

KEE

開易控股有限公司

KEE Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 02011

PLACING AND PUBLIC OFFER



Sponsor and Lead Manager



Shenyin Wanguo Capital (H.K.) Limited

IMPORTANT

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



KEE HOLDINGS COMPANY LIMITED

開易控股有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

BY WAY OF

PLACING AND PUBLIC OFFER

Number of Offer Shares	:	100,000,000 Shares (subject to the Over-allotment Option)
Number of Placing Shares	:	90,000,000 Shares (subject to re-allocation and the Over-allotment Option)
Number of Public Offer Shares	:	10,000,000 Shares (subject to re-allocation)
Offer Price	:	HK\$1.33 per Offer Share (payable in full upon application, plus brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%)
Nominal value	:	HK\$0.01 per Share
Stock code	:	02011

Sponsor and Lead Manager



Shenyin Wanguo Capital (H.K.) 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 under Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission in Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

Prospective investors of the Offer Shares should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by notice in writing to be given by the Lead Manager (for itself and on behalf of the Underwriters) upon the occurrence of any of the events set forth in the section headed "Underwriting — Underwriting arrangements and expenses — Grounds for termination" at any time prior to 8:00 a.m. (Hong Kong time) on Wednesday, 12 January 2011 (the "Termination Time"), being the day on which dealings in the Shares on the Main Board first commence. Such events include, but without limitation, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, outbreak of an infectious disease, calamity, crisis, terrorism, strike or lock-out. Accordingly, any share certificate relating to the Offer Shares issued by our Company or deposited into CCASS prior to the Termination Time will not constitute evidence of title of the Offer Shares until (i) the Share Offer becomes unconditional in all respects; and (ii) the right of termination as described in the section headed "Underwriting — Underwriting arrangements and expenses — Grounds for termination" has not been exercised and has lapsed. Investors who trade the Offer Shares on the basis of publicly available allocation results or other information prior to Termination Time will do so entirely at their own risks.

Prior to making any investment decision, prospective investors should consider carefully all the information contained in this prospectus including the risk factors set out in the section headed "Risk factors".

EXPECTED TIMETABLE

- Latest time to complete electronic applications
under **HK eIPO White Form** service through
the designated website www.hkeipo.hk (*Note 2*) 11:30 a.m. on Wednesday, 5 January 2011
- Application lists open (*Note 3*) 11:45 a.m. on Wednesday, 5 January 2011
- Latest time to complete payment of **HK eIPO
White Form** applications by effecting internet
banking transfer(s) or PPS payment transfer(s) 12:00 noon on Wednesday, 5 January 2011
- Latest time for lodging **WHITE** and **YELLOW**
Application Forms and giving **electronic
application instructions** to HKSCC via
CCASS (*Note 4*) 12:00 noon on Wednesday, 5 January 2011
- Application lists close (*Note 3*) 12:00 noon on Wednesday, 5 January 2011
- Announcement of the level of indication of interests under
the Placing, the results of applications under the Public
Offer and the basis of allotment of the Public Offer
Shares to be published in The Standard (in English)
and the Hong Kong Economic Times (in Chinese) and
on the website of our Company at www.kee.com.cn and
the website of the Stock Exchange at www.hkexnews.hk
on or before Tuesday, 11 January 2011
- Results of allocations in the Public Offer (with successful
applicants' identification document numbers, where
appropriate) to be available through a variety of
channels, as described in the section headed "How to
apply for Public Offer Shares — Results of allocations"
from Tuesday, 11 January 2011
- Results of allocations for the Public Offer to be available at
www.tricor.com.hk/ipo/result, with a "search by ID" function Tuesday, 11 January 2011
- Despatch of refund cheques/e-Auto Refund payment
instructions in respect of wholly or partially unsuccessful
applications under the Public Offer on or before
(*Notes 5 and 8*) Tuesday, 11 January 2011
- Despatch/collection of Share certificates in respect
of wholly or partially successful applications under
the Public Offer on or before (*Notes 5, 6 and 7*) Tuesday, 11 January 2011
- Dealings in Shares on the Main Board commence on Wednesday, 12 January 2011

EXPECTED TIMETABLE

Notes:

1. All times in this prospectus refer to Hong Kong local time. Details of the structure of the Share Offer, including its conditions and grounds for termination, 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 Wednesday, 5 January 2011. 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 Wednesday, 5 January 2011, when the application lists close.
3. If a “black” rainstorm warning signal or a tropical cyclone warning signal number 8 or above is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 5 January 2011, the application lists will not open and close on that day. Further information is set out in the section headed “How to apply for Public Offer Shares — When to apply for the Public Offer Shares — Effect of bad weather conditions on the opening of the application lists”.
4. Applicants who apply for the Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to apply for Public Offer Shares — How to apply by giving **electronic application instructions** to HKSCC”.
5. Applicants who apply with **WHITE** Application Forms or by way of giving electronic instructions to the **HK eIPO White Form** Service Provider through **HK eIPO White Form** service (www.hkeipo.hk) for 1,000,000 Public Offer Shares or more under the Public Offer and have indicated on their Application Forms that they wish to collect their refund cheques (where applicable) and/or Share certificates in person from the Hong Kong Share Registrar may collect their refund cheques and/or Share certificates in person from the Hong Kong Share Registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 11 January 2011. Identification and authorisation documents (where applicable) acceptable to the Hong Kong Share Registrar must be produced at the time of collection.

Applicants who apply with **YELLOW** Application Forms for 1,000,000 Public Offer Shares or more under the Public Offer and have indicated on their Application Forms that they wish to collect their refund cheques in person may collect their refund cheques (where applicable) 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 CCASS Investor Participant stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply with **YELLOW** Application Forms is the same as that for the **WHITE** Application Form applicants.

Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post and at the own risk of the applicants shortly after the day as described in the section headed “How to apply for Public Offer Shares — Despatch/collection of Share certificates and refund cheques/e-Auto Refund payment instructions”.

6. Share certificates for the Placing Shares to be distributed via CCASS are expected to be deposited into CCASS for credit to the respective CCASS Participants’ stock accounts designated by the Placing Underwriter, the placees or their agents, as the case may be.
7. Share certificates for the Offer Shares will only become valid certificates of title with effect from 8:00 a.m. on Wednesday, 12 January 2011 provided that (i) the Share Offer becomes unconditional in all respects; and (ii) the right of termination as described in the section headed “Underwriting — Underwriting arrangements and expenses — Grounds for termination” has not been exercised and has lapsed.
8. Refund cheques or e-Auto Refund payment instructions will be issued in respect of wholly or partially unsuccessful applications. 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 purposes. 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.

CONTENTS

You should rely only on the information contained in this prospectus and the related Application Forms to make your investment decision. We have 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 on by you as having been authorised by us, the Sponsor, the Underwriters, any of their respective directors, officers, employees, advisers, agents, representatives or affiliates of any of them or any other persons or parties involved in the Share Offer. The contents of our Group's website at www.kee.com.cn do not form part of this prospectus.

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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 and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole document including the appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in our Offer Shares.

There are risks associated with any investment. Some of the particular risks of investing in our Offer Shares are set out in the section headed "Risk factors". You should read that section carefully before you decide to invest in our Offer Shares.

OVERVIEW

We are a producer of finished zippers in China. Our customers for zippers are OEMs who manufacture apparel products for (i) apparel brands in China; and (ii) some well known international apparel labels. We maintain a close working relationship with apparel brand owners on the design of zippers to be applied in the apparel products. The apparel brand owners usually decide on the zipper supplier for their OEMs and place orders with such OEMs who in turn source zippers from us. However, we do not have any contractual relationship with the apparel brand owners in respect of the sales orders placed by our customers and the apparel brand owners do not place orders directly with us. During the Track Record Period, we cooperated with at least 12 local apparel brands which included "Li Ning" and "Meters/bonwe" and 36 international apparel brands.

Our finished zippers are categorised as follows:

- metal zippers — which are mainly used in trousers, jackets, jeans and working clothes;
- nylon zippers — which are usually found in skirts and sportswear; and
- plastic zippers — which are widely applied in down feather garments, skiing apparel and windbreakers.

We also supply sliders, components of zippers (including continuous zipper chains and stops) and moulds to other zipper manufacturers. Since late 2008, we have started to design and supply premium items such as toy figures, ornaments and key-rings exclusively to apparel brand owners to meet the promotional needs for their products.

SUMMARY

Below is a table summarising our turnover by product category during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%
Finished zippers										
Metal zippers	46.56	50.9%	52.53	44.7%	63.12	39.3%	34.54	45.5%	33.88	41.5%
Nylon zippers	37.55	41.0%	52.68	44.9%	67.56	42.0%	30.29	39.9%	33.34	40.8%
Plastic zippers	5.24	5.7%	5.22	4.4%	16.26	10.1%	6.90	9.1%	7.38	9.1%
	<u>89.35</u>	<u>97.6%</u>	<u>110.43</u>	<u>94.0%</u>	<u>146.94</u>	<u>91.4%</u>	<u>71.73</u>	<u>94.5%</u>	<u>74.60</u>	<u>91.4%</u>
Sliders	0.96	1.0%	3.83	3.3%	4.14	2.6%	2.19	2.9%	3.34	4.1%
Premium items	—	—	0.83	0.7%	8.00	5.0%	0.87	1.1%	1.55	1.9%
Components and moulds	1.27	1.4%	2.31	2.0%	1.63	1.0%	1.11	1.5%	2.15	2.6%
Total turnover	<u>91.58</u>	<u>100.0%</u>	<u>117.40</u>	<u>100.0%</u>	<u>160.71</u>	<u>100.0%</u>	<u>75.90</u>	<u>100.0%</u>	<u>81.64</u>	<u>100.0%</u>

During the Track Record Period, our sales grew from approximately HK\$91.6 million for the year ended 31 December 2007 to HK\$160.7 million for the year ended 31 December 2009, representing a CAGR of approximately 32.5%, whilst our profit attributable to Shareholder derived solely from our zipper business (excluding any net realised and unrealised gains or losses on investment in listed equity securities) also increased from approximately HK\$17.6 million for the year ended 31 December 2007 to HK\$31.5 million for the year ended 31 December 2009, representing a CAGR of approximately 33.8%. We attribute the growth in our zipper business primarily to our ability in securing apparel brand owners (such as our service-and-solution-oriented business approach, our capability in the design of zippers, our prompt response to fulfilling our customers' orders and our ability in designing and supplying premium items to meet the promotional needs of apparel brand owners for their products) to select us as their preferred zipper supplier for their OEMs. Furthermore, based on the CMMC Report 2009, the total sales value of zippers produced in China is expected to increase from approximately RMB50.3 billion in 2009 to RMB96.1 billion in 2013. We believe this provides an ideal market environment for us to continue to expand our zipper business.

Our Directors believe that the OEMs usually follow instructions and recommendations from the apparel brand owners to source materials including zippers for production in order to fulfill the product requirements set by the apparel brand owners. We have a team of dedicated sales executives who are responsible for maintaining regular communications with apparel OEMs and apparel brand owners in order to procure sales orders. Furthermore, as part of our service-and-solution-oriented business approach, our sales managers and our product design personnel work together with the apparel brand owners on the design of zippers to be applied in the apparel products to be launched in the coming seasons by providing design proposals and tailor-made zipper prototypes, which match the pattern, colour and functionality of the apparel products. In some cases, the apparel brand owners provide the graphic designs of zippers to us and then our product design personnel would work out the prototypes. Except for the product specifications, we are not subject to any requirement or restriction in relation to the production process and the raw materials used in the production. Once our design and prototypes are accepted by the apparel brand owners, they would instruct their OEMs to source tailor-made zippers from us for the production of the apparel products, which we have participated in the design process. At such time, we become the designated zipper supplier for the particular apparel products.

SUMMARY

The following table sets out our turnover by geographic location during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%
Southern China	68.63	74.9%	79.69	67.9%	97.58	60.7%	45.70	60.2%	42.05	51.5%
Eastern China	19.85	21.7%	25.49	21.7%	48.93	30.5%	22.14	29.2%	29.02	35.6%
Overseas (Note)	3.10	3.4%	12.22	10.4%	14.20	8.8%	8.06	10.6%	10.57	12.9%
Total	<u>91.58</u>	<u>100.0%</u>	<u>117.40</u>	<u>100.0%</u>	<u>160.71</u>	<u>100.0%</u>	<u>75.90</u>	<u>100.0%</u>	<u>81.64</u>	<u>100.0%</u>

Note: During the Track Record Period, the overseas regions included the United States, Switzerland, Italy, South Africa, Taiwan, Indonesia and Bangladesh. Our overseas trades, comprising of sales of finished zippers and sliders, were primarily denominated in US dollars and our Group did not engage in any foreign exchange hedging activities.

During the Track Record Period, approximately 87% or above of our turnover was derived from sales in China. We exported our products to overseas regions which included the United States, Switzerland, Italy, South Africa, Taiwan, Indonesia and Bangladesh. All the finished zippers which we produced and sold to our customers displayed our trademark “**KEE**”.

The major production processes of a finished zipper include (i) weaving of fabric tapes; (ii) colour dyeing; (iii) making of teeth, zipper slider, and top and bottom stops; (iv) teeth arrangement; and (v) assembling of different components. Such production processes are supported by our own custom-made machinery and modified conventional machinery in order to achieve our specific and automated production requirements. Our finished zippers are categorised as metal, nylon and plastic zippers. There are some differences among the production processes of these three types of finished zippers which include (i) the raw materials used for making the teeth; (ii) the methods for teeth making (pressing and cutting for metal teeth, weaving for nylon teeth and moulding for plastic teeth); (iii) the techniques for teeth arrangement; and (iv) the sequence of colouring during production. Further details regarding our production processes are set out in the section headed “Business — Production — Key production processes of a finished zipper”.

We have the capabilities to produce almost every part and component in manufacturing a finished zipper, and to undertake every production process except for electroplating which is outsourced to an Independent Third Party. We believe that our vertically integrated production capabilities have enabled us to maintain a tight control over production lead times and product quality, and have allowed us to be flexible in producing specially designed or customised products for our customers in a timely manner. Furthermore, throughout the years, we have built and maintained a team of competent technical personnel who have successfully developed our own production machinery and modified conventional machinery to suit our specific and automated production requirements. This has helped us to achieve higher efficiency in our production process and to maintain a stable margin in our business.

SUMMARY

The following table sets out our gross profit by product category during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%
Finished zippers										
Metal zippers	19.16	50.6%	22.27	44.7%	23.61	36.3%	11.61	38.3%	12.10	34.6%
Nylon zippers	16.37	43.3%	22.69	45.6%	28.65	44.0%	13.97	46.1%	16.71	47.8%
Plastic zippers	1.43	3.8%	1.50	3.0%	6.54	10.0%	3.00	9.8%	3.69	10.5%
	36.96	97.7%	46.46	93.3%	58.80	90.3%	28.58	94.2%	32.50	92.9%
Sliders	0.26	0.7%	1.53	3.1%	1.49	2.2%	0.81	2.7%	1.19	3.4%
Premium items	—	—	0.57	1.1%	3.82	5.9%	0.29	1.0%	0.30	0.9%
Components and moulds	0.62	1.6%	1.22	2.5%	1.02	1.6%	0.65	2.1%	0.99	2.8%
Total gross profit	37.84	100.0%	49.78	100.0%	65.13	100.0%	30.33	100.0%	34.98	100.0%

The following table sets out our gross profit margin by product category during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	%	%	%	%	%
Finished zippers					
Metal zippers	41.2%	42.4%	37.4%	33.6%	35.7%
Nylon zippers	43.6%	43.1%	42.4%	46.1%	50.1%
Plastic zippers	27.3%	28.7%	40.2%	43.5%	50.0%
Overall gross profit margin for finished zippers	41.4%	42.1%	40.0%	39.8%	43.6%
Sliders	27.1%	39.9%	36.0%	37.0%	35.6%
Premium items	—	68.7%	47.8%	33.3%	19.4%
Components and moulds	48.8%	52.8%	62.6%	58.6%	46.0%
Overall gross profit margin for all products	41.3%	42.4%	40.5%	40.0%	42.8%

Our major production bases are in Foshan City of Guangdong Province and Jiaxing City of Zhejiang Province with a total gross floor area of approximately 40,888 sq.m. We benefit from the efficient logistics infrastructure available in the areas of the Pearl River Delta and the Yangtze River Delta. We will continue to expand our production facilities strategically and we plan to establish a new plant in Hubei Province to augment our operation and production capacities as we have observed that many OEMs serving apparel brands (including some of our customers e.g. 湖北動能體育用品有限公司 (Hubei LPV Sports Co., Ltd.)) have set up new factories in Hubei Province, and in the provinces adjacent to Hubei

SUMMARY

Province. We also plan to recruit additional experienced designers, and technical personnel to reinforce our capabilities in product design, and research and development. As at 31 October 2010, we had 981 employees on our own payroll in China and Hong Kong.

The production capacity of our Guangdong Plant and the percentages of usage of such production capacity are summarised as follows:

	Annual production capacity (pieces '000)	Rate of utilisation of production capacity in 2009 (%)	Rate of utilisation of production capacity from January 2010 to October 2010 (%)
Metal zippers	31,618	61%	89%
Nylon zippers	32,199	65%	77%
Plastic zippers	5,135	61%	77%
Sliders	100,383	67%	81%

The production capacity of our Zhejiang Plant and the percentages of usage of such production capacity are summarised as follows:

	Annual production capacity (pieces '000)	Rate of utilisation of production capacity in 2009 (%)	Rate of utilisation of production capacity from January 2010 to October 2010 (%)
Metal zippers	9,472	79%	90%
Nylon zippers	21,461	70%	80%
Plastic zippers	2,631	76%	84%
Sliders	N/A	N/A	N/A

Notes:

1. The annual production capacity represents an approximate total output on the bases of (i) 8 working hours per day for each worker; (ii) 26 days per month and 12 months per year; and (iii) the daily average number of workers employed for each month. The annual production capacity may vary if, among other things, the product mix changes.
2. Figures are based on our internal production records.

SUMMARY

COMPETITIVE STRENGTHS

We believe that the following competitive strengths are the key factors contributing to our success to date and will enable us to increase market share and capture the future growth opportunities in our target markets:

- Ability to maintain a close working relationship with apparel brand owners
- Our long-term history and our experienced management team
- Vertical integration of production processes for zippers except for electroplating
- Ability to develop our own custom-made production machinery
- Ability to design and produce moulds for making sliders
- Stringent quality control
- Corporate and brand reputation
- Strategically located in the Pearl River Delta region and the Yangtze River Delta region in China

BUSINESS STRATEGIES

According to the CMMC Report 2009, China is the world leader in the production of zippers with approximately 39% of the global market share and it has approximately 1,400 zipper producers whose revenue from the sale of zippers each exceeded RMB5 million in 2009. In 2009, the total turnover of the top 15 producers in the industry accounted for approximately 17.8% of the sales value of the industry in China. In terms of our turnover compared to the sales value of the industry in China, our market share was about 0.28% in 2009.

Our Directors are optimistic about the outlook of the zipper industry in China primarily due to the increase in the disposable income and thus purchasing power of the urban population, which has driven demand for quality apparel, sports equipment and similar products, and hence good quality zippers, as detailed in the section headed “Industry overview — Our key growth drivers”. Furthermore, based on the CMMC Report 2009, the total sales value of zippers produced in China is expected to increase from approximately RMB50.3 billion in 2009 to RMB96.1 billion in 2013 and we have observed that many OEMs serving apparel brands have established new factories in Hubei Province, and in the provinces adjacent to Hubei Province. Built on our Group’s existing brand portfolio, our Directors intend to diversify our brand portfolio into local and international sports labels with a view to increasing our market share for quality zippers for both local and international sportswear.

