free of charge, while the annual service fee is RMB1,200 starting from the second year and the charge per SMS is RMB0.10.

Save as aforesaid, there are no other trade or service marks, patents, other intellectual or industrial property rights which are or may be material in relation to Group's business.

3. **Licenses and permits**

The Directors and the PRC Lawyer confirm that the Group has obtained all licenses, permits or certificates necessary (if any) to conduct its operations from the relevant governmental authorities in the PRC since its establishment.

Licences and Permits required for the Group's operations

A table is set out below summarizing the licences and permits obtained by members of the Group relating to the Group's operations and their expiry dates:

SZ Kingworld

	Name of Licence/Permit	Registration Number	Expiry Date
1	Business Licence (企業法人營業執照)	Registration No. 440301503328289	29 December 2016
2	Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese in the People's Republic of China (中華人民共和國台港澳僑投資企業批准證書)	No.: 商外資資審字[2006]0585號 Shang Wai Zi Zi Shen Zi [2006] No. 0585	Issued on 23 February 2009 with a fixed operation period of 20 years
3	GSP Certificate of the People's Republic of China (中華人民共和國藥品經營質量管理規範認證證書)	No. A-GD-08-0159	20 September 2013
4	Pharmaceutical Trade Licence of the People's Republic of China (中華人民共和國藥品經營許可證)	No. 粵 AA7550748 No. Yue AA7550748	14 December 2014

	Name of Licence/Permit	Registration Number	Expiry Date
5	Food Hygiene Licence for Enterprises Dealing in Healthcare Food Products (保健食品經營企業衛生許可證)	No. GDFDA健證字[2005]第0302J0104號 GDFDA Jian Zheng Zi [2005] No. 0302J0104	21 January 2013
6	Food Hygiene Licence (食品衛生許可證)	No.粵衛食證字[2005]第0301B03713號 Yue Wei Shi Zheng Zi [2005] No. 0301B03713	28 March 2011
7	Permit for Medical Devices Trade Enterprises of the People's Republic of China (中華人民共和國醫療器械經營企業許可證)	No.: 粵022431 No. Yue 022431	12 September 2011
8	Certificate of Approval for Enterprises with Foreign Trade Rights in the People's Republic of China (中華人民共和國進出口企業資格證書)	No.: 深貿管准證字第2002-1782號 Shen Mao Guan Zhun Zheng Zi No. 2002-1782	Issued on 25 November 2002 with no fixed term of expiry
9	Registration Form of Foreign Trade Dealers (對外貿易經營者備案登記表)	No.: 00666276	Issued on 12 February 2009 with no fixed term of expiry
10	Registration Permit for Dealers of Imported and Exported Goods of customs of the People's Republic of China (中華人民共和國海關進出口貨物收發貨人報關註冊登記證書)	Customs Registration No.: 4403149790 海關註冊登記編號: 4403149790	22 January 2013
11	Registration Certificate of Self-inspection Unit (自理報檢單位備案登記證明書)	Filing Registration No.: 4700621142 備案登記號: 4700621142	7 August 2014 with a fixed period for 5 years

	Name of Licence/Permit	Registration Number	Expiry Date
12	Tax Registration Certificate (税務登記證)	No.: 深國税登字440301192426435號 Shen Guo Shui Deng Zi No. 440301192426435	Issued on 6 March 2009 with no fixed term of expiry
13	Tax Registration Certificate (税務登記證)	No.: 深地税字440300192426435 Shen Di Shui Zi No. 440300192426435	Issued on 9 March 2009 with no fixed term of expiry
14	Organizational Code Certificate of the People's Republic of China (中華人民共和國組織機構代碼證)	Code No.: 19242643-5 Registration No: Zhu Dai Guan 440303-020801-1 登記號: 組代管 440303-020801-1	21 December 2013
15	Certificate of Foreign Exchange Registration (外匯登記證)	No.00079973	No fixed term of expiry
Wuhan Consultancy			
16	Business Licence (企業法人營業執照)	Registration No.: 420103000027769	8 October 2022
17	Tax Registration Certificate (税務登記證)	No.: 鄂國地税武字420111744757444號 E Guo Di Shui Wu Zi No. 420111744757444	Issued on 11 November 2009 with no fixed term of expiry
18	Organizational Code Certificate of the People's Republic of China (中華人民共和國組織機構代碼證)	Code No.: 74475744-4 Registration No: Zhu Dai Guan 420100-11017882 登記號: 組代管 420100-11017882	30 August 2013
Beijing Consultancy			
19	Business Licence (企業法人營業執照)	Registration No.: 110108004974876	11 November 2022

	Name of Licence/Permit	Registration Number	Expiry Date
20	Tax Registration Certificate (税務登記證)	No.: 税京字證 110108745474737號 Shui Jing Zi Zheng No. 110108745474737	Issued on 29 March 2009 with no fixed term of expiry
21	Organizational Code Certificate of the People's Republic of China (中華人民共和國組織機構代碼證)	Code No.: 74547473-7 Registration No: Zhu Guan Dai 110108-077426-1 登記號: 組代管 110108-077426-1	23 September 2013
22	Social Insurance Register (社會保險登記證)	Social Insurance No.: 社險京字 110108809310號 She Xian Jing Zi No. 110108809310	Issued on 4 March 2010 with no fixed term of expiry
Hangzhou Consultancy			
23	Business Licence (企業法人營業執照)	Registration No.: 330100000016257	28 October 2024
24	Tax Registration Certificate (税務登記證)	No.: 浙税聯字 330104768208407號 Zhe Shui Lian Zi No. 330104768208407	Issued on 5 December 2006 with no fixed term of expiry
25	Organizational Code Certificate of the People's Republic of China (中華人民共和國組織機構代碼證)	Code No.: 76820840-7 Registration No: Zhu Dai Guan 330100-468774 登記號: 組代管 330100-468774	27 October 2012
26	Social Insurance Register (社會保險登記證)	Social Insurance No.: 社險浙字 33010444027588號 She Xian Zhe Zi Social Insurance No. 33010444027588	1 January 2013

