

2008 North American Coenzyme Q10 (Co Q10) Emerging Company of the Year Award**ZMC-USA, LLC**

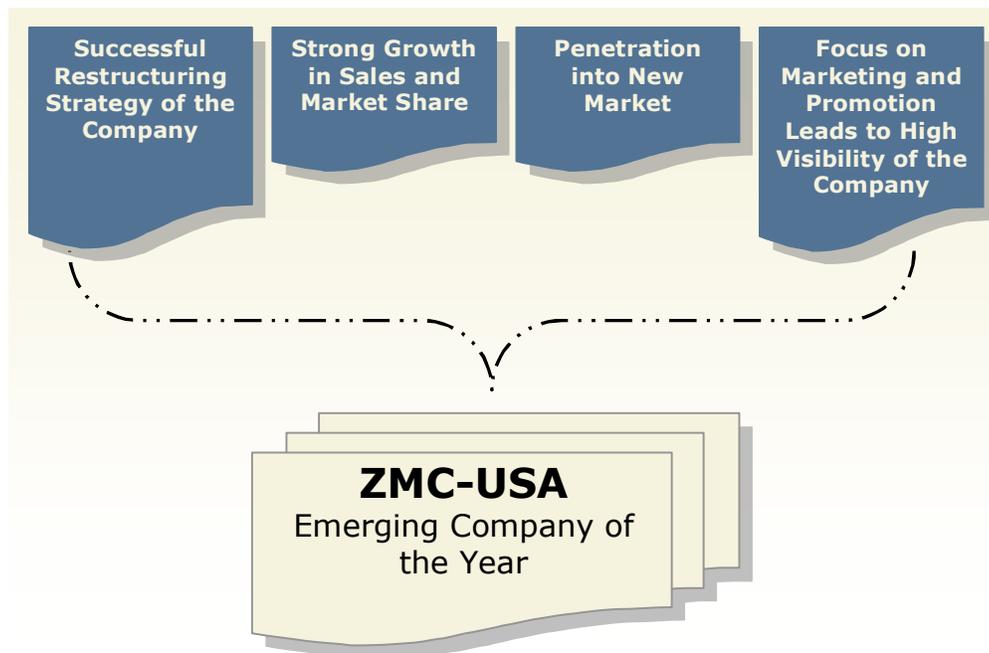
The 2008 Frost & Sullivan Emerging Company of the Year Award in the U.S. coenzyme Q10 (Co Q10) market is presented to ZMC-USA, LLC (ZMC-USA). The award is conferred upon ZMC-USA for having evolved as a leading competitor in the market within approximately two years from being founded. The prominent position attained by ZMC-USA has been the outcome of its strategy to focus on overall business operations as well as work toward eliminating market restraints such as, high product prices and unnecessarily complex global value chains. The achievement is primarily due to the successful execution of the strategies conceived by the company while entering the U.S. market. By mobilizing large stocks of products into the market, ZMC-USA has played a commendable role in hampering the rapidly rising Co Q10 product price in the U.S., which was a major restraint to industry growth. Its exceptional vision for anticipating the growth of the Co Q10 market was met through establishing strategic partnerships with companies in two major end users of Co Q10, the nutritional and pharmaceuticals industries, which in turn has built strong brand recognition for ZMC-USA among important industry participants. These factors have led to the rapid emergence of ZMC-USA as one of the important market participants.

Company's Highlights

ZMC has been manufacturing pharmaceutical and nutritional ingredients since 1954 and has grown to be recognized for both its quality and reliability. In addition to Co Q10, the company sells an array of pharmaceutical ingredients, biotin, synthetic vitamin E, natural vitamin E, carotenoids (including lutein and beta-carotene). ZMC is the only supplier which has been granted the USP verification mark under USP's voluntary Verified Dietary Supplement Ingredients Program for CoQ10 and beta-carotene. In addition to this important third party endorsement, ZMC maintains a facility which is both FDA Registered and inspected. Additionally, the ZMC facilities have passed customer audits from every prominent U.S. manufacturer of nutritional products and many pharmaceutical manufacturers. ZMC completed a new Co Q10 facility in 2005 which provided substantial production efficiencies resulting in greatly reduced costs to consumers. In 2007, ZMC received a patent from the USPTO for lutein.

Chart 1.1 represents the factors that make ZMC-USA the eligible recipient of Frost & Sullivan Emerging Company of the Year Award in the U.S. Co Q10 market for the year 2008.

Chart1.1
Co Q10 Market: Factors Contributing to ZMC-USA's Emerging Company of the Year Award (U.S.), 2008



Source: Frost & Sullivan

Successful Restructuring Strategy of the Company

With the goal of incorporating more transparency into its business and understanding market dynamics better, ZMC-USA entered the U.S. market place as the first subsidiary of ZMC, a Chinese ingredient manufacturer in March 2006, named after its parent company. The traditional method of operating through distributors and agents shields manufacturers from useful insights on market dynamics such as consumer preferences, supply needs, and customer requests which can negatively affect

business operations. To deal with this challenge, ZMC-USA was created to make it more convenient for the Chinese manufacturer to directly function in the U.S. market. This single action helped lower the market price of Co Q10 in the U.S. because ZMC-USA is able to optimize its economies of scale advantage and mobilize large supplies of the product in a market with a high market potential. This in turn considerably increased the volume consumption of Co Q10 in the U.S. For example, the number of users of Co Q10 in 2004 was 4.5 million and by 2008 that number had increased to 6 million. In addition the amount of Co Q10 consumed per individual had increased from roughly 10 mg to more than 50 mg per use. Many users prefer consuming as much as 100 to 150 mg per use of CO Q10 due to its health benefits at affordable prices. Co Q10 is currently rated as the third most popular dietary supplement ingredient in the U.S.