SUMMARY

We aim to strengthen our position in the quality zipper market. We will continue to strive to achieve growth of our business and ensure we remain competitive. To this end, we intend to adopt the following business strategies:

- Investing in a new production plant in Hubei Province
- Increasing targeted marketing to brand owners to strengthen our brand awareness in the market
- Expanding and diversifying our product offerings
- Strengthening our product design, research and development capabilities
- Making more extensive and better use of our SAP system

Investing in a new production plant in Hubei Province

We plan to establish a new production plant in Hubei Province in order to develop and serve the market over there for the following reasons:

- we have observed that many OEMs serving apparel brands (including some of our customers e.g. 湖北動能體育用品有限公司 (Hubei LPV Sports Co., Ltd.)) have set up new factories in Hubei Province, and in the provinces adjacent to Hubei Province, such as Jiangxi Province, Hunan Province and Anhui Province;
- Hubei Province is strategically located in the centre of the industrially developed regions of China and it also plays a crucial role as an important transportation hub, with many railways and national-level highways passing through it. With a new production base, we will be able to provide better services not only to our customers in Hubei Province and those provinces adjacent to Hubei Province, but also potential customers located further inland such as Henan Province, Hebei Province, Sichuan Province and Shanxi Province; and
- Hubei Province may provide a lower operating cost environment as compared to Guangdong and Zhejiang Provinces.

We expect that the new plant will have a total annual production capacity of approximately 100 million pieces of finished zippers and 100 million pieces of zipper sliders, which will increase our Group's total production capacity by about one-fold.

We estimate that the total investment cost will be approximately RMB100 million for the purposes of acquiring the production site, constructing the production plant and the electroplating facilities as well as acquiring and developing our own machinery and equipment to be used at the new plant. We have been advised by our PRC Legal Adviser that this expansion plan will be subject to various PRC laws and

SUMMARY

regulations, but not limited to, those regarding prior approval from relevant authorities for project verification, environmental protection, administration of land and property use, and the supervision of production and safety. We will ensure that we proceed to apply for such prior approval as soon as practicable after this expansion plan materialises.

We intend to build our own electroplating facilities in the new plant in Hubei Province and consequently we no longer outsource the electroplating process to an Independent Third Party. We will ensure that we have appropriate personnel to manage and carry out this process. This will enable us to have a completely vertically integrated production capability and to gain additional cost efficiencies and economies of scale in our zipper manufacturing. We will also ensure that the waste water and air pollutants discharged by the electroplating facilities will be properly processed and handled in compliance with the relevant PRC laws and regulations. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, it takes around six months to obtain the necessary licences and permits for the operation of electroplating facilities in the PRC. We have been advised by our PRC Legal Adviser that the operation of electroplating facilities is primarily subject to the PRC environmental laws and regulations as set out in the section headed "PRC laws and regulations — Laws and regulations relating to environmental protection". These environmental laws and regulations impose stringent standards on the operation of our electroplating facilities. There is no assurance that the operation of our electroplating facilities will, at all times, be in full compliance with all the environmental requirements due to changes in the applicable environmental laws, regulations and policies from time to time. Any failure of such compliance with environmental laws and regulations may adversely affect our vertically integrated production capability.

At this preliminary stage, we have identified a site in Hubei Province, which is subject to change. If this expansion plan materialises, we expect that the construction of the new production plant will commence in the second half of 2011 and the plant may come into operation in around 2012. Our Directors expect that this expansion plan will be further financed by our internally generated funds and/or bank borrowings and/or equity financing since the total investment cost for this expansion plan will exceed 60% of the Listing proceeds or HK\$67.2 million which is allocated for this purpose.

Set out in the section headed "Business — Production — Production plants" are the utilisation rates of our Guangdong and Zhejiang Plants which are expected to reach their full capacity in the next two to three years based on the growth of our turnover over 2007 to 2009 at a CAGR of approximately 32.5%. We believe that this expansion plan, if materialised, will facilitate our Group to cater for the anticipated growth of the zipper industry in China.

As at the Latest Practicable Date, we were yet to enter into any legally binding agreement in regard to the new plant in Hubei Province. In the event that we are not able to proceed with this expansion plan in Hubei Province, we will seek an alternative way to expand our production capacity such as establishing a new production plant in Zhejiang Province in China. After Listing, our Company will issue a further announcement in compliance with the Listing Rules should there be any material development in this regard.

If this future plan does not materialise, we may not be able to expand our production capacity and facilities as planned. Our business and financial performance may be adversely affected accordingly. There is also no assurance that our product mix will remain unchanged and our financial performance will improve as a result of the establishment of the new plant.

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SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The selected historical financial data set forth below have been extracted from our financial information for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, all of which are set forth in the section headed “Financial information”. Investors should read these selected financial data together with the Accountants’ Report in Appendix I to this prospectus and the discussion and analysis in the section headed “Financial information”.

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million) (unaudited)	HK\$ (million)
Turnover	91.58	117.40	160.71	75.90	81.64
Cost of sales	<u>(53.74)</u>	<u>(67.62)</u>	<u>(95.58)</u>	<u>(45.57)</u>	<u>(46.66)</u>
Gross profit	<u>37.84</u>	<u>49.78</u>	<u>65.13</u>	<u>30.33</u>	<u>34.98</u>
Other revenue	0.15	0.17	0.31	0.02	0.05
Net realised and unrealised gain / (loss) on investments in listed equity securities	10.91	(22.37)	6.84	6.33	—
Other net loss	(0.63)	(0.49)	(0.37)	(0.18)	(0.26)
Distribution costs	(7.36)	(7.42)	(7.45)	(3.28)	(4.19)
Administrative expenses	<u>(12.05)</u>	<u>(16.23)</u>	<u>(18.32)</u>	<u>(7.75)</u>	<u>(12.48)</u>
Profit from operations	28.86	3.44	46.14	25.47	18.10
Finance costs	<u>—</u>	<u>(0.91)</u>	<u>(1.89)</u>	<u>(1.01)</u>	<u>(0.75)</u>
Profit before taxation	28.86	2.53	44.25	24.46	17.35
Income tax	<u>(1.48)</u>	<u>(4.60)</u>	<u>(3.98)</u>	<u>(2.27)</u>	<u>(2.79)</u>
Profit / (loss) for the year / period	<u><u>27.38</u></u>	<u><u>(2.07)</u></u>	<u><u>40.27</u></u>	<u><u>22.19</u></u>	<u><u>14.56</u></u>
Attributable to:					
Equity shareholder of our Company	25.99	0.31	37.35	20.94	13.86
Non-controlling interests	<u>1.39</u>	<u>(2.38)</u>	<u>2.92</u>	<u>1.25</u>	<u>0.70</u>
Profit / (loss) for the year / period	<u><u>27.38</u></u>	<u><u>(2.07)</u></u>	<u><u>40.27</u></u>	<u><u>22.19</u></u>	<u><u>14.56</u></u>

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RULE 8.05(1)(a) — MINIMUM PROFIT REQUIREMENT

Rule 8.05(1)(a) of the Listing Rules provides that:

*“a new applicant must have a trading record of not less than three financial years during which the profit attributable to shareholders must, in respect of the most recent year, be not less than HK\$20,000,000 and, in respect of the two preceding years, be in aggregate not less than HK\$30,000,000. The profit mentioned above should exclude any **income or loss** of the issuer, or its group, generated by activities outside the ordinary and usual course of its business”.*

Our Group’s profits attributable to Shareholder for the three years ended 31 December 2007, 2008 and 2009 in the Accountants’ Report were approximately HK\$26.0 million, HK\$0.3 million and HK\$37.4 million respectively. However, such profits attributable to Shareholder were arrived at after the net realised and unrealised gain and losses on investment in listed equity securities on the Shanghai Stock Exchange and the Shenzhen Stock Exchange during the Track Record Period had been taken into account.

In March 2007, our Group opened securities accounts and placed a total cash amount of RMB25,000,000 in the accounts to commence investing in A shares in the same month. The maximum aggregate investment amount was capped at RMB25,000,000. In July 2009, our Group disposed of all the equity investments and terminated its investing activities accordingly. Our Group sustained a total net realised loss of approximately HK\$4.62 million which included all the trading costs of approximately HK\$0.86 million in respect of investment in the A share market during the Relevant Period.

In April 2010, our Group’s securities accounts were all closed. Further, in the 12 months following the date of Listing, our Group will be prohibited from engaging in share trading or investing in securities. The prohibition will continue to apply unless at the expiry of the 12-month period following the date of Listing our Company at a Board meeting to be attended by all of our Directors resolves to engage in share trading or investing in securities. Any decision by our Board after such Board meeting is convened will be announced by our Company before any share trading or investing in securities would be carried out. In the event that our Group engages in investment in stock markets in future, our Board will ensure that such activity is carried out in a manner that is in the interests of our Company and Shareholders as a whole, taking into account such factors that (i) such activity will be carried out with a view to capturing investment returns for our Group; (ii) such activity will not be carried out as a separate principal business of our Group; (iii) such activity will be carried out in unutilised cash without bank borrowings provided that the liquidity of our Group e.g. working capital will not be adversely affected, and any dividend declared to be distributed by our Company will be paid without delay; (iv) our chief financial officer will monitor and, if necessary, external investment managers will also be consulted on such investment decisions as the initial maximum amount of investment, types of securities to be invested in, investment objectives regarding expected investment returns and target sectors, the buying and selling strategies, any treasury policy to be adopted from time to time governing the use of unutilised cash of our Group and the stop loss limit to be set in this connection; and (v) our chief financial officer will report to our Board on the investment performance at least on a monthly basis and implement any monitoring measures from time to time considered by the Board as appropriate and necessary.

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Our Directors and Sponsor are of the opinion that the gains and losses arising from our Group's investment in listed equity securities during the Relevant Period should be excluded from the computation of profit for the purposes of Rule 8.05(1)(a) of the Listing Rules for the following reasons:

- our Group's investment in listed equity securities was not carried out in the ordinary and usual course of business of our Group;
- our Group's principal business since its inception and during the Track Record Period has been the manufacture and sale of finished zippers which has actively generated our Group's turnover;
- our Group's investment in listed equity securities was a temporary activity which lasted for only two years and four months in our operating history, and was only relatively active for a short period of time i.e. from March to August and December in 2007;
- our Group's securities accounts were all closed in April 2010, and our Group does not have any plan to engage in investment in the stock markets after Listing; and
- the gains and losses arising from our Group's investment in listed equity securities were not recurring, and were not attributable to our Group's principal business.

Our Directors and Sponsor consider that our Group's investment in listed equity securities during the Relevant Period was not carried out in the ordinary and usual course of business of our Group. During the Relevant Period, our Group's investment in listed equity securities financed by our Group's unutilised cash without bank borrowings was engaged with a view to capturing investment returns from the China's stock market, which bore no relationship with, and was not necessary for, our Group's principal business i.e. zipper manufacturing. There were no clear investment objectives set in terms of investment returns and target sectors. In fact, our Group's investment in listed equity securities was conducted in a manner which was not sufficient to be viewed as a separate principal business. During the Relevant Period, there were 14 months recording no more than five trades each month. In fact, nine months recorded no trades at all. Unlike our zipper business, there were no designated team of staff, office premises and facilities for the purposes of running our Group's investment in listed equity securities as a separate principal business.

By excluding the effects of gains and losses on investment in listed equity securities from our Group's performance, it is clearly demonstrated that our Group's principal business i.e. zipper manufacturing is able to meet the profit requirements under Rule 8.05(1)(a) of the Listing Rules, and was commercially and operationally viable under our management during the Track Record Period.

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Set out below is the profitability of our Group assuming that there were no investment in listed equity securities during the Track Record Period. Such information is derived from our Group's consolidated income statements and note 3 to the financial information in the Accountants' Report.

	Year ended 31 December			Six months ended 30 June
	2007	2008	2009	2010
	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)
Profit attributable to Shareholder (based on our Group's consolidated income statements in the Accountants' Report)	25.99	0.31	37.35	13.86
<i>Adjusted by:</i>				
Net realised and unrealised (gain) / loss on investments in listed equity securities	(10.91)	22.37	(6.84)	—
Tax effect of net realised and unrealised gain / (loss) on investments in listed equity securities	1.70	(1.14)	0.29	—
Net realised and unrealised gain / (loss) on investments in listed equity securities attributable to non-controlling interests . .	<u>0.77</u>	<u>(1.99)</u>	<u>0.68</u>	<u>—</u>
Adjusted profit attributable to Shareholder (assuming there were no investment in listed equity securities during the Track Record Period)	<u>17.55</u>	<u>19.55</u>	<u>31.48</u>	<u>13.86</u>
Adjusted profit from operations (Note 1)	17.95	25.81	39.30	18.10
Adjusted operating profit margin (%)	19.6%	22.0%	24.5%	22.2%
Adjusted net profit (Note 2)	18.17	19.16	33.72	14.56
Adjusted net profit margin (%)	19.8%	16.3%	21.0%	17.8%

Notes:

1. These figures are arrived at after the net realised and unrealised gain or loss on investment in listed equity securities has been deducted from or added back to (as the case may be) our profit from operations for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 in the Accountants' Report.
2. These figures are arrived at after the net realised and unrealised gain or loss on investment in listed equity securities and the related tax charge or benefit set out in note 3 to the financial information in the Accountants' Report have been deducted from or added back to (as the case may be) our net profit or loss for each of the three years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2010 in the Accountants' Report.

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Further details in this regard are set out in the sections headed “Financial information — Rule 8.05(1)(a) — minimum profit requirement” and “Financial information — Period-to-period comparison of results of operations”.

OFFERING STATISTICS

Offer PriceHK\$1.33
Market capitalisation (<i>Note 1</i>)HK\$532,000,000
Unaudited pro forma adjusted net tangible assets per Share (<i>Note 2</i>)HK\$0.56
Historical price/earnings multiple (<i>Note 3</i>)	14.24 times

Notes:

1. The calculation of market capitalisation is based on 400,000,000 Shares to be in issue immediately following completion of the Capitalisation Issue and the Share Offer.
2. The unaudited pro forma adjusted net tangible assets per Share is calculated after making the adjustments referred to in the section headed “Unaudited pro forma adjusted net tangible assets” in Appendix II to this prospectus and on the basis of a total of 400,000,000 Shares to be in issue immediately following completion of the Capitalisation Issue and the Share Offer, and taking into account the Offer Price of HK\$1.33.
3. The calculation of the historical price/earnings multiple is based on the profit attributable to Shareholder for the year ended 31 December 2009 and the Offer Price of HK\$1.33 and on the basis of a total of 400,000,000 Shares assumed to be in issue throughout the year.

DIVIDEND POLICY

The declaration and payment of dividends and their amount will be subject to our Directors’ discretion. We currently intend to recommend that an annual dividend of not less than 25% of our net profit available for distribution be distributed to our Shareholders after the Share Offer. No dividends have been paid or declared by our Company since the date of incorporation. As at 30 June 2010, we had distributable reserves in the amount of approximately HK\$76.1 million available for distribution to our Shareholders. We are of the view that the amount of any dividends to be declared in the future will depend on, among other things, the results of our operations, cash flows and financial condition, operating and capital requirements, the applicable laws and regulations, and all other relevant factors. Our Company is a holding company and our ability to pay dividends is primarily dependent upon the earnings of, and distributions by, our major subsidiaries in the PRC, namely KEE Guangdong and KEE Zhejiang. For the purpose of business development, their undistributed profits of approximately HK\$20.5 million as at 30 June 2010 has been determined not to be distributed to KEE Zippers prior to 30 June 2011. In view of our Group’s distributable reserves of approximately HK\$76.1 million as at 30 June 2010 albeit this amount is inclusive of the total undistributed profits of KEE Guangdong and KEE Zhejiang of approximately HK\$20.5 million, our Directors consider that such determination will not affect our ability to declare a dividend, if any, to our Shareholders in 2011. There is no assurance that we will be able to declare or distribute any dividend in the future.

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USE OF PROCEEDS

We estimate that the aggregate net proceeds (assuming the Over-allotment Option is not exercised) available to us from the Share Offer (after deducting the underwriting commissions and estimated expenses payable by us in connection with the Share Offer) will be approximately HK\$112 million. We intend to apply these net proceeds in the following manner:

- approximately 60% or HK\$67.2 million for the establishment of a new manufacturing plant including electroplating facilities in Hubei Province to cope with the anticipated growth in the demand for our products;
- approximately 5% or HK\$5.6 million for the recruitment of additional sales executives with relevant experience in the industry;
- approximately 5% or HK\$5.6 million for the enhancement of our office administration facilities including the implementation and operation of the SAP system at our Zhejiang Plant;
- approximately 10% or HK\$11.2 million for the acquisition or development of machinery and equipment;
- approximately 5% or HK\$5.6 million for the research and development of the functionalities, quality and designs for our products so that our product offerings may be broadened and diversified into local and international sports labels with a view to increasing our market share for quality zippers for both local and international sportswear;
- approximately 5% or HK\$5.6 million for the expansion of our work force including designers, engineers, technical personnel and other supporting staff; and
- approximately 10% or HK\$11.2 million to be used as our general working capital.

If the Over-allotment Option is exercised in full, we estimate that the net proceeds to be received from the Share Offer will be approximately HK\$131.5 million, after deducting the underwriting commissions and estimated expenses payable by us in relation to the Share Offer. The additional net proceeds of approximately HK\$19.5 million will be applied by us in the same proportions as set out above.

To the extent, if any, that the net proceeds available to us from the Share Offer are not immediately applied for the above purposes, we intend to deposit the net proceeds into interest-bearing bank accounts or to purchase money market instruments e.g. capital preservation instruments excluding listed equity securities.

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ACCOUNTING TREATMENT ON LISTING EXPENSES

In accordance with paragraph 37 of Hong Kong Accounting Standard 32 issued by the Hong Kong Institute of Certified Public Accountants, the transaction costs of an equity transaction are accounted for as deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided, and the costs of an equity transaction that is abandoned are recognised as an expense. Out of the total estimated listing expenses of HK\$21 million paid or payable by our Company (including the underwriting commission, the related Stock Exchange trading fee and the SFC transaction levy), our Group estimates that about HK\$9.5 million will be charged to the share premium of our Company under the equity and about HK\$11.5 million will be recognised as expenses in our Group's consolidated financial statements for the year ending 31 December 2010.

OUR TURNOVER AND GROSS PROFIT FOR THE FOUR MONTHS ENDED 31 OCTOBER 2010

Based on our unaudited management accounts, our Group's revenue and gross profit for the four months ended 31 October 2010 have exceeded the same for the six months ended 30 June 2010 primarily due to (i) an increase in sales volume as a result of the growth of the apparel industry in China which increased the demand for quality zippers; and (ii) the seasonality that the peak season started approximately one month later in 2010 as compared to 2009 due to a later Chinese New Year. Due to the low season of the zipper industry for the rest of year 2010, our Group's financial performance for the period ended 31 October 2010 may not be a representative indicator for any growth and profitability of our Group for the remaining two months of year 2010.

Save for the professional fees of approximately HK\$11.5 million estimated to be incurred and recorded in our consolidated income statement for the year ending 31 December 2010 in connection with the Listing, our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in the financial or trading position of our Group since 30 June 2010, being the end of the period reported on in the Accountants' Report.