	Name of Licence/Permit	Registration Number	Expiry Date
Nanning Consultancy			
27	Business Licence (企業法人營業執照)	Registration No.: (企)450103000000089 (1-1)	24 May 2017
28	Tax Registration Certificate (税務登記證)	No.: 桂國税字 45010066212503X號 Gui Guo Shui Zi 45010066212503X	Issued on 21 December 2007 with no fixed term of expiry
29	Tax Registration Certificate (税務登記證)	No.: 桂地税字 45010066212503X號 Gui Di Shui Zi No. 45010066212503X	Issued on 21 December 2007 with no fixed term of expiry
30	Organizational Code Certificate of the People's Republic of China (中華人民共和國組織機構代碼證)	Code No.: 66212503-X Registration No: Zhu Dai Guan 450100-090348 登記號: 組代管 450100-090348	18 December 2011
31	Registration Certificate of Payment and Deposit of Housing Provident Fund (住房公積金繳存登記證)	No.: 00322176	30 August 2012
Hefei Consultancy			
32	Business Licence (企業法人營業執照)	Registration No.: 340100000025079	20 November 2022
33	Tax Registration Certificate (税務登記證)	No.: 合國廬陽税字 340102748943893號 He Guo Lu Yang Shui Zi No. 340102748943893	Issued on 14 August 2009 with no fixed term of expiry
34	Tax Registration Certificate (税務登記證)	No.: 皖地税合字 340103748943893 Wan Di Shui He Zi No. 340103748943893	Issued on 25 June 2009 with no fixed term of expiry

	Name of Licence/Permit	Registration Number	Expiry Date
35	Organizational Code Certificate of the People's Republic of China (中華人民共和國組織機構代碼證)	Code No.: 74894389-3	26 May 2013
Taiyuan Consultancy			
36	Business Licence (企業法人營業執照)	Registration No.: 140100103032815	31 December 2010
37	Tax Registration Certificate (税務登記證)	No.: 晋國税字 140106746032623號 Jin Guo Shui Zi No. 140106746032623	Issued on 16 February 2006 with no fixed term of expiry
38	Tax Registration Certificate (税務登記證)	No.: 併地税税迎字 140106746032623號 Bing Di Shui Shui Ying Zi No. 140106746032623	Issued on 19 October 2006 with no fixed term of expiry
39	Organizational Code Certificate of the People's Republic of China (中華人民共和國組織機構代碼證)	Code No.: 74603262-3 Registration No: Zhu Dai Guan 140100-049016 登記號: 組代管 140100-049016	16 January 2010
40	Social Insurance Register (社會保險登記證)	Insurance No.: 社險晋字 010345901260號 She Xian Jin Zi No. 010345901260	Issued in September 2009 with a fixed period of 4 years
Wuxi Consultancy			
41	Business Licence (企業法人營業執照)	Registration No.: 320204000004853	30 September 2022
42	Tax Registration Certificate (税務登記證)	No.: 錫地税登字 320200745553902號 Xi Di Shui Deng Zi No. 320200745553902	Issued on 9 February 2007 with no fixed term of expiry

	Name of Licence/Permit	Registration Number	Expiry Date
43	Organizational Code Certificate of the People's Republic of China (中華人民共和國組織機構代碼證)	Code No.: 74555390-2 Registration No: Zhu Dai Guan 320200-96208-1 登記號: 組代管 320200-96208-1	24 November 2012
44	Social Insurance Register (社會保險登記證)	No.: 社險蘇字 32020415013750號 She Xian Su Zi No. 32020415013750	Issued on 5 January 2009 with a fixed period of 5 years
Fuzhou Consultancy			
45	Business Licence (企業法人營業執照)	Registration No.: 350100100018978	3 March 2023
46	Tax Registration Certificate (稅務登記證)	No.: 閩國地稅字 350100100018978號 Min Guo Di Shui Zi No. 350100100018978	Issued on 26 June 2009 with no fixed term of expiry
47	Organizational Code Certificate of the People's Republic of China (中華人民共和國組織機構代碼證)	Code No.: 74638465-3	26 June 2013
48	Social Insurance Register (社會保險登記證)	Insurance No.: 社險閩字 10120093936號 She Xian Min Zi No. 10120093936	Issued on 24 November 2009 valid with a long-term period
Xi'an Consultancy			
49	Business Licence (企業法人營業執照)	Registration No.: 610104100000770	18 December 2016
50	Tax Registration Certificate (稅務登記證)	No.: 陝國稅字 610104742821107號 Shan Guo Shui Zi No. 610104742821107	Issued on 2 November 2006 with no fixed term of expiry

	Name of Licence/Permit	Registration Number	Expiry Date
51	Tax Registration Certificate (税務登記證)	No.: 陝地税字 610104742821107l號 Shan Di Shui Zi No. 6101047428211071	Issued on 27 October 2006 with no fixed term of expiry
52	Organizational Code Certificate of the People's Republic of China (中華人民共和國組織機構代碼證)	Code No.: 74282110-7 Registration No: Zhu Dai Guan 610100-134490-1 登記號: 組代管 610100-134490-1	21 October 2012
53	Social Insurance Register (社會保險登記證)	No.: 陝社險字 61010474282110-7號 Shan She Xian Zi No. 61010474282110-7	Issued on 4 November 2009 with a fixed period of 10 years
Zhengzhou Consultancy			
54	Business Licence (企業法人營業執照)	Registration No.: 410105100032048	31 December 2013
55	Tax Registration Certificate (税務登記證)	No.: 豫地税鄭字 410105747430084 Yu Di Shui Zheng Zi No. 410105747430084	Issued on 4 September 2007 with no fixed term of expiry
56	Organizational Code Certificate of the People's Republic of China (中華人民共和國組織機構代碼證)	Code No.: 74743008-4 Registration No: Zhu Dai Guan 410100-198799-1 登記號: 組代管 410100-198799-1	31 December 2013

	Name of Licence/Permit	Registration Number	Expiry Date
Lanzhou Consultancy			
57	Business Licence (企業法人營業執照)	Registration No.: 620102000000740	10 January 2015
58	Tax Registration Certificate (税務登記證)	No.: 甘地税字 620102745864006號 Gan Di Shui Zi No. 620102745864006	Issued on 29 May 2006 with no fixed term of expiry
59	Organizational Code Certificate of the People's Republic of China (中華人民共和國組織機構代碼證)	Code No.: 74586400-6	29 September 2010
Nanchang Consultancy			
60	Business Licence (企業法人營業執照)	Registration No.: 360100110001346	4 December 2022
61	Tax Registration Certificate (税務登記證)	No.: 贛國税字 360103746051170號 Gan Guo Shui Zi No. 360103746051170	Issued on 22 November 2007 with no fixed term of expiry
62	Organizational Code Certificate of the People's Republic of China (中華人民共和國組織機構代碼證)	Code No.: 74605117-0	1 November 2011

During the Track Record Period, the Group was able to obtain the relevant licences and permits for the operation of the Group's business although the Group has experienced a delay in renewing certain licenses, permits and/or approvals in relation to the import of pharmaceutical products distributed by the Group during the Track Record Period. For details of the Group's experience of delays, please refer to the sub-section headed "Licenses and Permits" under the "Business" section of this prospectus. Save as disclosed, the Group has not encountered any refusal of non-renewals of licences, permits and/or approvals.