ZMC has a single source for Co Q10 that is easy to trace back to and substantiate the products quality, which is ahead of the curve of many Chinese manufacturers. Also, ZMC has been proactive in minimizing language and cultural barriers that have and are currently obstructing Chinese and US cross national value chains.

Strong Sales Growth and Expanding Market Share

Before the introduction of ZMC-USA into the U.S. market, the supply of Co Q10 was considerably short of meeting the prevailing market demand and as a result, prices were relatively high in the range of \$3,000 per kilogram (kg). With the arrival of ZMC-USA in 2006, prices gradually started to fall and reach a much affordable range of \$350 to \$400 per kg despite rising transport costs and a depreciating U.S. dollar. The most profound obstacle restraining market growth was accordingly eliminated, thereby establishing ZMC-USA's successful advent into the U.S. Co Q10 market. Today, North America accounts for approximately 80 percent of the global Co Q10 market, and within two years, ZMC-USA commands a share of over 30 percent in the U.S. Co Q10 market. In addition, this action resulted in ZMC-USA's total sales volume increase of over 60 percent during the second half of 2007, relative to its sales growth in the first half of the same year.

Focus on Marketing and Promotion Leads to High Visibility of the Company

ZMC-USA participates in important industry advancement activities such as, trade show support through sponsorships, trade publication advertising, and trade industry associations. These activities are a mode of encouraging cooperation within the nutritional industry to promote the exchange of ideas for growth and innovation among industry members. The company has adopted an innovative strategy of co-marketing its customers' business, which is based on the belief that by building up the nutritional industry, it will benefit from a flourishing end market and be able to

promote its own product Co Q10. These innovative strategies set the company apart from competitors and help it emerge as a thought-leader.

Penetrating New Markets

Co Q10 is commonly used in tablets, capsules, supplements, and other forms that can be incorporated in different applications. With Co Q10, ZMC-USA has currently ventured into the U.S. food and beverages industry. Co Q10 is consumed in a very little amount of about 10 milligrams a day through beverages. Although the new application area is currently small, the usage of Co Q10 in food and beverages as a functional ingredient is growing steadily, owing to its proven health benefits.

Conclusion

ZMC-USA was established in March 2006, and since then it has grown rapidly in the U.S. Co Q10 market. The company has realized a 60 percent rise in sales volume during the second half of 2007, compared to the first half, owing largely to the high-quality Co Q10 supplied. It has been a major contributor in lowering the high prices of Co Q10 in the United States, which has helped the market grow. The company employs conventional marketing media to execute its innovative strategy of co-marketing its end users, which has paid off well in enhancing its brand value. Its pioneering endeavor to build cooperation within nutritional and pharmaceuticals industry is anticipated to have far-reaching positive effects. A timely entry into the U.S. Co Q10 market complemented with successful implementation of strategies has helped ZMC-USA to achieve over 30 percent market share in merely two years time. These cumulative factors make ZMC-USA the worthy recipient of the 2008 Frost & Sullivan Emerging Company of the Year Award in the U.S. Co Q10 market.

Award Description

The Frost & Sullivan Award for Emerging Company of the Year is presented each year to the company that has emerged as a significant participant within its industry. This company is perceived to have exhibited outstanding management, superior market growth, exceptional customer service and the ability to combine technology and successful strategic initiatives. This company has the exceptional know-how to take advantage of market changes through the execution of innovative strategies within the existing competitive landscape.

Research Methodology

In order to select the Award recipient, analysts quantify several market factors for each market participant according to predetermined criteria, paying close attention to their combined operations efforts. This process includes interviews with market participants, customers, and suppliers, along with extensive secondary and technology research. The companies' efforts are then analyzed based on the number of new customers, new segments, and commitment to business expansion coupled with market growth.

Measurement Criteria

In addition to the methodology described above, there are specific criteria used to determine final competitor rankings in this industry. The recipient of this Award has excelled based on one or more of the following criteria:

- Proof of success executing a restructuring strategy
- New market penetration (geographic, product, etc.)
- Marketing, promotion, and visibility of the company
- Degree of strategy innovation
- Technological innovation and leadership
- Increased name recognition
- Revenue and market share growth

About Best Practices

Frost & Sullivan Best Practices Awards recognize companies in a variety of regional and global markets for demonstrating outstanding achievement and superior performance in areas such as leadership, technological innovation, customer service, and strategic product development. Industry analysts compare market participants and measure performance through in-depth interviews, analysis, and extensive secondary research in order to identify best practices in the industry.

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