RISK FACTORS

We believe that there are certain risks involved in our business operations and the investment in the Share Offer. A detailed discussion of the risk factors is set out in the section headed "Risk factors" in this prospectus. These risks can be categorised as follows:

Risks relating to our business

- We may be adversely affected if apparel brand owners cease to designate us as the supplier of zippers to their OEMs
- We rely on the China market

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- We may not be able to execute our future plans on schedule, in particular, the establishment of a new manufacturing plant
- We rely on customers with short-term sales orders
- We are dependent on the supply and prices of raw materials
- We may not sustain our gross profit margin, operating profit margin and net profit margin
- We rely on certain of our management members
- We may not have adequate insurance coverage
- It may be costly and difficult to enforce our intellectual property rights in the event of infringement of such rights by third parties
- We may be subject to third party claims for infringement of intellectual property rights
- We rely on a continuous and steady supply of electricity for our plants
- The operation of our Guangdong Plant may be materially and adversely affected if there is a breakdown of our SAP system or if it fails to function as planned
- We may have to obtain independent Shareholders' approval for renewal of the Lease Agreement of our Guangdong Plant
- The operation of electroplating facilities is subject to various environmental laws and regulations
- Our sales and trade debtors turnover days are subject to seasonal fluctuation
- We had net current liability position as at 31 December 2007 and 2008 and net cash used in our operating activities for the six months ended 30 June 2009 and 2010
- We may be subject to risks associated with litigation
- Any future outbreak of contagious diseases, including but not limited to SARS, swine influenza, etc., may have a negative impact on our business and operating results

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Risks relating to our industry

- We operate in a competitive industry
- Our operation is subject to various environmental laws and regulations

Risks relating to the PRC

- Political and economic policies of the PRC government could affect our business
- Downturns in the Chinese economy may adversely affect our business, operation results and financial condition
- Changes in foreign exchange regulations may adversely affect our ability to remit dividends and our results of operations and financial condition
- Fluctuation of the Renminbi may adversely affect our operations and financial results
- There are uncertainties regarding the interpretation and enforcement of PRC laws and regulations
- We may be deemed a PRC resident enterprise under the PRC Enterprise Income Tax Law and be subject to PRC taxation on our worldwide income
- Dividends payable by us to our foreign investors and gains on the sale of our Shares may be subject to withholding taxes under the PRC tax laws
- Our Company is a holding company and our ability to pay dividends is primarily dependent upon the earnings of, and distributions by, our subsidiaries in the PRC
- You may experience difficulties in effecting service of legal process and enforcing judgments against us and our officers
- The implementation of the PRC Employment Contract Law and an increase in labour costs in the PRC may adversely affect our business and our profitability
- We may be liable for fines and other penalties due to our non-compliance with PRC social insurance fund and housing provident fund laws and regulations
- Some of the statistics with respect to China and the Chinese economy contained in this prospectus are derived from various publicly available government official sources that may not be overly reliable

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Risks relating to the Share Offer

- There has been no prior public market for our Shares. If an active trading market for our Shares does not develop, the price of our Shares may be adversely affected and may decline below the Offer Price
- The liquidity and market price of our Shares following the Share Offer may be volatile
- Future sales by our current Shareholders of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares
- Shareholders' interests in our Company may be diluted in the future

DEFINITIONS

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

“Accountants’ Report”	the accountants’ report set out in Appendix I to this prospectus
“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s), or where the context so requires, any of them
“Articles of Association” or “Articles”	the articles of association of our Company adopted on 14 December 2010 and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board” or “Board of Directors”	the board of Directors of our Company
“Business Day(s)”	any day(s) (excluding Saturdays, Sundays and public holidays) in Hong Kong on which licensed banks in Hong Kong are generally open for normal banking business to the public
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the section headed “Further information about our Group — Written resolutions of the sole shareholder” in Appendix V to this prospectus
“Cayman Islands Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“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”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant

DEFINITIONS

“CMMC”	中國市場監測中心 (the China Market Monitoring Centre)
“CMMC Report 2009”	2009年中國拉鏈產業市場專項調研報告 (the CMMC research report on the zipper industry and market of China 2009)
“Companies Ordinance” or “Hong Kong Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented, consolidated or otherwise modified from time to time
“Company” or “our Company”	KEE Holdings Company Limited (開易控股有限公司), an exempted company incorporated with limited liability under the laws of the Cayman Islands on 6 July 2010
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the context of our Company, means Nicco, Mr. Xu Xipeng and Mr. Xu Xinan, details of whose shareholdings are set forth in the section headed “Substantial Shareholders” in this prospectus and the section headed “Further Information about our Directors, senior management, staff, Substantial Shareholders and experts” in Appendix V to this prospectus
“Deed of Indemnity”	the deed of indemnity dated 30 December 2010 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for other members of our Group) in connection with certain indemnities provided by our Controlling Shareholders as more particularly set out in the section headed “Other information — Estate duty, tax and other indemnities” in Appendix V to this prospectus
“Director(s)”	the director(s) of our Company
“First Lock-up Period”	the first lock-up period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date
“Founders”	collectively, Mr. Xu Xipeng and Mr. Xu Xinan, who are our executive Directors and Controlling Shareholders, and “Founder” shall mean any of them
“ GREEN application form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group” or “our Group”	our Company and our subsidiaries or, where the context so requires, in respect of the period prior to our Company becoming the holding company of our present subsidiaries, the present subsidiaries of our Company

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“Guangdong Plant”	our Group’s production base in Foshan City of Guangdong Province, particulars of which are set out in property no. 2 in the property valuation report contained in Appendix III to this prospectus
“HK\$” or “HK dollars” or “HK cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“ HK eIPO White Form ”	the application for Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of HK eIPO White Form at www.hkeipo.hk
“ HK eIPO White Form Service Provider ”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“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 Legal Adviser”	Cheng Wong Lam & Partners, the legal advisers to our Company as to Hong Kong laws
“Hong Kong Share Registrar”	Tricor Investor Services Limited, the branch share registrar and transfer office of our Company in Hong Kong
“Hongji Zippers”	南海市黃岐鴻基拉鏈廠 (Nanhai City Huang Qi Hong Ji Zippers Factory), a private enterprise established in the PRC on 2 September 1992, wholly owned by Mr. Xu Xipeng and de-registered on 4 April 2001
“Hongxinyuan Zippers”	佛山市南海鴻新元拉鏈有限公司 (Foshan City Nanhai Hongxinyuan Zippers Co. Limited), a limited liability company established in the PRC on 21 August 1997, being 48% owned by Mr. Xu Xinan, 49% owned by Mr. Xu Xipeng and 3% owned by Mr. Xu Xibin, before de-registration on 2 April 2008, and formerly known as 南海市黃岐今和明服飾有限公司 (Nanhai City Huang Qi Jin He Ming Garment Accessories Co., Limited) and 南海市鴻新元拉鏈有限公司 (Nanhai City Hongxinyuan Zippers Co., Limited)
“Independent Third Party”	person or company which is independent of our Company and our Connected Persons
“INEDs”	the independent non-executive Directors

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“ISO”	the International Organisation for Standardisation, an international organisation for standardisation, based in Geneva, Switzerland
“ISO 9001:2000” or “ISO 9001:2008”	a generic set of requirements maintained by ISO for a quality management system where an organisation (i) needs to demonstrate its ability to consistently provide products that meet customer and applicable regulatory requirements; and (ii) aims to enhance customer satisfaction through the effective application of the system, including processes for continual improvement of the system and the assurance of conformity to customer and applicable regulatory requirements
“KEE Guangdong”	開易(廣東)服裝配件有限公司 (KEE (Guangdong) Garment Accessories Limited), a limited liability company established in the PRC on 21 March 2005 and an indirect wholly-owned subsidiary of our Company and formerly known as 凱銳(佛山)服裝配件有限公司 (KEE (Foshan) Garment Accessories Limited)
“KEE International BVI”	KEE International (BVI) Limited (開易國際(BVI)有限公司), a limited liability company incorporated in BVI on 13 August 2010 and a direct wholly-owned subsidiary of our Company, and an intermediate holding company in our Group
“KEE Investment”	KEE International Investment Co., Limited (開易國際投資有限公司), a limited liability company incorporated in Hong Kong on 24 February 2003, wholly owned by Nicco and ceased to be a member of our Group on 22 September 2010
“KEE Suzhou”	開易拉鏈(蘇州)有限公司 (Easyzip (Suzhou) Co., Limited), a limited liability company established in the PRC on 8 October 2003 and wholly owned by KEE Investment
“KEE Zhejiang”	開易(浙江)服裝配件有限公司 (KEE (Zhejiang) Garment Accessories Limited), a limited liability company established in the PRC on 9 September 2005 and an indirect wholly-owned subsidiary of our Company and formerly known as 開易拉鏈(浙江)有限公司 (KEE Zippers (Zhejiang) Co., Limited)
“KEE Zippers”	KEE Zippers Corporation Limited (開易拉鏈有限公司), a limited liability company incorporated in Hong Kong on 1 March 2002 and an indirect wholly-owned subsidiary of our Company and formerly known as Sino Giant Limited and KEE International Limited, and an intermediate holding company in our Group

DEFINITIONS

“Latest Practicable Date”	23 December 2010, being the latest practicable date for the inclusion of certain information in this prospectus prior to its publication
“Lease Agreement”	the lease agreement entered into between Mr. Xu Xipeng and Mr. Xu Xinan as lessors and KEE Guangdong as lessee on 12 August 2010 (supplemented on 14 September 2010 and 5 November 2010) in respect of our Guangdong Plant for an initial term of three years from 1 January 2010 to 31 December 2012, which is renewable at the sole discretion of KEE Guangdong for consecutive terms of three years each up to 31 December 2024
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which the Shares first commence trading on the Stock Exchange, which is expected to be Wednesday, 12 January 2011
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock market operated by the Stock Exchange, which excludes the Growth Enterprise Market and the options market
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company
“Nicco”	Nicco Worldwide Inc., a limited liability company incorporated in BVI on 3 May 2004, being 47.305% owned by Mr. Xu Xipeng, 47.305% owned by Mr. Xu Xinan, 4.89% owned by Mr. Guo Zhenyi and 0.5% owned by Mr. Chow Hoi Kwang, Albert as at the Latest Practicable Date, and a Controlling Shareholder
“Offer Price”	the price of each Offer Share of HK\$1.33 (exclusive of 0.003% transaction levy imposed by the SFC, 0.005% trading fee imposed by the Stock Exchange and 1% brokerage payable thereon) at which the Offer Shares are to be subscribed and issued
“Offer Shares”	the Placing Shares and the Public Offer Shares, collectively, and where relevant, together with any additional shares issued pursuant to the exercise of the Over-allotment Option

DEFINITIONS

“Over-allotment Option”	the option granted by us to the Placing Underwriter exercisable by the Lead Manager on behalf of the Placing Underwriter subject to the terms and conditions of the Placing Underwriting Agreement pursuant to which we may be required to issue up to an additional aggregate of 15,000,000 Shares (representing 15% of the total number of Offer Shares initially available under the Share Offer) in connection with over-allotment in the Placing and to satisfy the obligation of the Lead Manager to return securities borrowed under the Stock Borrowing Agreement, details of which are described in the section headed “Structure and conditions of the Share Offer”
“PBOC”	中國人民銀行 (The People’s Bank of China)
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriter on behalf of our Company at the Offer Price with professional, institutional and other investors interested in subscribing for the Placing Shares in Hong Kong as described in the section headed “Structure and conditions of the Share Offer”
“Placing Shares”	the 90,000,000 new Shares initially being offered at the Offer Price for subscription under the Placing subject to re-allocation and the Over-allotment Option as described in the section headed “Structure and conditions of the Share Offer”
“Placing Underwriter”	the underwriter listed in the section headed “Underwriting — Placing Underwriter”, being the underwriter of the Placing
“Placing Underwriting Agreement”	the placing underwriting agreement expected to be entered into among our Company, our executive Directors, our Controlling Shareholders, the Sponsor and the Placing Underwriter relating to the Placing, details of which are set out in the section headed “Underwriting — Underwriting arrangements and expenses”
“PRC” or “China”	the People’s Republic of China which, for the purposes of this prospectus only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Employment Contract Law”	中華人民共和國勞動合同法 (the PRC Employment Contract Law), which was promulgated by 全國人民代表大會常務委員會 (the Standing Committee of the National People’s Congress of the PRC) and took effect on 1 January 2008
“PRC Enterprise Income Tax Law”	中華人民共和國企業所得稅法 (the PRC Enterprise Income Tax Law), which was promulgated by the National People’s Congress of the PRC and took effect on 1 January 2008

DEFINITIONS

“PRC Government”, “PRC government”, “State” or “state”	the government of the PRC including all governmental subdivisions (including provincial, municipal and other regional or local government entities) thereof or, as the context requires, any of them
“PRC Legal Adviser”	大成律師事務所 (Dacheng Law Offices), the legal advisers to our Company as to PRC laws
“Public Offer”	the conditional offer of the Public Offer Shares by our Company for subscription by the public in Hong Kong for cash at the Offer Price, payable in full on application, and subject to the terms and conditions stated herein and in the Application Forms
“Public Offer Shares”	the 10,000,000 new Shares initially being offered at the Offer Price for subscription in the Public Offer subject to re-allocation as described in the section headed “Structure and conditions of the Share Offer”
“Public Offer Underwriter”	the underwriter listed in the section headed “Underwriting — Public Offer Underwriter”, being the underwriter of the Public Offer
“Public Offer Underwriting Agreement”	the public offer underwriting agreement dated 30 December 2010 entered into among our Company, our executive Directors, our Controlling Shareholders, the Sponsor and the Public Offer Underwriter relating to the Public Offer, details of which are set out in the section headed “Underwriting — Underwriting arrangements and expenses”
“Relevant Period”	the period between March 2007 and July 2009 during which our Group was involved in investing in A shares in China’s stock market
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholder, particulars of which are set forth in the section headed “Further information about our Group — Written resolutions of the sole shareholder” in Appendix V to this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	中華人民共和國國家外匯管理局 (the State Administration of Foreign Exchange of the PRC)
“Second Lock-up Period”	the second lock-up period of six months commencing on the date on which the First Lock-up Period expires
“SFC”	Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Branch”	the branch company set up by KEE Zhejiang in Shanghai, PRC on 31 March 2009
“Share(s)”	share(s) of HK\$0.01 each in the share capital of our Company
“Share Offer”	the Placing and the Public Offer
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 14 December 2010, the principal terms of which are set out in the section headed “Share Option Scheme” in Appendix V to this prospectus
“Shareholder(s)”	holder(s) of issued Share(s)
“Shenyin Wanguo”, “Sponsor”, “Lead Manager” or “Stabilising Manager”	Shenyin Wanguo Capital (H.K.) Limited, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being our sole sponsor and the sole lead manager and stabilising manager of the Share Offer
“State Council”	中華人民共和國國務院 (the State Council of the PRC)
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between Nicco and the Lead Manager, pursuant to which the Lead Manager may borrow up to 15,000,000 Shares to cover any over-allotment in the Placing
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto in section 2 of the Hong Kong Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the three financial years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010
“U.S.” or “United States”	the United States of America

DEFINITIONS

“UNA”	佛山市優納服裝配件有限公司 (Foshan City UNA Garment Accessories Co., Limited), a limited liability company established in the PRC on 10 June 2009 and an indirect wholly-owned subsidiary of our Company
“Underwriters”	together, the Placing Underwriter and the Public Offer Underwriter
“Underwriting Agreements”	together, the Placing Underwriting Agreement and the Public Offer Underwriting Agreement
“US\$” or “US dollars”	United States dollars, the lawful currency of the U.S.
“VAT”	value added tax of the PRC
“we”, “us” or “our”	our Company or our Group (as the case may be)
“ WHITE Application Form(s)”	the form(s) of application for the Public Offer Shares for use by the public who require such Public Offer Shares to be issued in the applicants’ own name
“ YELLOW Application Form(s)”	the form(s) of application for the Public Offer Shares for use by the public who require such Public Offer Shares to be deposited directly into CCASS
“Zhejiang Plant”	our Group’s production base in Jiaxing City of Zhejiang Province, particulars of which are set out in property no. 1 in the property valuation report contained in Appendix III to this prospectus

For ease of reference, the names of the PRC established companies or entities have been included in this prospectus in both Chinese and English languages and the English names of these companies and entities are only English translation of their official Chinese names and are for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.

GLOSSARY

This glossary contains explanations of certain terms used in this prospectus in connection with the business of our Group. The terms and their meanings may not correspond to the standard industry meanings or usage of these terms.

“continuous zipper chain”	a zipper chain without any zipper slider or top or bottom stops, and typically sold as a roll of varying lengths to customers who cut and use it according to their production needs
“ERP system”	enterprise resources planning system
“fabric tape”	tape woven from nylon threads, which forms the base where teeth of a finished zipper or continuous zipper chain are affixed
“finished zipper”	a zipper of a specific length with fabric tape, a zipper slider, teeth, and top and bottom stops
“GDP”	gross domestic product
“low-end zipper”	a continuous zipper chain or finished zipper with simple or standardised design and colour
“monofilament line”	a string made from a single fibre which can be spun into reels of various thickness
“OEM”	original equipment manufacturer or manufacturing
“POM”	polyoxymethylene, a type of plastic which is used to manufacture plastic zipper teeth
“quality zipper”	a finished zipper of quality design, materials and workmanship, which is (i) manufactured in accordance with customers’ specifications on materials, colours and slider design; and (ii) often selected and used by well known apparel brands
“SAP system”	an ERP system developed by SAP AG of Germany and its affiliated companies
“stop”	a device affixed to the top or bottom end of a finished zipper halting the zipper slider from leaving the zipper chain
“teeth”	a teeth-like device attached to the fabric tape which forms an essential part of a zipper
“zipper”	a fastening device consisting of rows of teeth secured on two strips of fabric tapes and a slider that draws the teeth together to interlock
“zipper chain”	the continuous piece formed when both sides of a zipper are fastened together

GLOSSARY

“zipper pull tab”	a part attached to a zipper head to ease the movement of the zipper slider along the zipper chain
“zipper slider” or “slider”	a device with a pull tab that moves along the teeth to open and close a finished zipper

FORWARD-LOOKING STATEMENTS

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS ARE SUBJECT TO RISKS AND UNCERTAINTIES

This prospectus contains certain forward-looking statements and information relating to us that are based on the belief of our Directors and senior management as well as assumptions made by and information currently available to our Directors and senior management. When used in this prospectus, the words “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and similar expressions, as they relate to our Company, our Group or our Directors and senior management, are intended to identify forward-looking statements. Such statements reflect, among other things, the discussion of our business strategy and the current views of our Directors and senior management with respect to future events, operations, liquidity, and capital resources, some of which may not materialise or may change.

These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in the section headed “Risk factors”. Purchasers and subscribers of our Shares are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties and that any or all of these assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The risks and uncertainties facing our Company, which could affect the accuracy of forward-looking statements, include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals;
- general economic conditions in China and internationally;
- changes to regulatory and operating conditions in the industry and the markets in which we operate (including changes to the laws and the PRC Government regulations);
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital and financial markets developments;
- our expectations about the future of the zipper industry;
- the market activities, and actions and developments of our competitors; and

FORWARD-LOOKING STATEMENTS

- certain statements in the section headed “Financial information” with respect to trend in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved. Subject to the requirements of the Listing Rules, we 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 we expect, 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 the cautionary statements set out in this section.

In this prospectus, statements of or references to our intentions or those of any of our Directors and senior management are made as at the date of this prospectus. Any such intentions may change in light of future developments.

RISK FACTORS

You should consider carefully all of the information set out in this prospectus and, in particular, the following risks and uncertainties described below, before making an investment in our Shares. Our business, results of operations or financial condition could be materially and adversely affected by any of the risks and uncertainties described below. The trading price of our Shares could decline due to any of these risks and uncertainties, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We may be adversely affected if apparel brand owners cease to designate us as the supplier of zippers to their OEMs.

Our customers for zippers are OEMs who place orders for zippers with us for production for apparel brand owners as we have been designated by those apparel brand owners as the supplier of zippers to their OEMs. Our turnover from sales of zippers to OEMs for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 amounted to approximately HK\$89.4 million, HK\$110.4 million, HK\$146.9 million and HK\$74.6 million representing approximately 97.6%, 94.0%, 91.4% and 91.4% of total turnover of our Group respectively. There is no assurance that those apparel brand owners will continue to designate us as the supplier of zippers to their OEMs. Should any of them cease to designate us as the supplier of zippers to their OEMs, our customers may reduce their order size or cease to place orders with us. This in turn may adversely affect our business and profitability.

We rely on the China market.

For the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our sales in the China market amounted to approximately HK\$88.5 million, HK\$105.2 million, HK\$146.5 million, and HK\$71.1 million, representing approximately 96.6%, 89.6%, 91.2% and 87.1% of our total turnover respectively. Our Directors anticipate that the sale of zippers in the China market will continue to represent a significant portion of our turnover in the near future. In the event that there are any adverse changes in the political, economic or social conditions, taxation regime, or legal or regulatory requirements in China, our performance and profitability may be adversely and materially affected.

We may not be able to execute our future plans on schedule, in particular, the establishment of a new manufacturing plant.

It is stated in the section headed "Future plans and proposed use of proceeds" that approximately 60% or HK\$67.2 million of the net proceeds from the Share Offer will be applied to the establishment of a new manufacturing plant including electroplating facilities in Hubei Province. There is no assurance that our product mix will remain unchanged and our financial performance will improve as a result of the establishment of the new plant. If this future plan does not materialise, we may not be able to expand our production capacity and facilities as planned. Our business and financial performance may be adversely affected accordingly.

RISK FACTORS

We rely on customers with short-term sales orders.