4. **Further information about the subsidiaries of the Company and Zhuhai Jinming**

(i) ***Offshore subsidiaries***

(a) Kingworld Medicine and Healthcare Group Limited 金活醫藥保健集團有限公司 ("BVI Kingworld")

Former Name, if any	:	Kingworld Medicine Group Limited 金活醫藥集團有限公司
Date of incorporation	:	7 February 2005
Place of incorporation	:	British Virgin Islands
Authorised Share Capital	:	USD50,000 (50,000 shares of USD1 per share)
Issued Share Capital	:	USD110 (110 shares of USD1 per share)
Shareholder(s) (*percentage of shareholding(s)*)	:	The Company (100%)

(b) Kingworld Medicine Healthcare Limited 金活藥業健康發展有限公司 ("HK Kingworld")

Former Name, if any	:	N/A
Date of incorporation	:	14 May 2008
Place of incorporation	:	Hong Kong
Authorised Share Capital	:	HK$300,000,000 (300,000,000 shares of HK$1 per share)
Issued Share Capital	:	HK$101,162,537 (101,162,537 shares of HK$1 per share)
Shareholder(s) (*percentage of shareholding(s)*)	:	BVI Kingworld (100%)

(ii) ***PRC subsidiaries***

(a) Shenzhen Kingworld Group Limited 深圳市金活醫藥有限公司 ("SZ Kingworld")

Date of Establishment	:	19 April 1996
Type of Company	:	Limited Liability Company (solely owned by a legal entity which is incorporated in Taiwan, Hong Kong and Macao)
Total Investment	:	RMB90,000,000
Registered Capital	:	RMB80,000,000
Paid-up Capital	:	RMB80,000,000
Registered holder(s) of equity interest and percentage of equity interest	:	HK Kingworld (100%)
Term of Business	:	19 April 1996 — 29 December 2016
Legal Representative	:	Zhao Li Sheng (趙利生)
Business Scope	:	Wholesale, import and export of proprietary Chinese medicine, chemical medicine preparation, antibiotics crude drugs and preparations, packaged food (including healthcare food), three categories of medical sanitary materials and dressings, clinical testing and analytical apparatus and diagnosis reagent, physiotherapeutic and rehabilitation equipment, medical cold therapeutic, low-temperature and refrigeration equipment and apparatus, and cosmetics (import and export of the above items shall not involve those items which are under special regulations by the State such as state-run trade administration, import and export quota licensing, export quota bidding and export licensing. Those items which are under special regulations by the State shall be subject to relevant regulations of the State) and other related ancillary businesses

(b) Beijing City Kingworld Information Consultancy Services Company Limited 北京市金活信息咨詢服務有限責任公司 ("Beijing Consultancy")

Date of Establishment	:	12 November 2002
Type of Company	:	Limited Liability Company (solely owned by a legal entity - invested by a foreign invested enterprise)
Registered Capital	:	RMB100,000
Paid-up Capital	:	RMB100,000
Registered holder(s) of equity interest and percentage of equity interest	:	SZ Kingworld (100%)
Legal Representative	:	Huang Ruozhong (黃若忠)
Term of Business	:	12 November 2002 — 11 November 2022
Business Scope	:	Approved operation project: No General operation projects: The Company shall not operate projects which are forbidden by the law, administrative measures and decisions of the State Council and policy in relation to foreign investment; for projects of which operations are restricted and shall be approved by the law, administrative measures and decisions of the State Council and policy in relation to foreign investment, the Company can only operate those projects after obtaining approvals from relevant authorities and registration of such projects with the relevant administration of commerce and industry; for projects of which operations are not restricted by the law, administrative measures and decisions of the State Council and policy in relation to foreign investment, the Company can exercise its decision on whether to operate those projects

(c) Hefei City Kingworld Information Consultancy Services Company Limited 合肥市金活信息咨詢服務有限責任公司 ("Hefei Consultancy")

Date of Establishment	:	6 March 2003
Type of Company	:	Limited Liability Company (solely owned by a legal entity which is a foreign invested enterprise)
Registered Capital	:	RMB100,000
Paid-up Capital	:	RMB100,000
Registered holder(s) of equity interest and percentage of equity interest	:	SZ Kingworld (100%)
Legal Representative	:	Huang Ruozhong (黃若忠)
Term of Business	:	6 March 2003 — 20 November 2022
Business Scope	:	Business information consultancy; corporate image strategy planning; investment consultancy (the abovementioned scope excludes projects restricted by the State); graphic design (excluding advertising)

(d) Nanchang City Kingworld Information Consultancy Services Company Limited 南昌市金活信息咨詢服務有限責任公司 ("Nanchang Consultancy")

Date of Establishment	:	5 December 2002
Type of Company	:	Limited Liability Company (solely owned by a legal entity which is a foreign invested enterprise)
Registered Capital	:	RMB100,000
Paid-up Capital	:	RMB100,000
Registered holder (s) of equity interest and percentage of equity interest	:	SZ Kingworld (100%)
Legal Representative	:	Huang Ruozhong (黃若忠)
Term of Business	:	5 December 2002 to 4 December 2022
Business Scope	:	Information management consultancy; investment strategic planning, corporate image strategy planning and art planning and design (except for projects which are under special regulations provided by the State)

(e) Fuzhou City Kingworld Information Consultancy Services Company Limited 福州金活企業信息咨詢服務有限公司 ("Fuzhou Consultancy")

Date of Establishment	:	4 March 2003
Type of Company	:	Limited Liability Company (solely owned by a legal entity which is a foreign invested enterprise)
Registered Capital	:	RMB100,000
Paid-up Capital	:	RMB100,000
Registered holder(s) of equity interest and percentage of equity interest	:	SZ Kingworld (100%)
Legal Representative	:	Huang Ruozhong (黃若忠)
Term of Business	:	4 March 2003 — 3 March 2023
Business Scope	:	Information consultancy, investment planning, corporate image strategy planning and art design. (projects covered by the abovementioned scope shall only be operated after obtaining approvals from relevant authorities if such approvals are needed)