We generally do not enter into long-term sales contracts with our customers, namely apparel OEMs. Apparel OEMs place order to source zipper products from us when they receive manufacturing orders from their respective customers such as apparel brand owners. Accordingly, the volume of sales orders from our customers may vary significantly from period to period, and it is difficult for us to forecast future order quantities. There is no assurance that our customers will continue to place orders with us, or their future orders will be at a comparable level or on similar terms as in prior years. Should any of our customers cease to place orders with us or reduce their order size and we are unable to obtain other orders at a comparable level, our business and profitability could be adversely affected.

We are dependent on the supply and prices of raw materials.

For the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our cost of raw materials, which mainly include copper, monofilament line, POM, zinc alloy and polyester yarn, amounted to approximately HK\$24.5 million, HK\$25.9 million, HK\$30.6 million and HK\$17.4 million, representing approximately 45.6%, 38.3%, 32.0% and 37.3% of our total cost of sales respectively. For the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the cost of copper and zinc alloy purchases accounted for approximately 66.7%, 66.8%, 68.5% and 63.8% of our cost of raw materials respectively. The domestic daily average spot price of copper (calculated based on the spot prices quoted at the Shanghai Changjiang Non-ferrous Spot Market) decreased by 12.5% from RMB62,830 per tonne in 2007 to RMB54,967 per tonne in 2008, then decreased by 22.6% to RMB42,518 per tonne in 2009, and then increased by 35.0% to RMB57,398 per tonne in the first half of 2010. The domestic daily average spot price of zinc (calculated based on the spot prices quoted at the Shanghai Changjiang Non-ferrous Spot Market) decreased by 44.1% from RMB28,134 per tonne in 2007 to RMB15,725 per tonne in 2008, then further decreased by 8.9% to RMB14,318 per tonne in 2009, and then increased by 26.6% to RMB18,125 per tonne in the first half of 2010. During the Track Record Period, there was no major shortage of particular kinds of main raw materials or any material fluctuation in price of particular kinds of main raw materials which caused a material impact on our gross profit margin. Nevertheless, we are vulnerable to the risk of a rise in our main raw material prices which are determined by supply and demand conditions in the global and China markets. In the event that there are any significant increases in prices or shortage of our main raw materials, and if we are unable to find substitute raw materials at lower cost or we are unable to pass on such increases in costs to our customers, our business and profitability would be adversely affected.

We may not sustain our gross profit margin, operating profit margin and net profit margin.

Our Group's profits attributable to Shareholder for the three years ended 31 December 2007, 2008 and 2009 in the Accountants' Report were approximately HK\$26.0 million, HK\$0.3 million and HK\$37.4 million respectively. However, such profits attributable to Shareholder were arrived at after the net realised and unrealised gain and losses on investment in listed equity securities on the Shanghai Stock Exchange and the Shenzhen Stock Exchange during the Track Record Period had been taken into account.

RISK FACTORS

For the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, we reported gross profit margins of approximately 41.3%, 42.4%, 40.5% and 42.8%, operating profit margins of approximately 19.6%, 22.0%, 24.5% and 22.2%, and net profit margins of approximately 19.8%, 16.3%, 21.0% and 17.8%, respectively, assuming that there were no investment in listed equity securities during the Relevant Period. There is no assurance that we will be able to maintain our gross profit margin or operating profit margin or net profit margin at a similar level as during the Track Record Period.

We rely on certain of our management members.

Our past success is attributable to the vision, experience, expertise, managerial and technical skills of our core management team. In particular, each of our Founders, Mr. Xu Xipeng and Mr. Xu Xinan, has over 18 years of experience in industrial management and knowledge in the zipper industry. Our executive Directors, senior management members and key personnel possess substantial experience in business management, operations and in-depth industry knowledge and understanding, and have made significant contributions to our development. To a certain extent, our daily operations depend upon the performance of our senior management staff and key personnel. In the event that we lose the services of any of our senior management staff and key personnel and we fail to attract and retain suitable and competent replacements, our operations and performance could be materially and adversely affected.

We may not have adequate insurance coverage.

We have maintained insurance coverage for various aspects of risks in relation to our operations. However, we do not carry any insurance policies against third party liability claims or disruptions to business operations. As at the Latest Practicable Date, there has been no past occurrence of third party liability claims or disruptions to our business operations. Should any major claims in these regards be made on us which are not covered by adequate insurance, our business and financial performance may be materially and adversely affected.

It may be costly and difficult to enforce our intellectual property rights in the event of infringement of such rights by third parties.

We own trademarks, registered designs, utility model patents, invention patents and domain names (details as set out in the section headed “Further information about our business — Intellectual property rights” in Appendix V to this prospectus). We are not aware of any material violations or infringements of our intellectual property rights by any third parties. We regard the intellectual property rights that we use as important to the success of our business, and any unauthorised use of such intellectual property rights by third parties may materially and adversely affect our business and reputation. In the event of infringement of our intellectual property rights, we may face difficulties and incur substantial costs in enforcing our intellectual property rights, which may in turn affect our business and profitability.

RISK FACTORS

We have also applied for registrations for certain of our trademarks in the selected foreign countries, and an invention in the PRC. As at the Latest Practicable Date, these registration applications were still pending for approval by the relevant government authorities and, to the best of our Directors' knowledge, information and belief having made all reasonable enquiries, our Directors did not expect any major impediment in connection with such registrations. For details, please refer to the section headed "Further information about our business — Intellectual property rights" in Appendix V to this prospectus.

As the approvals of the above pending applications have not been obtained, there is no assurance that such applications will be approved. Moreover, in case such trademarks and invention have already been registered by other third parties, we may not be able to acquire rights to such trademarks and invention. As the trademarks and invention are important to our continuous development, failure to obtain registrations of such intellectual property rights could have an adverse effect on our business.

We may be subject to third party claims for infringement of intellectual property rights.

We continue to improve our production process, equipment and machinery as well as the designs and performance of our zippers to remain competitive in the industry, improve our productivity and meet customers' demands. In the process of such improvements, and given that we may be unaware of third party intellectual property rights, we may unintentionally infringe such rights belonging to third parties who may assert intellectual property infringement claims against us. Any litigation regarding intellectual property could be costly and time consuming. It could also divert management and key personnel resources away from our business operations.

In the event of a successful claim by such third parties, we may be subject to the payment of significant damages and we may further be subject to injunctions against the development and sale of some of our products or the use of some of our production processes. These consequences may adversely affect our business and financial performance.

We rely on a continuous and steady supply of electricity for our plants.

The operation of our production plants requires a continuous and steady supply of electricity for the operation of machinery in each of the production processes, which is currently provided by a local utility company and a local bureau. The total costs incurred for the supply of electricity for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 were approximately HK\$2.4 million, HK\$3.5 million, HK\$5.0 million and HK\$2.7 million respectively. We have our own back-up internal power supply facilities in our Guangdong Plant in case there is any power supply disruption. During the Track Record Period, we did not encounter any serious power supply disruption which caused a material adverse impact on our business. Any disruption to such supply may adversely affect our production flow, hinder our ability to meet our customers' orders and/or increase our production cost. Should this happen, our business and financial performance may be adversely affected.

RISK FACTORS

The operation of our Guangdong Plant may be materially and adversely affected if there is a breakdown of our SAP system or if it fails to function as planned.

Our SAP system is involved in many aspects of the operation of our Guangdong Plant including procurement, order processing, production planning, sales and accounting. In the event that there is a breakdown of our SAP system or it fails to function as planned and we are unable to rectify the problems within a short period of time, the operation of our Guangdong Plant may be disrupted and we may not be able to meet our production schedule and customers' orders, which in turn may adversely affect our revenue and financial performance.

We may have to obtain independent Shareholders' approval for renewal of the Lease Agreement of our Guangdong Plant.

Pursuant to the Lease Agreement, the Guangdong Plant is leased to us for an initial term of three years from 1 January 2010 to 31 December 2012 and the lease is renewable at our sole discretion for consecutive terms of three years each until 31 December 2024. If in the future, the renewed aggregate rental under the Lease Agreement for any particular year should exceed the threshold as stipulated in the then prevailing Listing Rules, the Lease Agreement will be subject to independent Shareholders' approval. In the event that such approval is not obtained, we may have to relocate our Guangdong Plant to alternate premises that may be located in an area which cannot offer similar business environment and conditions. In addition, relocation costs will be incurred and our operations may be adversely affected, which in turn may adversely affect our revenue and financial performance.

The operation of electroplating facilities is subject to various environmental laws and regulations.

We have the capabilities to produce almost every part and component in manufacturing a finished zipper and to undertake every production process except for electroplating, which is outsourced to an Independent Third Party, an electroplating factory established and operated in Foshan City of Guangdong Province. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, the electroplating factory has the necessary licences and permits to operate its existing electroplating facilities and our Group is not liable for any breach in this connection by such factory.

It is stated in the section headed "Business — Business strategies — Investing in a new production plant in Hubei Province" that we intend to build our own electroplating facilities in the new plant in Hubei Province and consequently we no longer need to outsource the electroplating process to an Independent Third Party. The operation of electroplating facilities is primarily subject to the PRC environmental laws and regulations set out in the section headed "PRC laws and regulations — Laws and regulations relating to environmental protection". These environmental laws and regulations impose stringent standards on the operation of electroplating facilities. There is no assurance that the operation of our electroplating facilities will, at all times, be in full compliance with all the environmental requirements due to changes in the applicable environmental laws, regulations and policies from time to time. Any failure of such compliance with environmental laws and regulations may adversely affect our vertically integrated production capability. Our financial position may also be materially and adversely affected if we are penalised for such non-compliance with environmental laws and regulations.

RISK FACTORS

Our sales and trade debtors turnover days are subject to seasonal fluctuation.

Generally, we record higher sales in April to October and lower sales in November to March. However, our sales may vary considerably from time to time as a result of change in seasonal demand. Therefore, any change in consumer demand or weather patterns could adversely affect our turnover. Our results and trade debtors turnover days for the peak months may not be taken as an indication of our performance for the entire year. Our average trade debtors turnover days for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 were 61 days, 55 days, 49 days and 91 days respectively. Hence, prospective investors should be aware of this seasonal fluctuation when making any comparison of our results of operation and trade debtors turnover days.

We had net current liability position as at 31 December 2007 and 2008 and net cash used in our operating activities for the six months ended 30 June 2009 and 2010.

We had net current liabilities of approximately HK\$6.5 million and HK\$40.8 million as at 31 December 2007 and 2008 respectively. Our net current liability position was principally due to the advances from related parties and bank loans. However, as at 31 December 2009 and 30 June 2010, our financial position turned into net current assets of approximately HK\$7.0 million and HK\$15.3 million respectively. We had net cash used in our operating activities for the six months ended 30 June 2009 and 2010. The net cash used in operating activities as stated above was mainly due to the increase in trade receivables. There is no guarantee that such financial situation will not recur in the future. If we record similar financial situation in the future, our financial performance measurement/indicators may be adversely affected.

We may be subject to risks associated with litigation.

We are currently involved in one legal proceeding as a defendant, as set out in the sections headed “Business — Compliance and litigation — Litigation” and “Other information — Litigation” in Appendix V to this prospectus. Our Directors are of the view that the legal proceeding would not have a material impact on our business, financial conditions and results of operations even if the judgment is entered into in favour of the counterparty because a provision has been made in our Group’s consolidated financial statements. Nevertheless, any litigation brought against our Group could be costly and time consuming and could divert our management’s attention as well as other resources away from our business and our Directors cannot give assurance that no litigation will be brought against our Group in future.

Any future outbreak of contagious diseases, including but not limited to SARS, swine influenza, etc., may have a negative impact on our business and operating results.

Several countries in Asia have reported cases of swine influenza. Any outbreak of epidemic diseases, such as SARS, swine influenza or any other contagious diseases, could have a material adverse effect on our financial condition and operations. An outbreak of contagious diseases could adversely affect customer consumption patterns and demand for our products, our ability to adequately staff our operations and the distribution networks for our products, as well as the general level of economic activities in Asia and elsewhere.

RISK FACTORS

RISKS RELATING TO OUR INDUSTRY

We operate in a competitive industry.

Our industry is highly fragmented, with a substantial number of zipper manufacturing companies of various sizes operating in China. Competition from existing and new players may exert pressure on the prices of our products. We expect to face competition from existing and new players in our industry in China. Our success depends on our ability to compete effectively against these competitors in terms of product quality, customer service, pricing, timely delivery, scale and capacity, and technical development expertise.

There is no assurance that we will continue to compete successfully in the future, and if we fail to do so, our business and financial results would be adversely affected.

Our operation is subject to various environmental laws and regulations.

The operation of our production plants generates by-products such as wastewater discharged from colour dyeing of fabric tapes and the solid wastes such as scrap packaging metal, plastic materials and various residues from production and is therefore subject to various national and local PRC environmental laws and regulations. These environmental laws and regulations impose stringent standards on the operation of our production plants.

Our PRC Legal Adviser has advised that our production operations at our Guangdong Plant and Zhejiang Plant have complied with the relevant PRC environmental laws and regulations and that we have obtained the necessary licences in this regard. Notwithstanding our efforts to comply with applicable environmental laws and regulations, there is no assurance that our production plants will, at all times, be in full compliance with all of the environmental requirements that apply to our operation due to changes in the applicable environmental laws, regulations and policies from time to time. Any complaint or claim that our production plants have failed to comply with environmental laws and regulations could cause delays in our production and affect our positive market image.

Furthermore, environmental laws and regulations may become more stringent in the future, stricter interpretations or enforcement of existing laws may occur in the PRC. Any change in the regulatory framework which our production plants are subject to could result in increased actual costs and liabilities. Our financial position may be materially and adversely affected if our production plants are penalised for violations of environmental laws and regulations in the future.

RISKS RELATING TO THE PRC

Political and economic policies of the PRC government could affect our business.

A substantial part of our assets are located in China and a substantial part of our business operations are conducted in China. Accordingly, our results of operations, financial condition and prospects are significantly subject to the economic, political and legal developments in China.

RISK FACTORS

The Chinese economy differs from the economies of many developed countries in a number of respects, including:

- its structure;
- the level of government involvement;
- the level of development;
- the level of capital reinvestment;
- the control of foreign exchange; and
- the level of efficiency in the allocation of resources.

In recent years, the PRC government has implemented economic reform measures emphasising decentralisation, utilisation of market forces in the development of the Chinese economy and a high level of management autonomy. These reforms have resulted in significant economic growth and social progress. Factors that may cause the PRC government to modify, delay or even discontinue the implementation of certain reform measures include (i) political changes and political instability; and (ii) economic factors such as changes in rates of national and regional economic growth, unemployment and inflation. Although we believe these reforms will have a positive effect on our overall and long-term development, changes in China's political, economic and social conditions, laws, regulations and policies may have an adverse effect on our current or future business, results of operations or financial condition.

Downturns in the Chinese economy may adversely affect our business, operation results and financial condition.

A substantial portion of our turnover is derived from sales in China. We therefore depend heavily on the general economic condition in China for our continued growth. The Chinese economy has grown significantly in recent years, but we cannot be assured that the economy will continue to grow, or that its growth will be steady or occur in geographical regions or economic sectors from which we have benefited. A downturn in the Chinese economy or a change in its economic conditions may adversely affect our business, operating results and financial condition.

Changes in foreign exchange regulations may adversely affect our ability to remit dividends and our results of operations and financial condition.

The Renminbi is not currently a freely convertible currency. We receive almost all of our revenue in Renminbi. We will require foreign currency for payment of any dividends declared in respect of our Shares, in which event we would need to convert Renminbi into foreign currency.

Under the existing foreign exchange regulations in China, we may undertake current account foreign exchange transactions through licensed PRC banks, including payment of dividends, without prior approval from SAFE, by producing commercial documents evidencing such transaction. The PRC

RISK FACTORS

government has stated publicly that it intends to make the Renminbi freely convertible in the future. However, uncertainty exists as to the timing of any such reform and whether the PRC government may restrict access to foreign currency for current account transactions if foreign currency becomes scarce in China.

Foreign exchange transactions under the capital account, including principal payments in respect of foreign currency-denominated obligations, continue to be subject to limitations and require the prior approval of SAFE. These limitations could affect our ability to obtain foreign currency through debt financing or to obtain required foreign currency in a timely manner or at all, and will also adversely affect our business, financial condition and results of operations.

Fluctuation of the Renminbi may adversely affect our operations and financial results.

The value of the Renminbi is subject to changes in the PRC government's policies and depends, to a large extent, on domestic and international economic and political developments, as well as supply and demand in the local market. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and US dollars, has been based on exchange rates published by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates in the PRC and current exchange rates on the world financial markets. Since 1994, the official exchange rate for the conversion of Renminbi into US dollars has generally been stable. However, on 21 July 2005, as a result of the Renminbi being re-pegged to a basket of currencies, the Renminbi was revalued and appreciated against the US dollar and the Hong Kong dollar. The PRC government has since made adjustments, and in the future may make further adjustments, to the exchange rate system. On 21 July 2005, the PRC Government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the US dollar. Any appreciation of the Renminbi against the US dollar or any other foreign currencies may subject us to increased competition from zipper importers. Any significant depreciation in the exchange rates of the Renminbi against the US dollar or the Hong Kong dollar could adversely affect the value of our dividends, which would be funded by Renminbi but paid in Hong Kong dollars.

In addition, under the current foreign exchange regime in the PRC, there can be no guarantee that sufficient foreign currency will be available at a given exchange rate to satisfy the demands of a particular enterprise in full. There can also be no assurance that shortages in the availability of foreign currency will not restrict our ability to obtain sufficient foreign currency to satisfy our foreign currency needs.

There are uncertainties regarding the interpretation and enforcement of PRC laws and regulations.

The PRC legal system is based on statutory laws. Under this system, prior court decisions may be cited as persuasive authority but do not have binding precedential effect. Since 1979, the PRC government has been developing a comprehensive system of commercial laws and considerable progress has been made in the promulgation of laws and regulations dealing with economic matters, such as corporate organisation and governance, property title, foreign investment, commerce, taxation and trade. As these laws, regulations and legal requirements are relatively new and evolving, and

RISK FACTORS

because of the limited volume of published cases and judicial interpretations and the non-binding nature of prior court decisions, the interpretation and enforcement of these laws, regulations and legal requirements involves some uncertainty. Such uncertainties may lead to difficulties in enforcing our rights and in resolving disputes with any persons, and could result in unanticipated costs and liabilities.

We may be deemed a PRC resident enterprise under the PRC Enterprise Income Tax Law and be subject to PRC taxation on our worldwide income.

Under the PRC Enterprise Income Tax Law and its implementation rules which took effect on 1 January 2008, enterprises established outside China whose “de facto management bodies” are located in China are considered “resident enterprises” and will generally be subject to the uniform 25% enterprise income tax rate as to their global income. Under the implementation regulations of the PRC Enterprise Income Tax Law, “de facto management bodies” are defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. The majority of our management are currently based in China, and may remain in China. Therefore, we may be treated as a PRC resident enterprise for PRC enterprise income tax purposes. The tax consequences of such treatment are currently unclear, as they will depend on the implementation regulations and on how the local tax authorities will apply or enforce the PRC Enterprise Income Tax Law and the implementation regulations.

There is no assurance that no further changes will be made to existing tax law applicable to us. If such changes become effective, our effective tax rate in the PRC may increase and the profits available for distribution to the Shareholders may decrease.

Dividends payable by us to our foreign investors and gains on the sale of our Shares may be subject to withholding taxes under the PRC tax laws.

Under the PRC Enterprise Income Tax Law and its implementation regulations issued by the State Council which took effect on 1 January 2008, PRC income tax at the rate of 10% is applicable to dividends payable to investors that are “non-resident enterprises” (which do not have an establishment or place of business in China, or have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business) to the extent such dividends are sourced within China. Similarly, any gain realised on the transfer of the shares of a PRC enterprise by such investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within China. Pursuant to 內地和香港特別行政區關於對所得避免雙重徵稅和防止漏稅的安排 (Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income), no more than 5% withholding tax rate applies to dividends paid by a PRC enterprise to a Hong Kong tax resident, provided that the recipient is a company that directly holds at least 25% of the capital of the PRC enterprise. If we are considered a PRC “resident enterprise”, it is unclear whether the dividends we pay with respect to our Shares, or the gain you may realise from the transfer of our Shares, would be treated as income derived from sources within China and be subject to PRC tax. If we are required under the new PRC Enterprise Income Tax Law to withhold PRC income tax on our dividends payable to our foreign shareholders, or if you are required to pay PRC income tax on the transfer of the Shares, the value of your investment or return on your investment in our Shares may be materially adversely affected.

RISK FACTORS

Our Company is a holding company and our ability to pay dividends is primarily dependent upon the earnings of, and distributions by, our subsidiaries in the PRC.

Our Company is a holding company incorporated under the laws of the Cayman Islands with limited liability. No dividends have been paid or declared by our Company since the date of incorporation. The majority of our business operations are conducted through our subsidiaries in the PRC and hence, our turnover and profit are substantially contributed by our subsidiaries in the PRC which include KEE Guangdong and KEE Zhejiang.

Our ability to pay dividends to our Shareholders is primarily dependent upon the earnings of our subsidiaries in the PRC and their distribution of funds to us, primarily in the form of dividends. The ability of our subsidiaries in the PRC to make distributions to us depends upon, among other things, their distributable earnings. Under the PRC law, payment of dividends is only permitted out of accumulated profits according to PRC accounting standards and regulations, and our subsidiaries in the PRC are also required to set aside part of its after-tax profits to fund certain reserve funds that are not distributable as cash dividends. Other factors such as cash flow conditions, restrictions on distributions contained in our PRC subsidiaries' articles of associations, restrictions contained in any debt instruments, withholding tax and other arrangements will also affect the ability of our subsidiaries in the PRC to make distributions to us. These restrictions could reduce the amount of distributions that we receive from our subsidiaries in the PRC, which in turn would restrict our ability to pay dividends on the Shares. The amounts of distributions that any of the subsidiaries of our Group has declared and made in the past are not indicative of the dividends that we may pay in the future. There is no assurance that we will be able to declare or distribute any dividend in the future.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our officers.

Our Company was incorporated under the laws of the Cayman Islands and a substantial part of our businesses, assets and operations are located in China. In addition, most of our Directors and officers are residents of the PRC, and the majority or all of their assets may also be located in China. As a result, it may not be possible to effect service of legal process upon us or our Directors and officers in China. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of the United States, the United Kingdom, Japan and most other western countries. Therefore, it may be difficult for you to enforce against us and our Directors and officers in China any judgments obtained from non-PRC courts.

Although we will be subject to the Listing Rules and the Takeovers Code upon Listing, our Shareholders will not be able to bring actions on the basis of violation of the Listing Rules or the Takeovers Code, which do not have the force of law in Hong Kong, and must rely on the Stock Exchange and SFC to enforce their rules.

RISK FACTORS

The implementation of the PRC Employment Contract Law and an increase in labour costs in the PRC may adversely affect our business and our profitability.

The PRC Employment Contract Law became effective on 1 January 2008 in China. It imposes more stringent requirements on employers in relation to entry into fixed term employment contracts, dismissal of employees, provision of severance payment and paid annual leave for employees.

As a result of the PRC Employment Contract Law and the regulations, our labour costs may increase. Furthermore, we cannot assure you that any disputes, work stoppages or strikes will not arise in the future. Increases in our labour costs and future disputes with our employees could adversely affect our business, financial condition or results of operations.

We may be liable for fines and other penalties due to our non-compliance with PRC social insurance fund and housing provident fund laws and regulations.

Due to different levels of development in social benefits in different parts of the PRC, local policies or requirements in this regard in Foshan City of Guangdong Province and Jiaxing City of Zhejiang Province where we operate are less stringent than the requirements under the relevant PRC laws and regulations in relation to the social insurance fund and housing provident fund. Given the circumstances and the confirmations obtained from the relevant competent social insurance fund and housing provident fund authorities, followed by our PRC Legal Adviser's on-site enquires, confirming that our Group has complied with the relevant local policies and requirements as regards social insurance fund and housing provident fund, our PRC Legal Adviser has advised that our Group is unlikely to be subject to any penalty or fine or any compulsory enforcement by court in connection with the outstanding social insurance fund and housing provident fund contributions. Further details in this regard are set out in the section headed "Business — Compliance and litigation — Compliance with the PRC laws and regulations".

If the PRC government or the relevant local authorities implement more stringent laws and regulations, or interpret the existing laws and regulations more strictly, we may be required to incur additional expenses to comply with such laws and regulations, which in turn may affect our Group's financial performance and conditions.

Some of the statistics with respect to China and the Chinese economy contained in this prospectus are derived from various publicly available government official sources that may not be overly reliable.

Certain facts and other statistics in this prospectus relating to China and the Chinese economy and the industry in which we operate have been derived from various official government publications. Whilst our Directors and the Sponsor have exercised reasonable care to ensure that such facts and statistics presented are accurately reproduced from their respective sources, the quality or reliability of such source materials cannot be guaranteed and have not been prepared or independently verified by us, the Sponsor or any of their respective directors, affiliates or advisers. Therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the official government statistics referred to or contained in this prospectus may be inaccurate or may not be

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comparable to statistics produced for other publications or purposes and should not be relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give serious consideration as to how much weight or importance they should attach to, or place on, such facts or statistics.

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for our Shares. If an active trading market for our Shares does not develop, the price of our Shares may be adversely affected and may decline below the Offer Price.

Prior to the Share Offer, there was no public market for our Shares. The Offer Price was the result of negotiations between our Company and the Lead Manager on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for the Shares following the Share Offer.

We have applied to list and deal in our Shares on the Stock Exchange. However, even if approved, being listed on the Stock Exchange does not guarantee that an active trading market for our Shares will develop following the Share Offer or that our Shares will always be listed and traded on the Stock Exchange. We cannot assure you that an active trading market will develop or be maintained following the completion of the Share Offer, or that the market price of our Shares will not decline below the Offer Price.

The liquidity and market price of our Shares following the Share Offer may be volatile.

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenues, earnings and cash flows and announcements of new investments, strategic alliances and/or acquisitions or fluctuations in market prices for our products could cause the market price of our Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade. It is likely that from time to time, our Shares will be subject to changes in price that may not be directly related to our financial or business performance.

Future sales by our current Shareholders of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares.

Future sales of a substantial number of our Shares by our current Shareholders could negatively impact the market price of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. The Shares held by our Controlling Shareholders are subject to certain lock-up undertakings after the date on which trading in our Shares commences on the Stock Exchange, details of which are set forth in the section entitled "Substantial Shareholders — Non-disposal undertaking." While we are not aware of any intentions our Controlling Shareholders may have to dispose of significant amounts of their Shares after the completion of the lock-up periods, we are not in a position to give any assurance that they will not dispose of any Shares they may own now or in the future.

RISK FACTORS

Shareholders' interests in our Company may be diluted in the future.

We may issue additional Shares upon exercise of options to be granted under the Share Option Scheme or upon exercise of the Over-allotment Option. In addition, we may need to raise additional funds in the future to finance our business expansion, whether related to existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company, other than on a pro rata basis to existing Shareholders, then (i) the percentage ownership of those existing Shareholders may be reduced, and they may experience subsequent dilution, and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

The following information is provided for guidance only. Prospective applicants for the Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable laws in the countries of their respective citizenship, residence and domicile.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules, the Companies Ordinance and the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the laws of Hong Kong) for the purpose of giving information with regard to our Group. Our Directors, 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 herein or this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Share Offer. The Share Offer is made solely on the basis of the information contained and the representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. 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 the Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorised by our Company, the Sponsor, the Underwriters, or any other parties involved in the Share Offer or any of their respective directors, employees, agents, professional advisers. The Listing is sponsored, and the Share Offer is managed by, Shenyin Wanguo. The Share Offer is fully underwritten by the Underwriters subject to the terms and conditions of the Underwriting Agreements. Information relating to the underwriting arrangements is set out in the section headed "Underwriting — Underwriting arrangements and expenses".

RESTRICTIONS ON SALE OF THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the 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 offer or invitation is not authorised or to any person to whom it is unlawful to make such offer or invitation.

The Offer Shares are not offered or sold, and will not be offered or sold, directly or indirectly, to the public in the Cayman Islands.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Prospective applicants for the Offer Shares should consult their financial advisers and seek legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws, rules and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should also inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue, the Share Offer, the exercise of the Over-allotment Option and any Shares falling to be issued upon exercise of the options which may be granted under the Share Option Scheme.

No part of the Shares or loan capital of our Company is being listed or dealt in on any stock exchange and at present, no such listing or permission to list is being or proposed to be sought in the near future.

REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by Harneys Services (Cayman) Limited in the Cayman Islands. Our Company's branch register of members will be maintained by the Hong Kong Share Registrar in Hong Kong. All Shares to be allotted and issued pursuant to the Capitalisation Issue, the Share Offer, the exercise of the Over-allotment Option and any Shares falling to be issued upon exercise of the options which may be granted under the Share Option Scheme will be registered on our Company's branch register of members in Hong Kong.

Only Shares registered on our Company's branch register of members maintained in Hong Kong may be traded on the Stock Exchange. Dealings in Shares registered on our Company's branch register of members in Hong Kong will be subject to Hong Kong stamp duty.

STABILISATION AND OVER-ALLOTMENT

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 a 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 Stabilising Manager or any person acting for it may, on behalf of the Placing Underwriter, over-allocate Shares or effect transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with applicable laws and regulatory requirements.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

However, there is no obligation on the Stabilising Manager or any person acting for it, to conduct such stabilising action. Such stabilising action, if commenced, will be conducted at the absolute discretion of the Stabilising Manager, and may be discontinued at any time, and must be brought to an end after a limited period.

In connection with the Share Offer, we have granted to the Placing Underwriter the Over-allotment Option, which is exercisable by the Lead Manager in full or in part by at any time prior to 4:00 p.m. on the date falling 30 days after the last day for the lodging of applications under the Public Offer. Pursuant to the Over-allotment Option, we may be required to allot and issue at the Offer Price up to an aggregate of 15,000,000 additional Shares, representing 15% of the total number of Offer Shares initially available under the Share Offer, in connection with over-allotment in the Placing, if any.

Further details with respect to stabilisation and the Over-allotment Option are set out in the section headed “Structure and conditions of the Share Offer”.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Further details of the structure and the conditions of the Share Offer and the Over-allotment Option are set forth in the section headed “Structure and conditions of the Share Offer”.

PROCEDURES FOR APPLICATION FOR THE PUBLIC OFFER SHARES

The application procedures for the Public Offer Shares are set forth in the section headed “How to apply for Public Offer Shares” and in the Application Forms.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, purchasing, holding or disposing of, dealing in, or the exercise of any rights in relation to, the Offer Shares, you should consult an expert.

Our Group, our Directors, the Sponsor, the Underwriters, or any other parties involved in the Share Offer and any of their respective directors, officers, employees, agents or advisers do not accept responsibility for any tax effects on, or liability of, any person resulting from your subscribing for, purchasing, holding or disposing of, dealing in, or exercising of any rights in relation to, the Offer Shares.

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, under contingent situation, 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.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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 Main Board are expected to commence at 9:30 a.m. on Wednesday, 12 January 2011. Shares will be traded in board lots of 2,000 Shares each.

CURRENCY TRANSLATIONS

Unless otherwise specified, for the purpose of illustration in this prospectus only, Hong Kong dollar amounts have been translated using the following rates:

US\$1 : HK\$7.75
RMB1 : HK\$1.1703

The above exchange rates have been used for purposes of illustration only and do not constitute a representation that any amounts have been, could have been, or may be exchanged at these or any other rates or at all.

ROUNDING

Any discrepancies in any table between totals and sums of individual amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Mr. Xu Xipeng (許錫鵬) (Chairman)	Room 301 No. 81 Zhong Lu Yuan Er Sha Dao Guangzhou Guangdong Province PRC	Chinese
Mr. Xu Xinan (許錫南) (Chief Executive Officer)	Room 402 No. 8 Building Yujingtai Majestic Garden Suiyan Road Yanbu Nanhai District Foshan Guangdong Province PRC	Chinese
Mr. Yang Shaolin (楊少林) (Chief Financial Officer)	Room 603 No. 213 Qingnian Road Luogang District Guangzhou Guangdong Province PRC	Chinese
<i>Non-executive Director</i>		
Mr. Chow Hoi Kwang, Albert (周浩光)	43A Tower 2 Hampton Place 11 Hoi Fan Road Kowloon Hong Kong	Canadian

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Name	Residential address	Nationality
<i>Independent non-executive Directors</i>		
Mr. Lin Bin (林斌)	Room 503 No. 721 West Zone Sun Yat-Sen University Hai Zhu District Guangzhou Guangdong Province PRC	Chinese
Mr. Kong Hing Ki (江興琪)	Flat H, 9th Floor Far East Mansion 5 Middle Road Tsimshatsui Kowloon Hong Kong	Chinese
Mr. Tam Yuk Sang, Sammy (譚旭生)	House 5, Palm Cove Villa 25 Ng Fai Tin Clear Water Bay New Territories Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sponsor and Lead Manager

Shenyin Wanguo Capital (H.K.) Limited

28th Floor, Citibank Tower
Citibank Plaza
3 Garden Road
Central
Hong Kong

Legal advisers to our Company

As to Hong Kong law:

Cheng Wong Lam & Partners

50th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

As to PRC law:

Dacheng Law Offices

30th Floor, China Development Bank Tower
500 Pudong South Road
Shanghai
PRC

As to Cayman Islands law:

Harney Westwood & Riegels

7502, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Legal advisers to the Sponsor and the Underwriters

As to Hong Kong law:

Michael Li & Co.

14th Floor, Printing House
6 Duddell Street
Central
Hong Kong

As to PRC law:

Haihua Yongtai Law Firm

7th Floor, West Eton Place
69 Dongfang Road
Shanghai
PRC

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Auditors and reporting accountants	KPMG <i>Certified Public Accountants</i> 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
Property valuer	Asset Appraisal Limited Room 802 On Hong Commercial Building 145 Hennessy Road Wanchai Hong Kong
Placing Underwriter	Shenyin Wanguo Capital (H.K.) Limited 28th Floor, Citibank Tower Citibank Plaza 3 Garden Road Central Hong Kong
Public Offer Underwriter	Shenyin Wanguo Capital (H.K.) Limited 28th Floor, Citibank Tower Citibank Plaza 3 Garden Road Central Hong Kong
Receiving banker	The Bank of East Asia, Limited 10 Des Voeux Road Central Hong Kong

CORPORATE INFORMATION

Registered office	3rd Floor, Queensgate House 113 South Church Street P.O. Box 10240 Grand Cayman KY1-1002 Cayman Islands
Headquarters in the PRC	Xiahengtian Industrial Zone Shachong Lishui Town Nanhai District Foshan Guangdong Province PRC
Principal place of business in Hong Kong	Room 2101A, Tower 2 China Hong Kong City 33 Canton Road Tsimshatsui Kowloon Hong Kong
Company's website	www.kee.com.cn <i>(information contained in this website does not form part of this prospectus)</i>
Joint company secretaries	Mr. Yang Shaolin (楊少林), <i>CICPA, CCTA</i> Room 603 No. 213 Qingnian Road Luogang District Guangzhou Guangdong Province PRC Ms. Li Yan Wing, Rita (李昕穎), <i>ACS, ACIS</i> Flat B, 8th Floor Tai Chi Court 132 Austin Road Tsimshatsui Kowloon Hong Kong
Authorised representatives	Mr. Xu Xipeng (許錫鵬) No. 81 Zhong Lu Yuan Er Sha Dao Guangzhou Guangdong Province PRC

CORPORATE INFORMATION

Ms. Li Yan Wing, Rita (李昕穎)
Flat B, 8th Floor Tai Chi Court
132 Austin Road
Tsimshatsui
Kowloon
Hong Kong

Audit committee

Mr. Lin Bin (林斌) (*Chairman*)
Mr. Kong Hing Ki (江興琪)
Mr. Tam Yuk Sang, Sammy (譚旭生)

Nomination committee

Mr. Xu Xinan (許錫南) (*Chairman*)
Mr. Lin Bin (林斌)
Mr. Kong Hing Ki (江興琪)

Remuneration committee

Mr. Xu Xipeng (許錫鵬) (*Chairman*)
Mr. Lin Bin (林斌)
Mr. Tam Yuk Sang, Sammy (譚旭生)

Compliance adviser

Shenyin Wanguo Capital (H.K.) Limited
28th Floor, Citibank Tower
Citibank Plaza
3 Garden Road
Central
Hong Kong

Principal bankers

The Hong Kong and Shanghai Banking Corporation Limited
Shop 355, 3rd Floor
Ocean Centre
5 Canton Road
Tsim Sha Tsui
Hong Kong

Agricultural Bank of China
1st Floor, Jinxin Square
Shachong Lishui Town
Nanhai District
Foshan City
Guangdong Province
PRC

China Construction Bank
No. 163 Jiefang West Road
Weitang Town
Jiashan
Zhejiang Province
PRC

CORPORATE INFORMATION

**Cayman Islands principal share
registrar and transfer office**

Harneys Services (Cayman) Limited

3rd Floor, Queensgate House
113 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

Hong Kong Share Registrar

Tricor Investor Services Limited

26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

INDUSTRY OVERVIEW

Certain information and statistics set forth in this section and elsewhere in this prospectus are derived, in part, from various official and other sources which have not been commissioned by us.

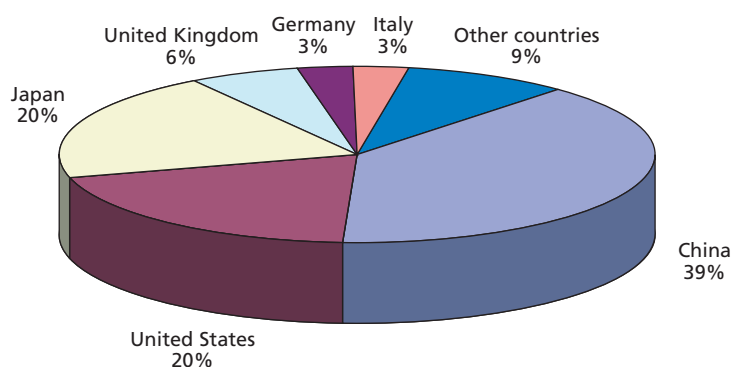
We believe that the sources of such information and statistics are appropriate and we have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics may be false or misleading or that any fact has been omitted that would render such information and statistics false and misleading. The information and statistics have not been independently verified by us, the Sponsor, the Underwriters, or any other party involved in the Share Offer and no representation is given as to their accuracy.

THE ZIPPER INDUSTRY IN CHINA

China as the world's largest zipper producing country

Since 1990s, the zipper industry has developed rapidly in China, which has now become the world's largest zipper producing country in terms of production volume with approximately 39% of the global market share. The following chart sets forth the global market share in terms of production volume in 2009:

Global market share for zippers in terms of production volume in 2009



Source: CMMC Report 2009 (Note)

Note: The CMMC Report 2009 is an industry research report, not commissioned by us. The sources of data and analysis in the CMMC Report 2009 include (i) the National Bureau of Statistics of China; (ii) the State Administration for Industry and Commerce; (iii) the General Administration of Customs of China; (iv) the State Administration of Taxation; and (v) major associations in the zipper industry.

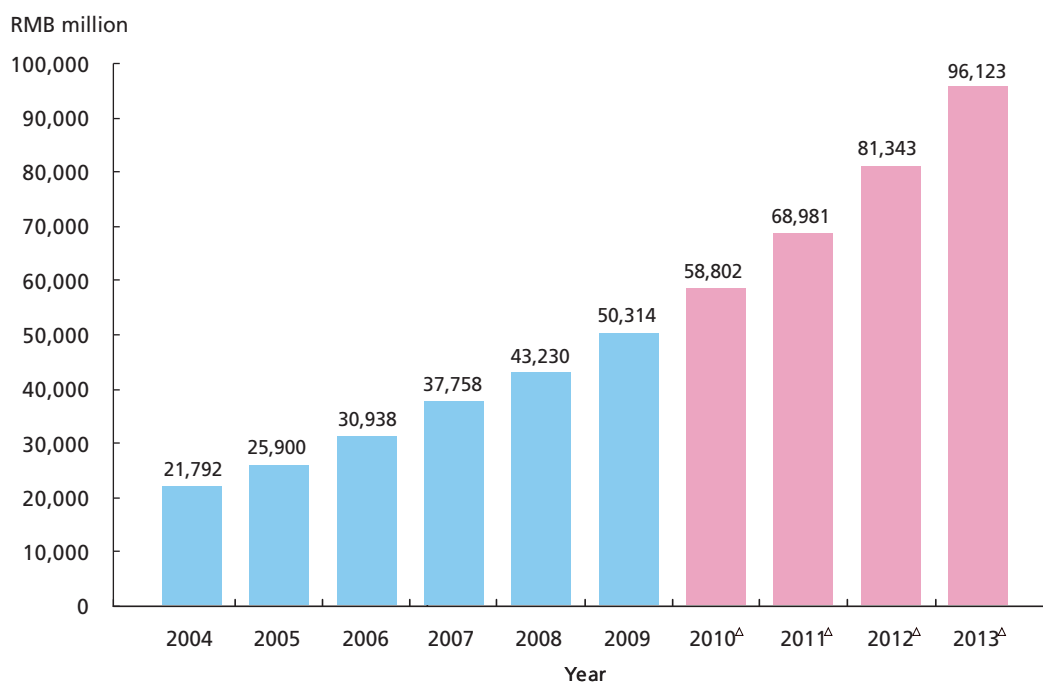
Founded on 25 November 2002 in China, CMMC was part of 國家經貿委 (the State Economic and Trade Commission) and is now an independent industry and market research provider with over 60 researchers covering around 90% of industries in China. The CMMC Report 2009 is published by CMMC in the ordinary course of its business. It is available for sale to the public and we paid RMB6,300 to purchase the CMMC Report 2009.