(f) Wuxi City Kingworld Information Consultancy Services Company Limited 無錫市金活信息咨詢服務有限責任公司 ("Wuxi Consultancy")

Date of Establishment	:	20 November 2002
Type of Company	:	Limited Liability Company (solely owned by a legal entity)
Registered Capital	:	RMB100,000
Paid-up Capital	:	RMB100,000
Registered holder(s) of equity interest and percentage of equity interest	:	SZ Kingworld (100%)
Legal Representative	:	Huang Ruozhong (黃若忠)
Term of Business	:	20 November 2002 — 30 September 2022
Business Scope	:	Approved operation projects: None General operation projects: Investment planning consultancy (excluding specifically approved projects); economic information consultancy, housework services, real estate information consultancy and agency services

(g) Hangzhou City Kingworld Information Consultancy Services Company Limited 杭州金活信息咨詢服務有限公司 ("Hangzhou Consultancy")

Date of Establishment	:	29 October 2004
Type of Company	:	Limited Liability Company (solely owned by a legal entity which is a foreign invested enterprise)
Registered Capital	:	RMB100,000
Paid-up Capital	:	RMB100,000
Registered holder(s) (of equity interest and percentage of equity interest	:	SZ Kingworld (100%)
Legal Representative	:	Huang Ruozhong (黃若忠)
Term of Business	:	29 October 2004 — 28 October 2024
Business Scope	:	Services: economic information consultancy, investment planning (excluding securities and futures), corporate image strategy planning and art design

(h) Taiyuan City Kingworld Information and Consultancy Services Company Limited 太原市金活企業信息咨詢服務有限公司 ("Taiyuan Consultancy")

Date of Establishment	:	27 November 2002
Type of Company	:	Limited Liability Company (solely owned by a legal entity)
Registered Capital	:	RMB100,000
Paid-up Capital	:	RMB100,000
Registered holder(s) of equity interest and percentage of equity interest	:	SZ Kingworld (100%)
Legal Representative	:	Huang Ruozhong (黃若忠)
Term of Business	:	27 November 2002 — 31 December 2010
Business Scope	:	Corporate management information consultancy, corporate image strategy planning and art design. The Company shall not operate projects which are forbidden by the law and regulations and which require approval before such approval has been granted

(i) Xi'an City Kingworld Information Consultancy Services Company Limited 西安市金活信息咨詢服務有限責任公司 ("Xi'an Consultancy")

Date of Establishment	:	21 January 2003
Type of Company	:	Limited Liability Company (solely owned by a legal entity which is a foreign invested enterprise)
Registered Capital	:	RMB100,000
Paid-up Capital	:	RMB100,000
Registered holder(s) of equity interest and percentage of equity interest	:	SZ Kingworld (100%)
Legal Representative	:	Huang Ruozhong (黃若忠)
Term of Business	:	21 January 2003 — 18 December 2016
Business Scope	:	Business information consultancy, corporate image strategy planning and art design

(j) Lanzhou City Kingworld Information Consultancy Services Company Limited 蘭州市金活信息咨詢服務有限責任公司 ("Lanzhou Consultancy")

Date of Establishment	:	10 January 2003
Type of Company	:	One Person Limited Company (legal entity)
Registered Capital	:	RMB100,000
Paid-up Capital	:	RMB100,000
Registered holder(s) of equity interest and percentage of equity interest	:	SZ Kingworld (100%)
Legal Representative	:	Huang Ruozhong (黃若忠)
Term of Business	:	10 January 2003 — 10 January 2015
Business Scope	:	Business information consultancy; business investment planning, corporate image strategy planning and art design service

(k) Zhengzhou City Kingworld Information Consultancy Services Company Limited 鄭州市金活信息咨詢服務有限責任公司 ("Zhengzhou Consultancy")

Date of Establishment	:	3 March 2003
Type of Company	:	Limited Liability Company (solely owned by a legal entity)
Registered Capital	:	RMB100,000
Paid-up Capital	:	RMB100,000
Registered holder(s) of equity interest and percentage of equity interest	:	SZ Kingworld (100%)
Legal Representative	:	Huang Ruozhong (黃若忠)
Term of Business	:	3 March 2003 — 31 December 2013
Business Scope	:	Investment planning (excluding securities and futures consultancy and loan business), corporate image strategy planning and business management consultancy. (The abovementioned scope excludes projects forbidden by the law and regulations of the State and those of which approvals are required.)

(l) Nanning City Kingworld Business Services Company Limited 南寧市金活商務服務有限公司 ("Nanning Consultancy")

Date of Establishment	:	24 May 2007
Type of Company	:	Limited Liability Company (solely owned by a domestic legal entity)
Registered Capital	:	RMB100,000
Paid-up Capital	:	RMB100,000
Registered holder(s) of equity interest and percentage of equity interest	:	SZ Kingworld (100%)
Legal Representative	:	Huang Ruozhong (黃若忠)
Term of Business	:	24 May 2007 — 24 May 2017
Business Scope	:	Business planning, business information consultancy (except for projects which are under special regulations provided by the State). (Projects which are subject to approval can be operated within the term of business as stated in the approval.)

(m) Wuhan City Kingworld Information Consultancy Services Company Limited 武漢市金活信息咨詢服務有限責任公司 ("Wuhan Consultancy")

Date of Establishment	:	8 October 2002
Type of Company	:	Limited Liability Company (solely owned by a legal entity which is a foreign invested entity)
Registered Capital	:	RMB100,000
Paid-up Capital	:	RMB100,000
Registered holder(s) of equity interest and percentage of equity interest	:	SZ Kingworld (100%)
Legal Representative	:	Huang Ruozhong (黃若忠)
Term of Business	:	8 October 2002 — 8 October 2022
Business Scope	:	Economic information consultancy and corporate image strategy planning

(iii) ***Zhuhai Jinming***

Zhuhai Jinming Medicine Limited Company 珠海市金明醫藥有限公司 ("Zhuhai Jinming")

Date of establishment	:	7 January 2004
Type of Company	:	Limited Liability Company (jointly invested by foreign invested enterprise and domestic fund)
Registered Capital	:	RMB5,000,000
Paid-up Capital	:	RMB5,000,000
Registered holder(s) of equity interest and percentage of equity interest	:	SZ Kingworld (50%) Guangdong Minglin (50%)
Term of Business	:	7 January 2004 — 7 January 2014
Legal Representative	:	Zhao Li Sheng (趙利生)
Business Scope	:	Wholesale of proprietary Chinese medicine, chemical crude drugs, chemical medicine preparations, antibiotics crude drugs and antibiotic preparations (valid till 17 November 2014); wholesale of healthcare food (valid till 20 August 2013)