INDUSTRY OVERVIEW

Market size in terms of sales value

According to the CMMC Report 2009, the sales value of the zipper industry in China has increased from approximately RMB21,792 million in 2004 to RMB50,314 million in 2009, representing a CAGR of approximately 18.2%. The sales value of the zipper industry in China is projected to reach approximately RMB96,123 million in 2013. The following chart sets forth the actual and projected sales value of the zipper industry in China between 2004 and 2013:

Sales value of the zipper industry in China



^Δ: Forecast numbers by CMMC

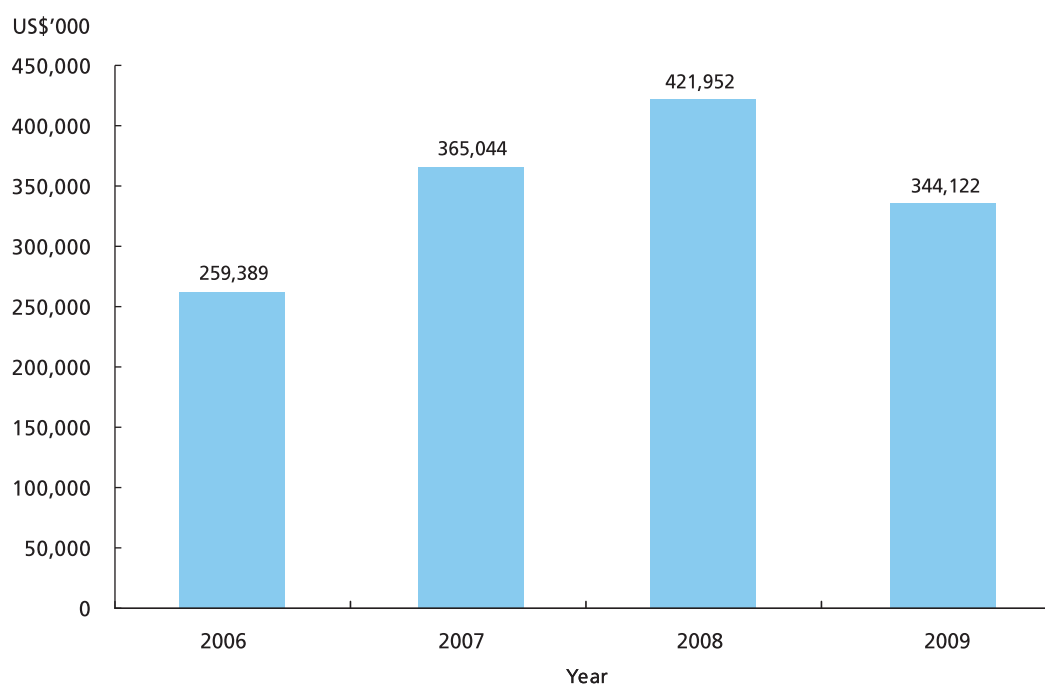
Source: CMMC Report 2009

INDUSTRY OVERVIEW

Export sector

According to the CMMC Report 2009, European and other Asian countries are the major export markets of zippers from China. Zippers are exported from China to other Asian countries including the Philippines, South Korea and Syria and to the European countries including Germany, Lithuania, Poland, Portugal, Russia, Switzerland and Turkey. The following chart sets forth the export value of the zipper industry in China between 2006 and 2009:

Export value of the zipper industry in China



Source: CMMC Report 2009

In each of the years during the period between 2006 and 2009, China's zipper export sector experienced strong growth with an exception for 2009. The downturn in 2009 was primarily due to the negative effect of the global financial crisis.

Competition

The zipper industry in China is fragmented and consists mostly of small to medium sized enterprises focusing on the low-end products. Such products are generally of low quality, unreliable and lacking in innovative designs.

We are a producer of finished zippers in China. Our customers for zippers are OEMs who manufacture apparel products for (i) apparel brands in China; and (ii) some well known international apparel labels. We maintain a close working relationship with apparel brand owners on the design of

INDUSTRY OVERVIEW

zippers to be applied in the apparel products. The apparel brand owners usually decide on the zipper supplier for their OEMs and place orders with such OEMs who in turn source zippers from us. During the Track Record Period, we cooperated with at least 12 local apparel brands which included “Li Ning” and “Meters/bonwe” and 36 international apparel brands.

According to the CMMC Report 2009, there were approximately 1,400 zipper producers in China whose revenue from the sales of zippers each exceeded RMB5 million in 2009. In 2009, the total turnover of the top 15 producers in the industry accounted for approximately 17.8% of the sales value of the industry in China. In terms of our turnover compared to the sales value of the industry in China, our market share was about 0.28% in 2009. During 2007 to 2009, our turnover grew at a CAGR of approximately 32.5% while the sales value of the zipper industry in China grew at a CAGR of approximately 15.4%. Hence, the growth rate of our turnover outpaced the growth rate of the industry’s sales value during the same period. According to the CMMC Report 2009, the following table sets forth the ranking of the top 15 zipper producers in respect of turnover and market share as a percentage of the turnover compared to the sales value of the industry in China for 2009:

Ranking	Producer	Turnover for 2009 (RMB'000)	Market share (%)
1	Producer A <i>(Note 1)</i>	1,685,899	3.35%
2	Producer B	1,389,422	2.76%
3	Producer C <i>(Note 1)</i>	1,247,197	2.48%
4	Producer D <i>(Note 2)</i>	1,185,705	2.36%
5	Producer E <i>(Note 3)</i>	861,321	1.71%
6	Producer F <i>(Note 1)</i>	582,841	1.16%
7	Producer G	296,543	0.59%
8	Producer H <i>(Note 3)</i>	288,832	0.57%
9	Producer I	250,070	0.50%
10	Producer J	231,412	0.46%
11	Producer K	226,640	0.45%
12	Producer L	213,795	0.42%
13	Producer M	162,604	0.32%
14	Producer N <i>(Note 4)</i>	160,787	0.32%
15	Producer O	159,020	0.32%
	Our Group is not ranked in the CMMC Report 2009	141,623	0.28%

Notes:

1. Producer A, Producer C and Producer F are group companies of a Japanese zipper manufacturer.
2. Producer D is a subsidiary of a company listed on the Shenzhen Stock Exchange.
3. Producer H is a subsidiary of Producer E which is a company listed on the Shenzhen Stock Exchange.
4. Producer N is a subsidiary of a company listed on the Singapore Exchange Securities Trading Limited.

INDUSTRY OVERVIEW

According to the CMMC Report 2009, the zipper market in China is significantly dominated by a Japanese manufacturer which operates production facilities in Shenzhen, Shanghai and Dalian. In terms of market share, our Directors believe that there is a substantial gap for our Group to catch up with such Japanese manufacturer. Nevertheless, our Directors reckon that (i) our product quality is comparable with each other; (ii) our product pricing is generally more competitive for similar quality products; and (iii) our customer portfolio is also similar in a sense that we both focus on the quality zipper market, in comparison with such Japanese manufacturer.

Entry barriers to the quality zipper industry in China

To the best of our Directors' knowledge, information and belief, the entry barriers to the quality zipper industry in China for new entrants are set out below:

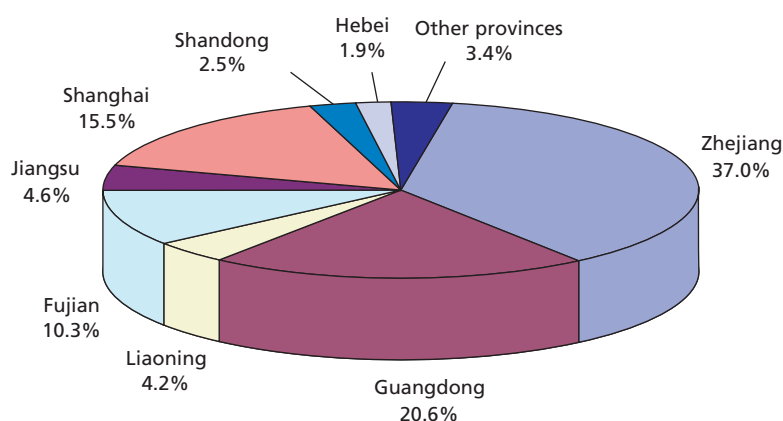
- Ability to maintain a close working relationship with apparel brand owners. It takes time for new entrants to build up the relationship and trust with apparel brand owners and prove to be accepted as a zipper supplier in the competitive quality zipper market.
- Vertical integration of production process to ensure certainty in product quality. New entrants would need to develop a thorough understanding and knowledge of the production process in order to achieve vertical integration.
- Ability to develop custom-made production machinery to enhance automation in the production process. New entrants need to have a specialised team responsible for developing custom-made production machinery to cater for automated production requirements.
- Ability to design and produce precision moulds for the making of zipper sliders which is considered as the most difficult and essential part of the production process. Making a precision mould requires recruitment of skilled technical personnel as well as capital investment in advanced milling machines by new entrants.

INDUSTRY OVERVIEW

Geographical distribution

According to the CMMC Report 2009, Zhejiang Province and Guangdong Province are two major regions in China in terms of sales value of zippers, which accounted for over half of the sales value of the zipper industry in China for 2009. Our Directors consider that our production bases, which are strategically located in Zhejiang Province and Guangdong Province, are close to existing and potential customers in downstream industries whose locations facilitate our business development and reduce our transportation time and costs. The following chart sets forth the geographical distribution of the sales value of the zipper industry in China for 2009:

Sales value of the zipper industry in China by region for 2009



Source: CMMC Report 2009

OUR KEY GROWTH DRIVERS

We believe the following drivers may contribute to the growth of our business:

- **Growth of the downstream industries.** As zippers are commonly used in apparel, sports equipment, shoes, luggage bags, bedding goods, etc., the growth of these downstream industries will have a positive impact on our business, which is driven by various factors including increasing disposable income of urban households and a growing affinity for fashionable designs of apparel products which come with high quality zippers.
- **Potential of the quality zipper market.** Branded apparel often require quality zippers. Given the zipper industry in China is filled with plenty of low-end zipper producers, whose products are often found to be unreliable, of poor quality and lacking in innovative designs, there is significant business potential for quality zippers.
- **Rising purchasing power and a change of consumption pattern.** Along with the continuous growth of the economy and the trend towards urbanisation, the income levels of urban households have increased accordingly. The increase in urban household income has strengthened the purchasing power of the urban population, which has driven demand for quality apparel, sports equipment, etc. and, hence, good quality zippers.

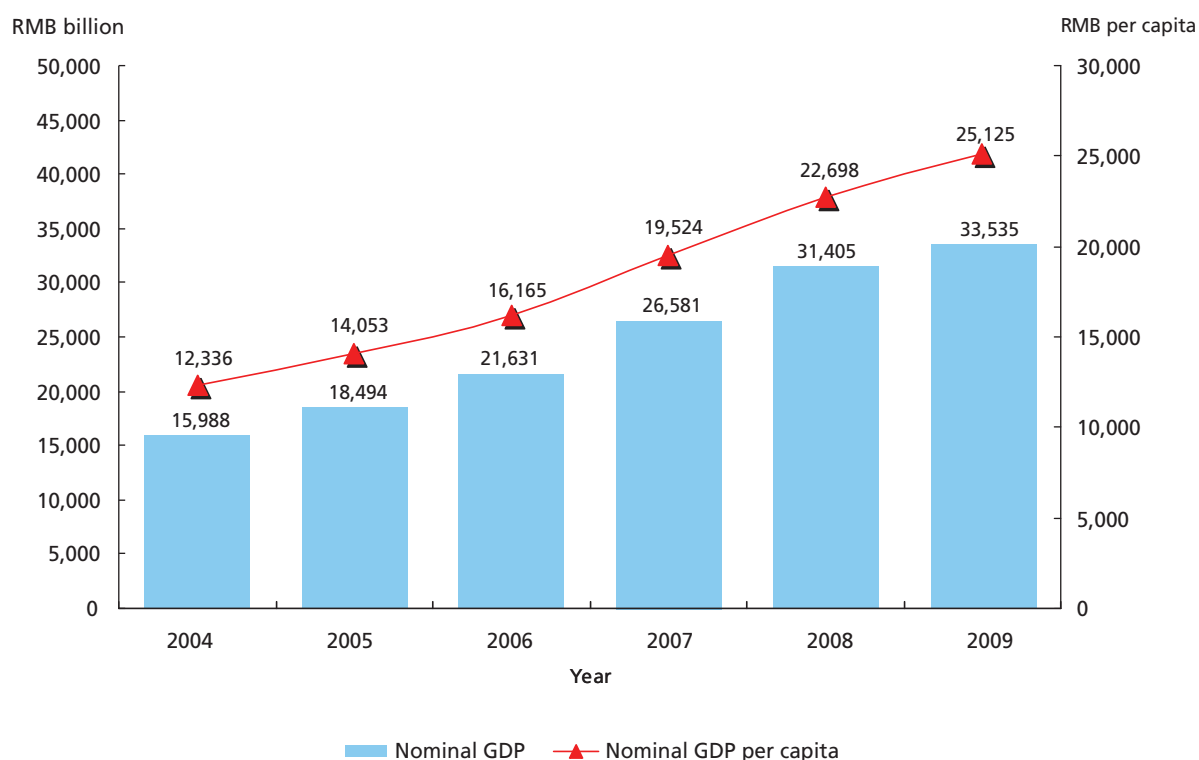
INDUSTRY OVERVIEW

ECONOMIC GROWTH AND URBANISATION IN CHINA

Economic growth in China

According to the National Bureau of Statistics of China, the nominal GDP of China grew from approximately RMB15,988 billion in 2004 to RMB33,535 billion in 2009, representing a CAGR of approximately 16.0%. During the same period, the nominal GDP per capita of China increased from approximately RMB12,336 to RMB25,125, representing a CAGR of approximately 15.3%. The following chart sets forth the nominal GDP and nominal GDP per capita in China between 2004 and 2009:

Nominal GDP and nominal GDP per capita in China



Source: National Bureau of Statistics of China

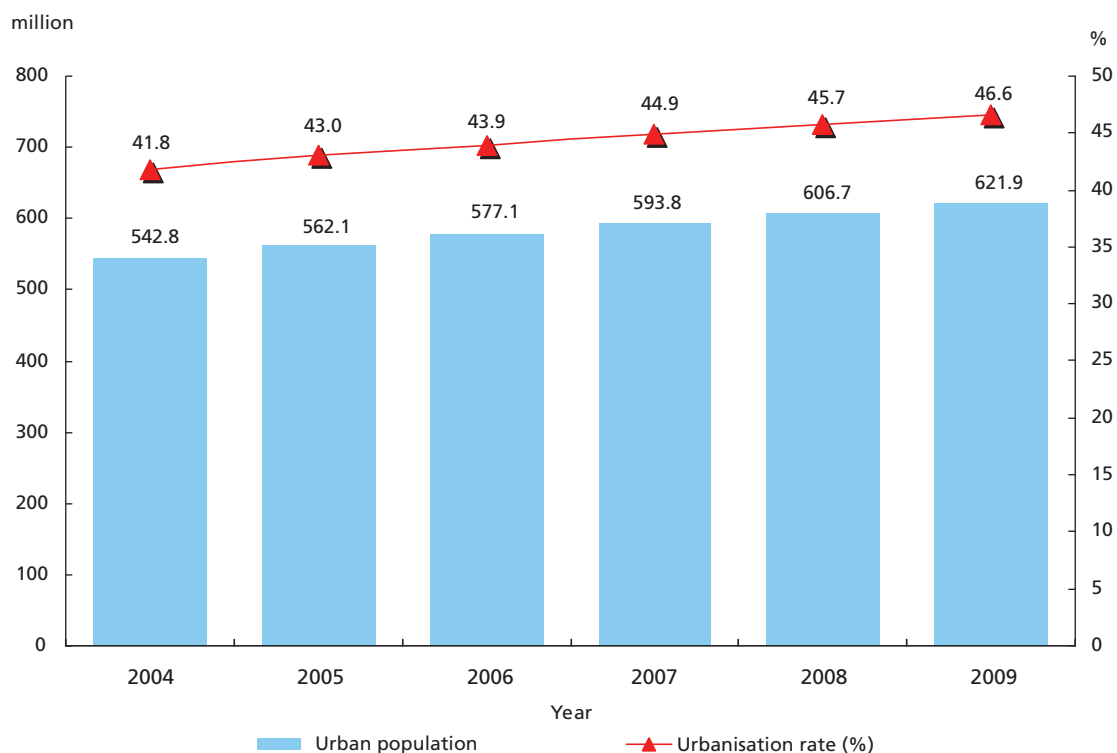
According to the World Economic Outlook Database (October 2009 edition) published by the International Monetary Fund, the nominal GDP of China is projected to reach approximately RMB55,905 billion in 2014, representing a CAGR of approximately 10.7% over the five-year period between 2010 and 2014, and the nominal GDP per capita of China is projected to reach RMB40,867 in 2014, representing a CAGR of approximately 10.2% over the same period.