C. FURTHER INFORMATION ABOUT DIRECTORS, SUBSTANTIAL SHAREHOLDERS, MANAGEMENT, STAFF AND EXPERTS

1. Disclosure of interests

(a) Interests and short positions of the Directors and chief executives in the Shares, underlying Shares or debentures of the Company and its associated corporations

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or upon the exercise of any options which may be granted under the Scheme Option Scheme), the interests and/or short positions of the Directors and chief executives of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange once the Shares are listed will be as follows:

Long position in the Shares:

Name of Director	Nature of Interest	Number of Shares	Approximate percentage of shareholding immediately after Share Offer
Mr. Zhao*(Note 1)*	Interest of a controlled corporation, interest of spouse	450,000,000 Shares	75%
Ms. Chan*(Note 2)*	Interest of a controlled corporation, interest of spouse	450,000,000 Shares	75%

Notes:

1. Mr. Zhao is deemed (by virtue of the SFO) to be interested in 450,000,000 Shares. These Shares are held in the following capacity:

   (a) 360,000,000 Shares are held by Golden Land, which is wholly owned by Mr. Zhao. The reference to 360,000,000 Shares deemed to be interested by Mr. Zhao (as disclosed herein) and Golden Land (as disclosed in the sub-section headed "Substantial Shareholders" of this section) relate to the same block of Shares.

   (b) 90,000,000 Shares are indirectly held by Ms. Chan, wife of Mr. Zhao, through Golden Morning, which is wholly owned by Ms. Chan.

2. Ms. Chan is deemed (by virtue of the SFO) to be interested in 450,000,000 Shares. These Shares are held in the following capacity:

   (a) 90,000,000 Shares are held by Golden Morning, which is wholly owned by Ms. Chan. The reference to 90,000,000 Shares deemed to be interested by Ms. Chan (as disclosed herein) and Golden Morning (as disclosed in the sub-section headed "Substantial Shareholders" of this section) relate to the same block of Shares.

   (b) 360,000,000 Shares are indirectly held by Mr. Zhao, husband of Ms. Chan, through Golden Land, which is wholly owned by Mr. Zhao.

Long position in the shares of the associated corporations of the Company:

Name of Director	Name of associated corporation	Capacity/ Nature of Interest	Approximate percentage of shareholding
Mr. Zhao	Golden Land	Beneficial Owner	100%
Ms. Chan	Golden Morning	Beneficial Owner	100%

(b) **Substantial Shareholders**

So far as the Directors are aware, immediately following completion of the Share Offer and Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or upon the exercise of any options which may be granted under the Share Option Scheme), the following persons will have an interest or short position in the Shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Long position in the Shares

Name of Shareholder	Capacity/ Nature of Interest	Number of Shares	Approximate percentage of interest immediately after Share Offer
Golden Land	Beneficial Owner	360,000,000 Shares	60%
Golden Morning	Beneficial Owner	90,000,000 Shares	15%
Mr. Zhao*(Note 1)*	Interest of a controlled corporation, interest of spouse	450,000,000 Shares	75%
Ms. Chan*(Note 2)*	Interest of a controlled corporation, interest of spouse	450,000,000 Shares	75%

Notes:

1. Mr. Zhao is deemed (by virtue of the SFO) to be interested in 450,000,000 Shares. These Shares are held in the following capacity:

   (a) 360,000,000 Shares are held by Golden Land, which is wholly owned by Mr. Zhao.

   (b) 90,000,000 Shares are indirectly held by Ms. Chan, wife of Mr. Zhao, through Golden Morning, which is wholly owned by Ms. Chan.

2. Ms. Chan is deemed (by virtue of the SFO) to be interested in 450,000,000 Shares. These Shares are held in the following capacity:

   (a) 90,000,000 Shares are held by Golden Morning, which is wholly owned by Ms. Chan.

   (b) 360,000,000 Shares are indirectly held by Mr. Zhao, husband of Ms. Chan, through Golden Land, which is wholly owned by Mr. Zhao.

Save as disclosed above, the Directors are not aware of any person who will, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), have a notifiable interest or short position in Shares or, underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

2. Particulars of service contracts and letters of appointment

(a) Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from the Listing Date and may be terminated by not less than three months' prior notice in writing served by either party on the other.

The annual basic salary payable to each of the executive Directors is as follow:

Executive Directors

Zhao Li Sheng	HK$1,200,000
Chan Lok San	HK$1,000,000
Zhou Xuhua	HK$1,000,000
Lin Yusheng	RMB 600,000

Under their respective service contracts, each of the executive Directors is entitled to a discretionary year-end bonus of an amount to be determined by the Board and approved by the remuneration committee.

Each of the executive Directors will also be entitled to reimbursement of reasonable travelling, hotel, entertainment and other expenses properly incurred in the performance of his or her duties under the relevant service contract.

(b) Each of the independent non-executive Directors has signed a letter of appointment with the Company for a term of three years commencing on the Listing Date and may be terminated by giving three months' notice in writing thereof by either party to the other.

The annual fees payable to each of the independent non-executive Directors are as follows:

Independent Non-executive Directors

Zhang Jianqi	HK$150,000
Duan Jidong	HK$150,000
Wong Cheuk Lam	HK$150,000

Each of the independent non-executive Directors will also be entitled to reimbursement of traveling expenses properly incurred in the performance of his/her duties under the relevant appointment letter.

Save as disclosed above, none of the Directors has entered or is proposed to enter into any service agreements with the Company or any member of the Group (other than agreements expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

3. **Directors' remuneration**

Remuneration and benefits in kind of approximately RMB255,000, RMB1,945,000, RMB2,401,000 and RMB1,490,000 in aggregate were paid and granted by the Group to the Directors during the Track Record Period respectively.

Under the current arrangement, the aggregate remuneration and benefit in kind which the Directors, including the independent non-executive Directors, are entitled to receive for the financial year ending 31 December 2010, excluding the discretionary bonus payable to the executive Directors, is expected to be approximately RMB3,000,000.

4. **Fees or commissions received**

Save as disclosed in this prospectus, none of the Directors or any of the persons whose names are listed in the paragraph headed "Consents of experts" in this Appendix had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of the Group from the Group within the two years preceding the date of this prospectus.

5. **Related party transactions**

During the two years preceding the date of this prospectus, the Group was engaged in related party transactions as described under note 29 to the "Notes to the Financial Statements" section of the "Accountants' Report" set out in Appendix I to this prospectus.

D. DISCLAIMERS

Save as disclosed in this prospectus:

(a) none of the Directors or chief executive of the Company has any interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Companies to be notified to the Company and the Stock Exchange, in each case once the Shares are listed on the Main Board;

(b) none of the Directors nor any of the parties listed in the paragraph headed "Consents of experts" in the section headed "Other Information" of this Appendix is interested in the promotion of the Company, or in any assets which have, within the two years immediately preceding the date of this prospectus, been acquired or disposed of by or leased to the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(c) none of the Directors nor any of the parties listed in the paragraph headed "Consents of experts" in the section headed "Other Information" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group;

(d) save for the Underwriting Agreements, none of the parties listed in the paragraph headed "Consents of experts" in the section headed "Other Information" of this Appendix:

  (i) is interested legally or beneficially in any of the Shares or any shares in any of the Company's subsidiaries; or

  (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for the securities of the Company;

(e) none of the Directors, their respective associates or Shareholders who are interested in 5% or more of the issued share capital of the Company has any interest in the five largest Suppliers or top five business customers of the Group.

E. SHARE OPTION SCHEME

(A) Definitions

For the purpose of this paragraph E, the following expressions have the meanings set out below unless the context requires otherwise:

"Adoption Date"	5 November 2010 (the date on which the Share Option Scheme is conditionally adopted by the Shareholders by way of written resolution)
"Board"	The board of directors or a duly authorised committee of the board of directors
"Group"	The Company and any entity in which the Company directly or indirectly holds any equity interest
"Participants"	(a) Any executive director, employee or proposed employee (whether full time or part time) of any member of the Group; (b) any non-executive director (including independent non-executive directors) of any member of the Group; (c) any supplier of goods or services to any member of the Group; (d) any customer of any member of the Group; (e) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group; (f) any shareholder of any member of the Group or any holder of any securities issued by any member of the Group; (g) any joint venture partner, business or strategic alliance partner, in each case of any member of the Group; (h) any discretionary trust whose discretionary objects may be any executive director, employee or proposed employee (whether full time or part time) and any non-executive director (including independent non-executive directors) of any member of the Group, any supplier of goods or services to any member of the Group, any customer of any member of the Group, any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group, any shareholder of any member of the Group or any holder of any securities issued by any member of the Group, and any joint venture partner, business or strategic alliance partner, in each case of any member of the Group
"Scheme Period"	The period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof

(B) **Summary of terms**

The following is a summary of the principal terms of the Share Option Scheme.

1. ***Purpose of the Share Option Scheme***

The purpose of the Share Option Scheme is to provide incentives or rewards to Participants for their contribution to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are available to the Group.

2. ***Who may join and basis of eligibility***

(a) The Board may, at its absolute discretion and on such conditions as it may think fit, grant, a Participant options to subscribe at a price calculated in accordance with paragraph 3 below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

(b) The basis of eligibility of any Participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time at its absolute discretion on the basis of the Participant's contribution or potential contribution to the development and growth of the Group.

3. ***Price of Shares***

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a Participant and shall be at least the higher of : (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (b) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the date of grant of the option; and (c) the nominal value of a Share on the date of grant of the option.

4. ***Acceptance of offers***

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made and must be accepted in its entirety and can under no circumstances be accepted of less than the number of Shares for which it is offered. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.00.

5. ***Maximum number of Shares***

(a) Subject to sub-paragraphs (b) and (c) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company as from the commencement of the Scheme Period (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or

any other share option schemes of the Company) must not in aggregate exceed 10% of the nominal amount of all the issued Shares as at the date of commencement of the listing of Shares on the Stock Exchange. Therefore, it is expected that the Company may grant options in respect of up to 60,000,000 Shares (or such numbers of shares as shall result from a sub-division or a consolidation of such 60,000,000 Shares from time to time) to the participants under the Share Option Scheme.

(b) The 10% limit as mentioned above may be refreshed at any time by obtaining approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the Shares in issue at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme or any other share option schemes of the Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the 10% limit as "refreshed". A circular must be sent to the Shareholders containing the information as required under the Listing Rules in this regard.

(c) Subject to sub-paragraph (d) below, the Company may seek separate approval of the Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to Participants specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to the Shareholders containing a generic description of the specified persons who may be granted such options, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, and such other information required under the Listing Rules.

(d) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of the Company if this will result in such 30% limit being exceeded.

6. ***Maximum entitlement of each Eligible Person***

The total number of Shares issued and to be issued upon the exercise of options granted to each Participant (including both exercised and outstanding options) under the Share Option Scheme and any other share option schemes of the Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options to a Participant resulting in an excess of such limit must be separately approved by Shareholders in general meeting with such Participant and his associates abstaining from voting. In such event, the Company must send a circular to the Shareholders containing the identity of the Participant, the number and terms of the options to be granted (and options previously granted to such person), and all other information required under the Listing Rules. The number and terms (including the exercise price) of the options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

7. ***Grant of options to certain connected persons***

(a) Any grant of an option to a Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).

(b) Where any grant of options to a substantial shareholder of the Company or an independent non-executive Director or any of their respective associates will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme and any other share option schemes of the Company in any 12-month period up to and including the date of grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares as at the date of each grant, in excess of HK$5 million,

such further grant of options must be approved by the Shareholders at a general meeting of the Company, with voting to be taken by way of poll. The Company shall send a circular to the Shareholders containing all information as required under the Listing Rules in this regard. All connected persons of the Company shall abstain from voting (except where any connected person intends to vote against the proposed grant and his intention to do so has been stated in the aforesaid circular). Any change in the terms of an option granted to a substantial shareholder of the Company or an independent non-executive Director or any of their respective associates is also required to be approved by the Shareholders in the aforesaid manner.

8. ***Time of exercise of option***

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

9. ***Performance targets***

Save as determined by the Board in its absolute discretion and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

10. ***Ranking of Shares***

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of allotment and accordingly, will entitle the holders of Shares to participate in all dividends or other distribution paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting right until the name of the grantee of the options has been duly entered on the register of members of the Company as holder thereof.