INDUSTRY OVERVIEW

Urbanisation in China

The urban population in China has increased from approximately 542.8 million in 2004 to 621.9 million in 2009. The urbanisation rate as a percentage of the urban population to the total population in China has grown from approximately 41.8% in 2004 to 46.6% in 2009. The following chart sets forth the urban population and the urbanisation rate in China between 2004 and 2009:

Urban population and urbanisation rate in China



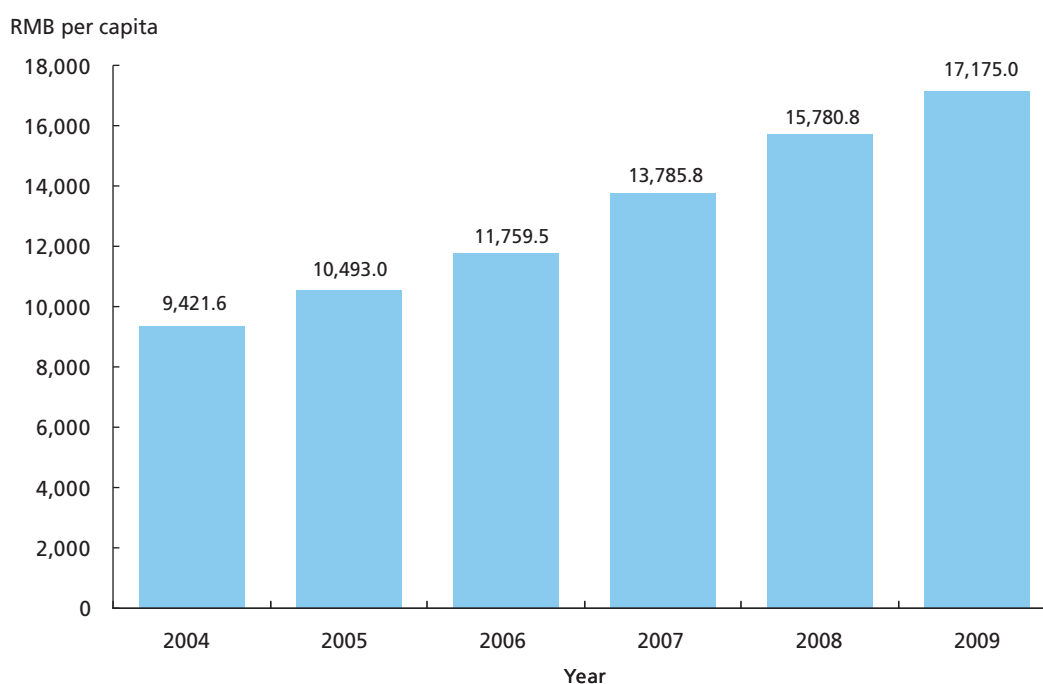
Source: National Bureau of Statistics of China

INDUSTRY OVERVIEW

Increasing disposable income of urban households

Along with the continuous growth in the economy and the trend towards urbanisation, the income levels of urban households have increased. The increase in the household income has strengthened the purchasing power of the urban population. According to the National Bureau of Statistics of China, the annual per capita disposable income of urban households in China increased from approximately RMB9,421.6 in 2004 to RMB17,175.0 in 2009, representing a CAGR of approximately 12.8%. The following chart sets forth the annual per capita disposable income of urban households in China between 2004 and 2009:

Annual disposable income of urban households in China



Source: National Bureau of Statistics of China

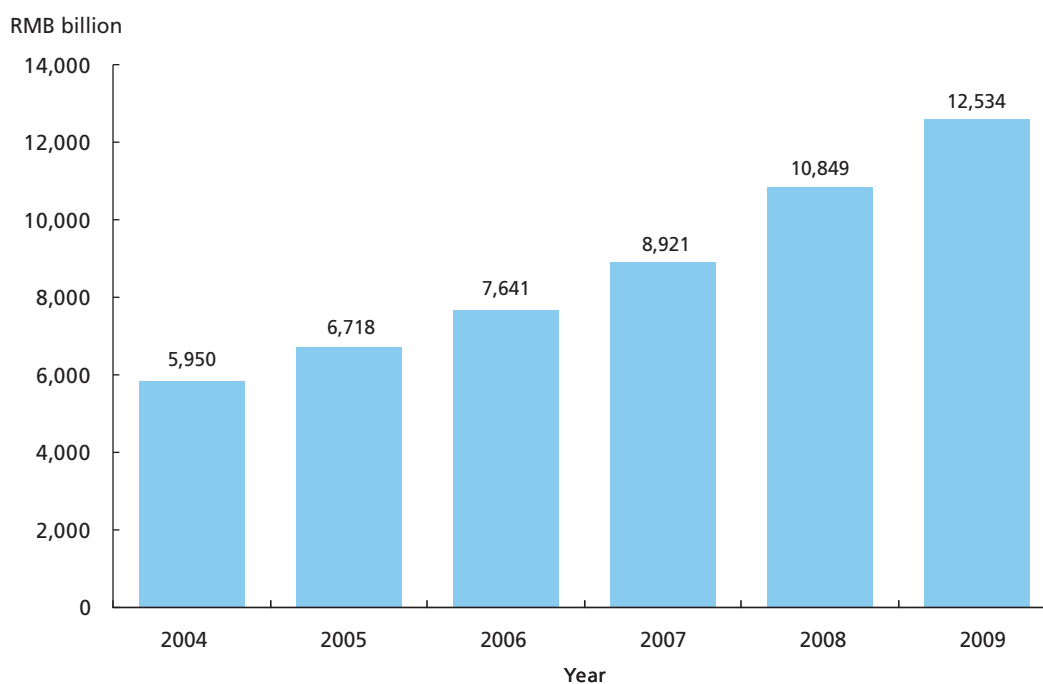
INDUSTRY OVERVIEW

RETAIL GROWTH AND CONSUMPTION

Retail growth

According to the National Bureau of Statistics of China, the retail sales of consumer goods in China increased from approximately RMB5,950 billion in 2004 to RMB12,534 billion in 2009, representing a CAGR of approximately 16.1%. This retail growth is attributable to a number of factors including (i) the growing urban population; (ii) increasing urbanisation rates; and (iii) the increase in the level of urban household disposable income. The following chart sets forth the retail sales of consumer goods in China between 2004 and 2009:

Retail sales of consumer goods in China



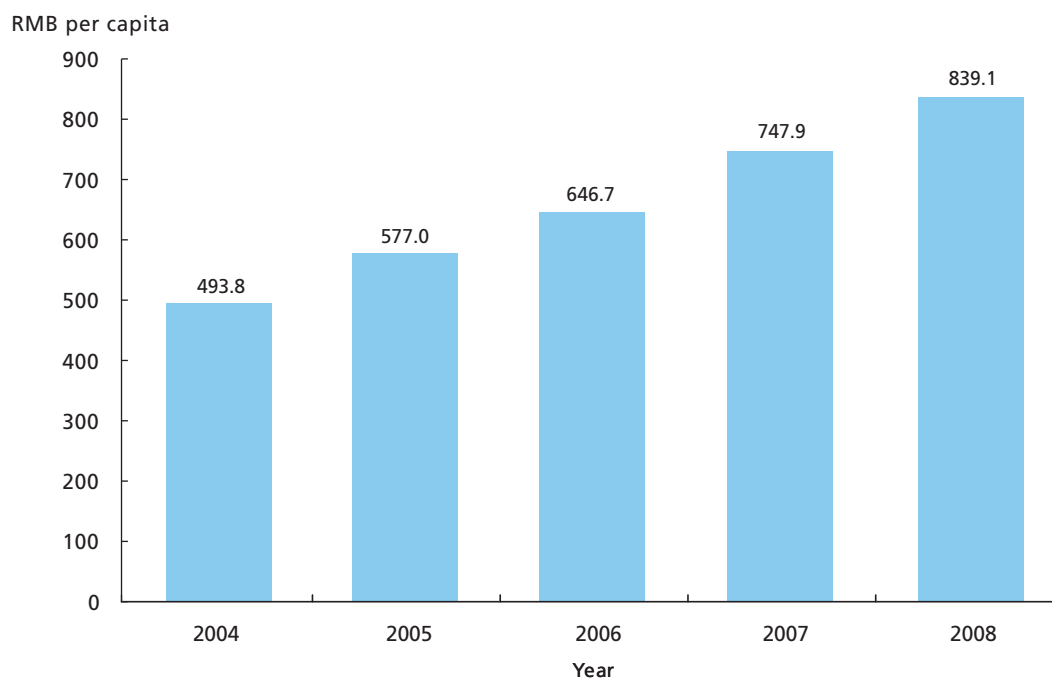
Source: National Bureau of Statistics of China

INDUSTRY OVERVIEW

Consumption

During the period from 2004 to 2008, the annual urban households' expenditure on apparel per capita in China increased from approximately RMB493.8 in 2004 to RMB839.1 in 2008, representing a CAGR of approximately 14.2%. The following chart sets forth the annual urban household's expenditure on apparel per capita in China between 2004 and 2008:



Annual urban households' expenditure on apparel in China



Source: National Bureau of Statistics of China

HISTORY AND CORPORATE DEVELOPMENT

Prior to the incorporation of the first existing member of our Group

- On 2 September 1992, Mr. Xu Xipeng, our Founder, founded a zipper business by establishing Hongji Zippers with over 10 employees in Nanhai District of Foshan City which manufactured metal and nylon zippers. Mr. Xu Xinan, our other Founder, was responsible for the management of sales and marketing at Hongji Zippers. Hence, each of our Founders has over 18 years of experience in the zipper industry.
- In 1997, Hongji Zippers started using the word “KEE” as its trademark. In 潮州話 (commonly referred to as the “Teochew” dialect, which is spoken in the eastern region of Guangdong Province), the pronunciation of “KEE” means “起” — emerging, rising and standing out which symbolise our Founders’ aspirations for their business under the brand “KEE”.
- On 28 July 1997, Hongji Zippers was granted the registration certificate of the “” trademark for zippers in China.
- On 21 August 1997, Mr. Xu Xinan, together with his wife 盧潔虹女士 (Ms. Lu Jiehong), established Hongxinyuan Zippers with around 40 employees in the Nanhai District of Foshan City to cope with the expansion of the zipper business. Hongxinyuan Zippers was structured as follows: 60% owned by Mr. Xu Xinan and 40% owned by Ms. Lu Jiehong. The interests in the registered capital of Hongxinyuan Zippers remained unchanged until May 2000.
- On 29 May 2000, Ms. Lu Jiehong transferred all her interest in Hongxinyuan Zippers to Mr. Xu Xipeng at a consideration of RMB200,000, representing 40% of the registered capital of Hongxinyuan Zippers. As a result of this transfer, Ms. Lu Jiehong ceased to be a shareholder of Hongxinyuan Zippers. The registered capital of Hongxinyuan Zippers was then increased from RMB500,000 to RMB3,000,000. Such increase of RMB2,500,000 was contributed as to RMB1,140,000 by Mr. Xu Xinan, RMB1,270,000 by Mr. Xu Xipeng and RMB90,000 by 許錫斌先生 (Mr. Xu Xibin), an elder brother of our Founders. Therefore, the interests in the registered capital of Hongxinyuan Zippers, on an enlarged basis, were then changed as follows: 48% held by Mr. Xu Xinan, 49% held by Mr. Xu Xipeng, and 3% held by Mr. Xu Xibin. As a result, Mr. Xu Xipeng and Mr. Xu Xibin became shareholders of Hongxinyuan Zippers. Thereafter, there had been no further change to the shareholding of Hongxinyuan Zippers. Save as disclosed, Mr. Xu Xibin has never been a shareholder of our Company or its subsidiaries.
- On 7 February 2001, Hongji Zippers was granted the registration certificate of the “” trademark for zippers and other garment accessories in China.
- On 4 April 2001, Hongji Zippers was de-registered so that our Founders could focus their resources and efforts on running the business of Hongxinyuan Zippers. All of its equipment and machinery were taken into use for nil consideration by Hongxinyuan Zippers for its business operation. Our PRC Legal Adviser has advised that Hongji Zippers was in compliance with the applicable rules, regulations and laws of the PRC in all material respects prior to its de-registration.
- In May 2002, Hongxinyuan Zippers started to produce metal zippers with Y-shaped teeth.

HISTORY AND CORPORATE DEVELOPMENT

Since the incorporation of the first existing member of our Group

- On 1 March 2002, KEE Zippers was incorporated in Hong Kong as a shelf company. On 4 April 2002, our Founders acquired its entire issued share capital. The principal business of KEE Zippers has been investment holdings and the sale of our products.
- On 24 February 2003, KEE Investment was incorporated in Hong Kong with the principal business being investment holdings. The issued shares in KEE Investment were held as follows: 85% held by KEE Zippers and 15% held by 郭振義先生 (Mr. Guo Zhenyi). Since then, Mr. Guo Zhenyi has been our minority shareholder. Our Founders became acquainted with Mr. Guo Zhenyi through a common friend in around 1993.
- In July 2003, Hongxinyuan Zippers was assessed and certified by SGS United Kingdom Limited that the requirements of ISO 9001:2000 accreditation for the design and manufacture of zippers had been met.
- On 8 October 2003, KEE Suzhou was established in Suzhou City, Jiangsu Province as a wholly foreign-owned enterprise of KEE Investment for the purpose of serving our customers in the eastern China region. A production plant with a gross floor area of 2,122 sq. m. was leased from an Independent Third Party until May 2008.
- In the summer of 2004, 北京李寧體育用品有限公司 (Beijing Li Ning Sports Goods Company Limited) awarded Hongxinyuan Zippers with the honour of the “Supplier of Special Contribution” for assisting “Li Ning” in sponsoring the equipment of the China team in the 2004 Olympic Games.
- On 21 March 2005, KEE Guangdong was established in Foshan City, Guangdong Province as a wholly foreign-owned enterprise of KEE Zippers and as our Group’s headquarters with a view to positioning our Group as a foreign enterprise in order to explore overseas markets and to promote our brand recognition overseas. Hongxinyuan Zippers became inactive since then and ceased its operation since January 2006.
- On 9 September 2005, KEE Zhejiang was established in Jiaxing City, Zhejiang Province as a wholly foreign-owned enterprise of KEE Investment with a view to enhancing our production base in the eastern China region with a self-owned property.
- On 21 June 2006, KEE Zhejiang was granted the land use right regarding a piece of land of approximately 32,241.3 sq. m on which our Zhejiang Plant was subsequently constructed.
- On 21 September 2007, KEE Guangdong was first accredited with Oeko-Tex Standard 100 certification in recognition of its products fulfilling the human-ecological requirements for products with direct skin contact.

HISTORY AND CORPORATE DEVELOPMENT

- In March 2008, we were served a notice by the landlord to move out of the production plant leased by KEE Suzhou for the landlord's own use. Since we had not been able to find a suitable plant nearby, KEE Suzhou ceased its operation in May 2008 upon the end of the lease of the production plant with a gross floor area of 2,122 sq. m. only and became a dormant company thereafter. Except for certain equipment disposed of to an Independent Third Party at a total book value of approximately HK\$213,000, all of the other KEE Suzhou's equipment and machinery were disposed of to KEE Zhejiang at a total net book value of approximately HK\$4 million.
- On 2 April 2008, Hongxinyuan Zippers was de-registered. All of its equipment, machinery and vehicles were disposed of to KEE Guangdong at a total net book value of approximately HK\$9.3 million. Our PRC Legal Adviser has advised that Hongxinyuan Zippers was in compliance with the applicable rules, regulations and laws of the PRC in all material respects prior to its de-registration.
- In May 2008, KEE Zhejiang commenced production at our Zhejiang Plant which is a self-owned property and was constructed on a piece of land of approximately 32,241.3 sq. m. in order for our Group to continue to serve our customers with an enhanced production capacity in the eastern China region.
- In March 2009, 李寧(中國)體育用品有限公司 (Li Ning (China) Sports Goods Company Limited) awarded KEE Guangdong with the "Most Outstanding Research and Development Award 2008".
- On 31 March 2009, KEE Zhejiang set up its Shanghai Branch to enhance our network and capability for sales to be conducted in Shanghai and its nearby regions.
- In March 2010, 李寧(中國)體育用品有限公司 (Li Ning (China) Sports Goods Company Limited) awarded our Group with the "Most Outstanding Research and Development Award 2009".
- On 1 April 2010, we successfully installed and operated the SAP system in our Guangdong Plant to replace our previous ERP system.
- In April 2010, KEE Guangdong was assessed and certified by SGS United Kingdom Limited that the requirements of ISO 9001:2008 accreditation for the design and manufacture of zippers had been met.
- As part of our reorganisation to prepare for the Listing and to streamline our Group structure particularly by disposing of KEE Investment and KEE Suzhou (as a dormant company) as a group, the following major steps have been implemented:
 - On 11 June 2010, 郭振義先生 (Mr. Guo Zhenyi) sold 1,500 shares in KEE Investment, representing 15% of the entire issued share capital of KEE Investment, to KEE Zippers, for which the consideration, primarily determined by reference to the profitability of KEE Zhejiang as an operating subsidiary of KEE Investment for the year ended 31 December 2009, was settled by the allotment and issue of 978 shares in Nicco to Mr. Guo Zhenyi, all credited as fully paid. As a result, KEE Investment became a wholly-owned subsidiary of KEE Zippers.

HISTORY AND CORPORATE DEVELOPMENT

- On 12 June 2010, KEE Guangdong acquired the entire equity interests in UNA, from which we had been sourcing premium items such as toy figures, ornaments and key-rings to meet the promotional needs of apparel brand owners for their products, for RMB100,000 which was approximately equal to the fair value of UNA's net assets as at the acquisition date.
- On 6 July 2010, our Company was incorporated.
- On 13 August 2010, KEE International BVI was incorporated.
- On 18 August 2010, KEE Investment transferred its entire equity interests in KEE Zhejiang to KEE Zippers for HK\$64,571,180, which was determined by reference to the unaudited net asset value of KEE Zhejiang as at 31 December 2009 adjusted for a dividend distributed to KEE Investment on 13 June 2010. As a result, KEE Zhejiang became a direct wholly-owned subsidiary of KEE Zippers.
- On 22 September 2010, KEE Zippers sold the entire issued share capital of KEE Investment to Nicco in consideration of HK\$13,871,833, which was determined by reference to the unaudited consolidated net asset value of KEE Investment and KEE Suzhou as a group as at 31 August 2010. As a result, KEE Investment and KEE Suzhou ceased to be members of our Group. Our PRC Legal Adviser has advised that KEE Investment and KEE Suzhou were in full compliance with all applicable rules, regulations and laws of the PRC prior to the disposal, save as disclosed in the section headed "Business — Compliance and litigation — Compliance with the PRC laws and regulations".

Further details about our reorganisation are set out in the section headed "Further information about our Group — Reorganisation" in Appendix V to this prospectus.

- As at 31 October 2010, our Group had 981 full-time employees located in Guangdong, Zhejiang, Shanghai and Hong Kong, representing an increase of over 100% since the start of the Track Record Period when we then had 482 full-time employees.

INFORMATION ABOUT OUR GROUP MEMBERS AND OUR GROUP'S STRUCTURE

Our Company and KEE International BVI

Our Company was incorporated under the laws of the Cayman Islands on 6 July 2010 for the purpose of investment holdings and acting as the holding company of our subsidiaries.

To prepare our corporate structure for the Listing and to facilitate our growth and expansion strategy, KEE International BVI was incorporated in the BVI on 13 August 2010 and became our Company's direct wholly-owned subsidiary on 25 November 2010.

OUR SUBSIDIARY IN HONG KONG

KEE Zippers

On 1 March 2002, KEE Zippers was incorporated in Hong Kong. KEE Zippers' authorised and issued share capital are both HK\$1,000,000. The principal business activities of KEE Zippers are investment holdings and the sale of our products.

OUR SUBSIDIARIES AND BRANCH IN CHINA

KEE Guangdong

On 21 March 2005, KEE Guangdong was established in Foshan City of Guangdong Province as a wholly foreign-owned enterprise of KEE Zippers. KEE Guangdong's registered capital is HK\$18.5 million.

KEE Guangdong operates on a piece of land of approximately 26,976.6 sq. m. which is our Group's corporate headquarters and production base in the southern China region serving our customers in the nearby regions and overseas.

KEE Zhejiang and Shanghai Branch

On 9 September 2005, KEE Zhejiang was established in Jiaxing City of Zhejiang Province as a wholly foreign-owned enterprise of KEE Investment. KEE Zhejiang has a registered capital of US\$7.5 million.

KEE Zhejiang operates on a piece of land of approximately 32,241.3 sq. m. It is our production base in the eastern China region and is focused on serving our customers in the eastern China region as well as the middle and northern provinces of China.

On 31 March 2009, KEE Zhejiang set up its Shanghai Branch for the purpose of enhancing our network and sales capacity in Shanghai and its nearby regions.

On 18 August 2010, KEE Investment transferred its entire equity interests in KEE Zhejiang to KEE Zippers.

INFORMATION ABOUT OUR GROUP MEMBERS AND OUR GROUP'S STRUCTURE

UNA

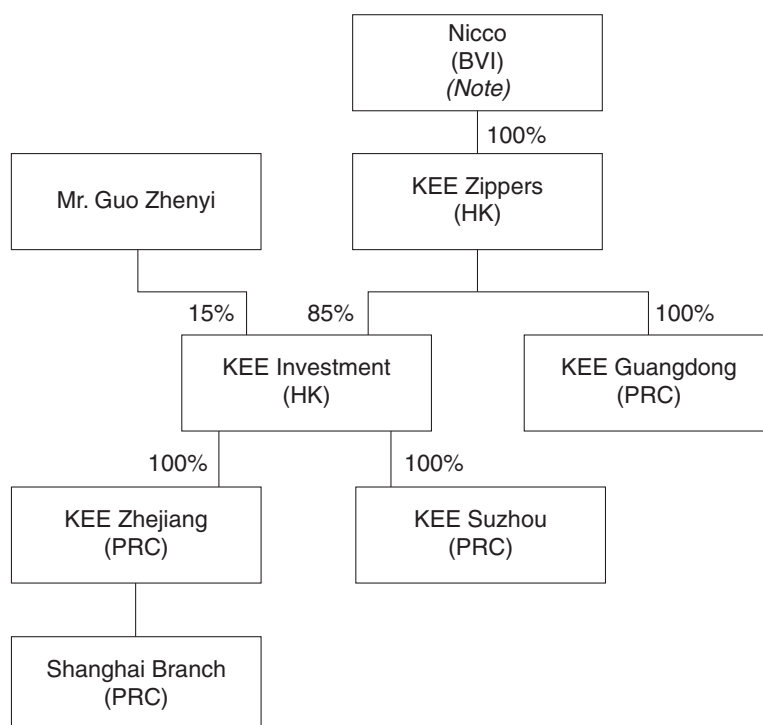
On 10 June 2009, UNA was established in Nanhai District of Foshan City with the registered capital of RMB100,000 as to 1% held by 劉景舫先生 (Mr. Liu Jingchong) and 99% held by 許利雄先生 (Mr. Xu Lixiong). Mr. Xu Lixiong is a brother-in-law of our Founders. Mr. Liu Jingchong is an Independent Third Party.