11. ***Rights are personal to grantee***

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

12. ***Rights on cessation of employment by death***

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in paragraph 13 below arises within a period of three (3) years prior to his or her death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of twelve (12) months following his death provided that where any of the events referred to in paragraphs 16, 17 and 18 occur prior to his death or within such period of six (6) months following his death, then his legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

13. ***Rights on cessation of employment by dismissal***

In the event that the grantee is an employee of the Group at the date of grant and he subsequently ceases to be an employee of the Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group, his option shall lapse automatically and not be exercisable (to the extent not already exercised) on the date of cessation of his employment with the Group.

14. ***Rights on cessation of employment for other reasons***

In the event that the grantee is an employee of the Group when an Offer is made to him and he subsequently ceases to be an employee of the Group for any reason other than his death or the

termination of his employment on one or more of the grounds specified in paragraph 13 above, the option (to the extent not already exercised) shall lapse on the expiry of three (3) months after the date of cessation of such employment (which date will be the last actual working day with the Company or the relevant member of the Group whether his salary is paid in lieu of notice or not).

15. ***Effects of alterations to share capital***

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of shares or reduction of capital of the Company, such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised and/or the subscription prices, as the auditors or financial adviser of the Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to the share option schemes (the "Supplemental Guidance").

Any such alternations will be made on the basis that a grantee shall have the same proportion of the issued share capital of the Company (as interpreted in accordance with the Supplemental Guidance) for which any grantee of any option is entitled to subscribe pursuant to the options held by him before such alternation and the aggregate subscription price payable on the full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alternation will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance regarding any such alternations. Any adjustment to be made will comply with the Listing Rules, the Supplemental Guidance and any future guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

16. ***Rights on a general offer***

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all the Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or in concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or as the case may be, his legal personal representatives) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within one (1) month after the date on which the offer becomes or is declared unconditional.

17. ***Rights on winding-up***

In the event a notice is given by the Company to the Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each Shareholder, give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two (2) business days prior to the proposed general meeting of the Company by giving

notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

18. ***Rights on compromise or arrangement***

In the event of a compromise or arrangement between the Company and the Shareholders or its creditors being proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies pursuant to the Companies Law, the Company shall give notice thereof to all the grantees (or as the case may be, his legal personal representatives) on the same day as it gives notice of the meeting to the Shareholders or its creditors to consider such a compromise or arrangement and the options shall become exercisable on such date until the earlier of two (2) months after that date and the date on which such compromise or arrangement is sanctioned by the court of the Cayman Islands and becomes effective.

19. ***Lapse of options***

An option shall lapse automatically on the earliest of:

(a) the expiry of the period referred to in paragraph 8 above;

(b) the date on which the grantee commits a breach of paragraph 11 above;

(c) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs 12, 14, 16, 17 and 18 above;

(d) subject to paragraph 17 above, the date of the commencement of the winding-up of the Company;

(e) in the event of paragraph 13 above, the date on which the grantee ceases his employment with the Group;

(f) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty; and

(g) where the grantee is a substantial shareholder of any member of the Group, the date on which the grantee ceases to be a substantial shareholder of such member of the Group.

20. ***Cancellation of options granted but not yet exercised***

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee of the options, as the Board may in its absolute discretion sees fit and in a manner that complies with all applicable legal requirements for such cancellation.

21. ***Period of the Share Option Scheme***

The Share Option Scheme shall be valid and effective for a period of ten (10) years commencing on the Adoption Date and shall expire at the close of business on the day preceding the tenth anniversary thereof unless terminated earlier by the Shareholders by resolution in general meeting.

22. ***Alteration to the Share Option Scheme***

(a) The Share Option Scheme may be altered in any respect by resolution of the Board except that alternations of the provisions of the Share Option Scheme which alters to the advantage of the grantees or prospective grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior sanction of the Shareholders by a resolution in general meeting provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the Shareholders under the Articles for a variation of the rights attached to the Shares.

(b) Any alterations to any terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(c) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

23. ***Termination to the Share Option Scheme***

The Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

24. ***Conditions of the Share Option Scheme***

The Share Option Scheme shall take effect subject to and is conditional upon (a) the passing of the necessary resolution in writing to adopt the Share Option Scheme by the Shareholders; (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Shares may fall to be issued pursuant to the exercise of any options under the Share Option Scheme; and (c) the commencement of the listing of the Shares on the Stock Exchange.

(C) **Present status of the Share Option Scheme**

The Share Option Scheme shall take effect subject to the passing of the necessary resolution in writing to adopt the Share Option Scheme by the Shareholders and is conditional upon the Listing Committee of the Stock Exchange granting approval of the Share Option Scheme and any options which may be granted under the Share Option Scheme and the listing of and permission to deal in any Shares to be issued pursuant to the exercise of any options under the Share Option Scheme.

Application has been made to the Listing Committee for listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

F. OTHER INFORMATION

1. Deed of indemnity

Golden Land, Golden Morning, Mr. Zhao and Ms. Chan (collectively, the "Indemnifiers") have entered into a deed of indemnity with and in favour of the Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in the section headed "Summary of material contracts" in this Appendix) to provide (conditional on the Share Offer becoming unconditional in accordance with the paragraph headed "Conditions of the Share Offer" under the section headed "Structure and conditions of the Share Offer" in this prospectus on or before the date as stated therein) indemnities on a joint and several basis in respect of, among other matters:

(a) any liability for Hong Kong estate duty which might be incurred by any member of the Group or Zhuhai Jinming by virtue of any transfer of property (within the meaning of section 35 or section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any law equivalent or similar thereto under the laws of any jurisdiction outside Hong Kong) on or before the Listing Date;

(b) any tax liabilities which might be payable by any member of the Group or Zhuhai Jinming in respect of any income, profits, gains, transactions, events, matters or things earned, accrued or received or deemed to have been earned, accrued or received on or before the Listing Date;

(c) any amount of surtaxes and penalties imposed on any member of the Group or Zhuhai Jinming relating to enterprise income tax liability or any tax obligations under the relevant PRC laws and regulations in relation to any matters occurring on or before the Listing Date; and

(d) any losses, liabilities or damages suffered by any member of the Group or Zhuhai Jinming arising out of or in connection with any non-compliance or alleged non-compliance by any member of the Group (if any) with any applicable rules and regulations in Hong Kong, the PRC, Cayman Islands, BVI or any other part of the world in the course of its business of such non-compliance or alleged non-compliance occurred on or before the Listing;

The Indemnifiers will, however, not be liable under the deed of indemnity:

(i) to the extent that full provision has been made for such claims in the audited combined accounts of the Company and its subsidiaries as set out in Appendix I to this prospectus or the audited accounts of the relevant member of the Group for the three years ended 31 December 2009 and for the six months ended 30 June 2010 (the "Accounts");

(ii) for the liability falling on any member of the Group or Zhuhai Jinming as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in respect of any accounting period commencing on or after 1 July 2010 unless such liability would not have arisen but for some act or omission or transactions entered into by the Indemnifiers or any member of the Group or Zhuhai Jinming (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) otherwise than in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets;

(iii) to the extent that such taxation arise(s) or is/are incurred as a consequence of any retrospective change in the law or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the tax authorities of the PRC or any authority in any other part of the world coming into force after the date hereof or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the date hereof with retrospective effect; and to the extent that the liability falling on any member of the Group or Zhuhai Jinming arise(s) or is/are incurred as a consequence of any retrospective change in the law or the interpretation or practice thereof in any other part of the world coming into force after the date hereof;

(iv) to the extent of any provision or reserve made for such claims in the Accounts which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied pursuant to this paragraph to reduce the Indemnifiers' liability in respect of such claims shall not be available in respect of any such liability arising thereafter;

(v) to the extent that such liability is discharged by another person who is not a member of the Group or Zhuhai Jinming and that no member of the Group is required to reimburse such person in respect of the discharge of the liability; and

(vi) in terms of the loss, liabilities or damage suffered by Zhuhai Jinming, to the extent that the Group is not required to reimburse Zhuhai Jinming.

The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries in the Cayman Islands or the PRC.

2. **Litigation**

No member of the Group is engaged in any litigation or arbitration of material importance and no litigation of claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

3. **Sole Sponsor**

The Sole Sponsor has made an application on behalf of the Company to the Listing Committee for listing of, and permission to deal in the Shares in issue and to be issued as described in this prospectus (including the Capitalisation Issue, the Share Offer, any of the Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme).

4. **Preliminary expenses**

The estimated preliminary expenses are approximately HK$50,000 and are payable by the Company.

5. **Promoter**

There is no promoter of the Company.

6. **Qualifications of experts**

The qualifications of the experts (as defined under the Listing Rules and the Companies Ordinance) who have given their opinions or advice in this prospectus are as follows:

Name	Qualification
Guotai Junan Capital Limited	Licensed corporation to carry on type 6 (advising on corporate finance) regulated activity as defined under the SFO
CCIF CPA Limited	Certified Public Accountants
DTZ Debenham Tie Leung Limited	Independent property valuer
Haiwen & Partners	Legal advisers to the Company as to PRC law
Appleby	Cayman Islands attorneys-at-law

7. **Consents of experts**

Each of Guotai Junan Capital Limited, CCIF CPA Limited, DTZ Debenham Tie Leung Limited, Haiwen & Partners and Appleby has given and has not withdrawn its respective written consents to the issue of this prospectus with the inclusion of each of their reports and/or letters and/or valuation certificates and/or the references to each of their names included herein in the form and context in which they are respectively included.

As at the Latest Practicable Date, none of the experts named in paragraph 6 above is interested beneficially or otherwise in any Shares or shares of any member of the Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of the Group.

8. **Binding effect**

This prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

9. **Bilingual prospectus**

Pursuant to Rule 11.14 of the Listing Rules and section 4 of the Companies Ordinance (Exemption of Companies and Propectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), the English language and Chinese language versions of this prospectus are being published separately but are available to the public at the same time.

10. **Taxation of holders of Shares**

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasised that none of the Company, the Directors or the other parties involved in the Share Offer will accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

11. **Miscellaneous**

(a) Save as disclosed in this prospectus:

(i) within the two years immediately preceding the date of this prospectus, no share or loan capital of the Company or any of the Company's subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of the Company or any of the Company's subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) neither the Company nor any of the Company's subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;

(iv) none of equity or debt securities of any member of the Group is listed or dealt with in any other stock exchange nor is any listing or traded on permission to deal being or proposed to be sought;

(v) the Company have no outstanding convertible debt securities or debentures;

(vi) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages fee or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of the Company's subsidiaries; and

(vii) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in the Company or any of the Company's subsidiaries.

(b) All necessary arrangements have been made enabling the Shares to be admitted into CCASS for clearing and settlement.

(c) Save as disclosed in the Accountants' Report in Appendix I to this prospectus, the Group has no material mortgage or charge.

(d) There has not been any interruption in the business of the Group which may have or have had a significant effect on the financial position of the Group in the twelve (12) months immediately preceding the date of this prospectus.

(e) There has been no material adverse change in the financial or trading position or prospects of the Group since 30 June 2010 (being the date to which the latest audited consolidated financial statements of the Group were made).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms, the written consents referred to in the paragraph headed "Consents of experts" in Appendix V to this prospectus, copies of the material contracts referred to in the paragraph headed "Summary of material contracts" in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of King & Wood at 9th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and Articles of the Company;

(b) the Accountants' Report of the Group prepared by CCIF CPA Limited, the text of which is set out in Appendix I to this prospectus;

(c) the audited accounts which have been prepared for each of the companies comprising the Group for each of the three years ended 31 December 2009 and the six months ended 30 June 2010;

(d) the report prepared by CCIF CPA Limited relating to the unaudited pro forma financial information, the text of which is set out in section B of Appendix II to this prospectus;

(e) the letter, summary of valuations and valuation certificate relating to the property interests of the Group prepared by DTZ Debenham Tie Leung Limited, the texts of which are set out in Appendix III to this prospectus;

(f) the letter of advice prepared by Appleby summarising certain aspects of the Companies Law referred to in Appendix IV to this prospectus;

(g) the Companies Law;

(h) the material contracts referred to in the paragraph headed "Summary of material contracts" in Appendix V to this prospectus;

(i) the written consents referred to in the paragraph headed "Consents of experts" in Appendix V to this prospectus;

(j) the legal opinions prepared by Haiwen & Partners in respect of certain aspects of the Group and the property interests of the Group in the PRC;

(k) the service contracts entered into between the Company and each of the executive Directors, respectively referred to in the paragraph headed "Particulars of service contracts and letters of appointment" in Appendix V to this prospectus;

(l) the letters of appointment entered into between the Company and each of the independent non-executive Directors, respectively referred to in the paragraph headed "Particulars of service contracts and letters of appointment" in Appendix V to this prospectus; and

(m) the rules of the Share Option Scheme.

Kingworld Medicines Group Limited
金活醫藥集團有限公司