UNA has been supplying us with premium items such as toy figures, ornaments and key-rings, and we, in turn, supply such items to meet the promotional needs of apparel brand owners for their products. As at 30 June 2010, UNA had a total of 10 designers and other employees.

On 12 June 2010, KEE Guangdong acquired the entire equity interests in UNA from Mr. Liu Jingchong and Mr. Xu Lixiong at the price of RMB100,000. UNA is now a wholly-owned subsidiary of KEE Guangdong.

OUR GROUP'S STRUCTURE

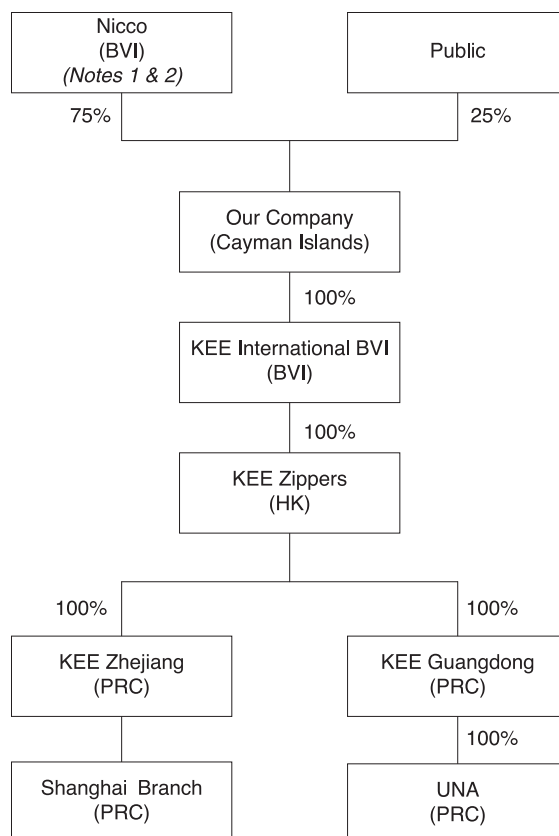
Our corporate and shareholding structure immediately prior to the reorganisation, the Share Offer and the Capitalisation Issue is as follows:



Note: Nicco is beneficially owned as follows: (i) 50% by Mr. Xu Xipeng; and (ii) 50% by Mr. Xu Xinan, prior to the reorganisation, the Share Offer and the Capitalisation Issue.

INFORMATION ABOUT OUR GROUP MEMBERS AND OUR GROUP'S STRUCTURE

Our corporate and shareholding structure upon completion of the reorganisation, the Share Offer and the Capitalisation Issue, assuming there is no exercise of the Over-allotment Option, there is no exercise of the options contemplated by the Share Option Scheme and there is no change in the shareholding of the Shareholder listed below subsequent to the Latest Practicable Date, will be as follows:



Notes:

1. Nicco is beneficially owned as follows: (i) 47.305% by Mr. Xu Xipeng, an executive Director; (ii) 47.305% by Mr. Xu Xinan, an executive Director; (iii) 4.89% by Mr. Guo Zhenyi; and (iv) 0.50% by Mr. Chow Hoi Kwang Albert, a non-executive Director. Mr. Xu Xipeng and Mr. Xu Xinan are brothers.
2. Mr. Chow Hoi Kwang, Albert joined our Group in 2005 and has advised our Group on business strategy and internal controls. In order to recognise Mr. Chow Hoi Kwang, Albert's past contribution to our Group, each of Mr. Xu Xipeng and Mr. Xu Xinan transferred 50 shares respectively to Mr. Chow Hoi Kwang, Albert as a gift, representing 0.5% in total of the entire issued share capital of Nicco, on 21 September 2010.

On and after the Listing Date, our Company will maintain a public float of at least 25% of the total issued share capital of our Company.

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OVERVIEW

We are a producer of finished zippers in China. Our customers for zippers are OEMs who manufacture apparel products for (i) apparel brands in China; and (ii) some well known international apparel labels. We maintain a close working relationship with apparel brand owners on the design of zippers to be applied in the apparel products. The apparel brand owners usually decide on the zipper supplier for their OEMs and place orders with such OEMs who in turn source zippers from us. During the Track Record Period, we cooperated with at least 12 local apparel brands which included “Li Ning” and “Meters/bonwe” and 36 international apparel brands.

Our finished zippers are categorised as follows:

- metal zippers — which are mainly used in trousers, jackets, jeans and working clothes;
- nylon zippers — which are usually found in skirts and sportswear; and
- plastic zippers — which are widely applied in down feather garments, skiing apparel and windbreakers.

We also supply sliders, components of zippers (including continuous zipper chains and stops) and moulds to other zipper manufacturers. Since late 2008, we have started to design and supply premium items such as toy figures, ornaments and key-rings exclusively to apparel brand owners to meet the promotional needs for their products. These premium items have provided us with the opportunity to diversify our product offerings and to further strengthen our relationship with the apparel brand owners.

During the Track Record Period, approximately 87% or above of our turnover was derived from sales in China. Other regions to which we have sold our products include the United States, Switzerland, Italy, South Africa, Taiwan, Indonesia and Bangladesh. In particular, we are a supplier of sliders to a European zipper producer who manufactures zippers for well known fashion brands. For the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, revenue from sales of our sliders to the European zipper producer accounted for approximately 0.7%, 2.7%, 2.2% and 3.5% of our total turnover respectively.

We are a vertically integrated producer for zippers, except for the electroplating process which is outsourced to an Independent Third Party. We believe the advantages of vertical integration that we benefit from include (i) lower transaction costs; (ii) higher certainty in the quality of our products; (iii) improved supply chain coordination; (iv) the capture of upstream and downstream profit margins; and (v) an increase in barriers to entry for potential competitors. We are also capable of developing our own custom-made production machinery and modifying conventional machinery so that zippers can be produced by us more efficiently and with greater consistency in quality.

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Our major production bases are in Foshan City of Guangdong Province and Jiaxing City of Zhejiang Province with a total gross floor area of approximately 40,888 sq.m. We benefit from the efficient logistics infrastructure available in the areas of the Pearl River Delta and the Yangtze River Delta. We will continue to expand our production facilities strategically and we plan to establish a new plant in Hubei Province to augment our operation and production capacities. We also plan to recruit additional experienced designers and technical personnel to bolster our capabilities in design, and research and development. As at 31 October 2010, we had 981 employees in China and Hong Kong.

We have enjoyed growth in revenue and profitability over the Track Record Period. As zippers are commonly used in apparel, we believe our business has benefited from the growth of the apparel industry in China. We also believe our growth in revenue and profitability is attributable to our focus on the quality zipper market segment, our ability to provide solutions to meet our customers' needs and the recognition of our brand name "KEE" for innovative design and quality products amongst apparel brand owners.

Our turnovers were approximately HK\$91.6 million, HK\$117.4 million, HK\$160.7 million and HK\$81.6 million for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 respectively. Our profits attributable to Shareholder as stated in the Accountants' Report were approximately HK\$26.0 million, HK\$0.3 million, HK\$37.4 million and HK\$13.9 million for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 respectively. Should there be no investment in listed equity securities during the Relevant Period, our adjusted profits attributable to Shareholder would be approximately HK\$17.6 million, HK\$19.6 million, HK\$31.5 million and HK\$13.9 million for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 respectively.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths are the key factors contributing to our success to date and will enable us to increase market share and capture the future growth opportunities in our target markets:

Ability to maintain a close working relationship with apparel brand owners

We need to work closely with apparel brand owners. We are able to provide a range of innovative solutions to serve the specific needs of apparel brand owners, for example, providing zipper design services and producing tailor-made zippers to match the pattern, colour and functionality of the apparel products of our customers, rather than being a producer of zippers for their OEMs only. We do not separately charge the apparel brand owners when providing the above-mentioned solutions and services.

Many apparel brand owners and their OEMs demand value-adding services from zipper manufacturers in addition to merely manufacturing and supplying of standard zippers. Because of our service-and-solution-oriented business approach, our capability in the design of zippers, our prompt

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response to fulfilling our customers' orders and our ability in designing and supplying premium items to meet the promotional needs of apparel brand owners for their products, we believe we have established a close working relationship with a number of apparel brand owners and have become their preferred zipper supplier.

Our Company's ability to provide comprehensive solutions to our customers will be an important driver of our growth in the future. We believe that building an effective working partnership with our customers is closely correlated to customer retention and improved profit margins.

Our long-term history and our experienced management team

Our history can be traced back to 1992 when Hongji Zippers was founded. Many of the apparel brand owners and their OEMs have known us and have been working with us for a long period of time. We believe our long-term presence in the zipper industry gives our customers an overall confidence in our ability to provide quality goods at reasonable prices.

Moreover, each of our Founders has, over a considerable period of time, acquired experience and knowledge in trading, customer services, and the design and manufacturing aspects of the zipper industry. Furthermore, a number of members of our senior management have been serving our Group for a long period of time. For instance, Mr. Hsieh Chin Fong, our chief technical officer, has worked with us for six years. Ms. Mo Qiuye, our senior sales manager, has worked for more than 10 years in our Group. Mr. Wei Chengxin, our factory director, has worked for more than 10 years in our Group.

Vertical integration of production processes for zippers except for electroplating

With our vertically integrated production capabilities except for electroplating which is outsourced to an Independent Third Party, we are able to:

- effectively fulfill customers' orders requiring tailor-made designs and tight production lead times for manufacturing and delivery; and
- implement thorough and stringent quality control at each major production process for our products.

We believe the advantages of vertical integration that we benefit from include (i) lower transaction costs; (ii) higher certainty in the quality of our products; (iii) improved supply chain coordination; (iv) the capture of upstream and downstream profit margins; and (v) an increase in barriers to entry for potential competitors.

Ability to develop our own custom-made production machinery

Automation is of the utmost importance in zipper manufacturing, as it helps to lower production costs, increase production efficiency and maintain consistency in product quality. However, we often find that conventional machinery cannot cope with our customers' increasing demands for higher standards in terms of design, functionality and the use of materials in zippers. To this end, we have built and maintained a team of technical personnel to develop our own production machinery as well as to modify

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selected conventional machinery to increase production efficiency. As at 31 October 2010, our research and development team for production machinery consisted of 17 technical personnel led by Mr. Hsieh, Chin-Fong, who has coordinated the development of many of our own machinery and upgraded and modified various conventional machinery to suit our specific and automated production requirements. With our own custom-made production machinery, we believe we have been able to achieve high efficiency in our production and to maintain consistency in product quality.

Ability to design and produce moulds for making sliders

Production of sliders is the most difficult and essential part of the whole production process of finished zippers because (i) the quality of a finished zipper significantly depends on the quality of the slider which in turn depends on the precision of the mould for making it; and (ii) making a precision mould requires skilled technical personnel as well as advanced milling machines which are expensive. With our ability to design sliders based on the customers' requirements and our computer numerically controlled milling machines, we are able to design and produce precision moulds for manufacturing sliders which enables us to have vertical integration of the production processes for finished zippers (except for electroplating) and to supply precision moulds as products to our customers.

Stringent quality control

We place considerable emphasis on the distinctive and consistent quality of our products and have therefore implemented a stringent quality control system that complies with the PRC and international standards set out below:

Product/component	Standard	Association of accreditation	Country
Finished zipper	QB/T2171~2173-2001	China National Light Industry Council ⁽¹⁾	China
Finished zipper	ASTM D2061-03	ASTM International ⁽²⁾	United States
Finished zipper	BS3084:2006	British Standards Institution ⁽³⁾	United Kingdom
Fabric tape	GB18401-2003	General Administration of Quality Supervision, Inspection and Quarantine of the PRC ⁽⁴⁾	China

Notes:

1. It is a non-governmental association which aims to promote light industry development in China. Its main functions include carrying out industry investigation and research, participating in drafting industry standards and providing product quality supervision for local light industry enterprises.
2. It is a globally recognised association in the development and delivery of international standards which are used internationally to improve product quality, enhance safety, facilitate market access and trade, and build consumer confidence.
3. It is the national standards body recognised by the government of the United Kingdom, with a globally recognised reputation for independence, integrity and innovation in the production of standards that promote best practice.
4. It is a ministerial administrative organisation directly under the State Council in charge of national quality, metrology, commodity inspection, entry-exit health quarantine, entry-exit animal and plant quarantine, import-export food safety, certification and accreditation, standardisation and administrative law-enforcement.

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We were also assessed and certified by SGS United Kingdom Limited in July 2003 and April 2010 that the requirements of ISO 9001:2000 accreditation and ISO 9001:2008 accreditation for the design and manufacture of zippers had been met respectively. Our quality control team has 36 members who are responsible for ensuring that the quality of materials used in our production, and that the components, semi-finished products and finished products manufactured at different stages of production, are up to our stringent quality requirements.

Corporate and brand reputation

Given the reliable quality of our products, our service-and-solution-oriented business approach, our capabilities in product design, and research and development and our long-term history, we believe that we have established a strong corporate and brand reputation particularly among apparel product manufacturers and apparel brand owners in China and internationally. This has helped us to expand our business with existing customers and to market our services and products to potential customers.

Strategically located in the Pearl River Delta region and the Yangtze River Delta region in China

Our production facilities are strategically located in Guangdong Province, which is within the Pearl River Delta region, and in Zhejiang Province, which is within the Yangtze River Delta region. These regions are characterised by good and improving infrastructure and transportation links. Accordingly, this provides us with a competitive advantage in terms of lower transportation costs and reliability of delivery service in meeting our customers' needs.

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According to the CMMC Report 2009, China is the world leader in the production of zippers with approximately 39% of the global market share and it has approximately 1,400 zipper producers whose revenue from the sale of zippers each exceeded RMB5 million in 2009. In 2009, the total turnover of the top 15 producers in the industry accounted for approximately 17.8% of the sales value of the industry in China. In terms of our turnover compared to the sales value of the industry in China, our market share was about 0.28% in 2009.

Our Directors are optimistic about the outlook of the zipper industry in China primarily due to the increase in the disposable income and thus purchasing power of the urban population, which has driven demand for quality apparel, sports equipment and similar products, and hence good quality zippers, as detailed in the section headed "Industry overview — Our key growth drivers". Furthermore, based on the CMMC Report 2009, the total sales value of zippers produced in China is expected to increase from approximately RMB50.3 billion in 2009 to RMB96.1 billion in 2013 and we have observed that many OEMs serving apparel brands have established new factories in Hubei Province, and in the provinces adjacent to Hubei Province. Built on our Group's existing brand portfolio, our Directors intend to diversify our brand portfolio into local and international sports labels with a view to increasing our market share for quality zippers for both local and international sportswear.

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We aim to strengthen our position in the quality zipper market. We will continue to strive to achieve growth of our business and ensure that we remain competitive. To this end, we intend to adopt the following business strategies:

Investing in a new production plant in Hubei Province

We plan to establish a new production plant in Hubei Province in order to develop and serve the market over there for the following reasons:

- we have observed that many OEMs serving apparel brands (including some of our customers e.g. 湖北動能體育用品有限公司 (Hubei LPV Sports Co., Ltd.)) have set up new factories in Hubei Province, and in the provinces adjacent to Hubei Province, such as Jiangxi Province, Hunan Province and Anhui Province;
- Hubei Province is strategically located in the centre of the industrially developed regions of China and it also plays a crucial role as an important transportation hub, with many railways and national-level highways passing through it. With a new production base, we will be able to provide better services not only to our customers in Hubei Province and those provinces adjacent to Hubei Province, but also potential customers located further inland such as Henan Province, Hebei Province, Sichuan Province and Shanxi Province; and
- Hubei Province may provide a lower operating cost environment as compared to Guangdong and Zhejiang Provinces.

We expect that the new plant will have a total annual production capacity of approximately 100 million pieces of finished zippers and 100 million pieces of zipper sliders, which will increase our Group's total production capacity by about one-fold.

We estimate that the total investment cost will be approximately RMB100 million for the purposes of acquiring the production site, constructing the production plant and the electroplating facilities as well as acquiring and developing our own machinery and equipment to be used at the new plant. We have been advised by our PRC Legal Adviser that this expansion plan will be subject to various PRC laws and regulations, but not limited to, those regarding prior approval from relevant authorities for project verification, environmental protection, administration of land and property use, and the supervision of production and safety. We will ensure that we proceed to apply for such prior approval as soon as practicable after this expansion plan materialises.

We intend to build our own electroplating facilities in the new plant in Hubei Province and consequently we no longer need to outsource the electroplating process to an Independent Third Party. We will ensure that we have appropriate personnel to manage and carry out this process. This will enable us to have a completely vertically integrated production capability and to gain additional cost efficiencies and economies of scale in our zipper manufacturing. We will also ensure that the waste water and air pollutants discharged by the electroplating facilities will be properly processed and handled in compliance with the relevant PRC laws and regulations. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, it takes around six months to obtain the necessary licences and permits for the operation of electroplating facilities in the PRC. We have been

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advised by our PRC Legal Adviser that the operation of electroplating facilities is primarily subject to the PRC environmental laws and regulations as set out in the section headed “PRC laws and regulations — Laws and regulations relating to environmental protection”. These environmental laws and regulations impose stringent standards on the operation of our electroplating facilities. There is no assurance that the operation of our electroplating facilities will, at all times, be in full compliance with all the environmental requirements due to changes in the applicable environmental laws, regulations and policies from time to time. Any failure of such compliance with environmental laws and regulations may adversely affect our vertically integrated production capability.

At this preliminary stage, we have identified a site in Hubei Province, which is subject to change. If this expansion plan materialises, we expect that the construction of the new production plant will commence in the second half of 2011 and the plant may come into operation in around 2012. Our Directors expect that this expansion plan will be further financed by our internally generated funds and/or bank borrowings and/or equity financing since the total investment cost for this expansion plan will exceed 60% of the Listing proceeds or HK\$67.2 million which is allocated for this purpose.

Set out in the section headed “Business — Production — Production plants” are the utilisation rates of our Guangdong and Zhejiang Plants which are expected to reach their full capacity in the next two to three years based on the growth of our turnover over 2007 to 2009 at a CAGR of approximately 32.5%. We believe that this expansion plan, if materialised, will facilitate our Group to cater for the anticipated growth of the zipper industry in China.

As at the Latest Practicable Date, we were yet to enter into any legally binding agreement in regard to the new plant in Hubei Province. In the event that we are not able to proceed with this expansion plan in Hubei Province, we will seek an alternative way to expand our production capacity such as establishing a new production plant in Zhejiang Province in China. After Listing, our Company will issue a further announcement in compliance with the Listing Rules should there be any material development in this regard.

Increasing targeted marketing to brand owners to strengthen our brand awareness in the market

We understand that it is often the apparel brand owners who decide on the zipper supplier when placing orders to OEMs. As such, our sales executives and designers will make more visits and organise more presentations to such brand owners to raise their awareness of our ability in zipper designs and manufacturing to match and support their apparel designs.

We plan to expand our sales team and enhance the ability of our sales executives through:

- increasing the number of experienced sales executives and design personnel; and
- providing regular guidance and training sessions on the use of new materials and fashion trends to our sales executives and raising their awareness of our service-and-solution-oriented business approach to sales and marketing.

In addition, we plan to place advertisements in international apparel periodicals read by professional designers and also the best selling fashion and style magazines to enhance our brand

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image globally. We will also refurbish our Group's website by enriching the content with more relevant information on our products and the value we are able to add to apparel products through our capabilities in provision of solutions such as product consultation, pre-production technical analysis and technical support for fixing finished zippers to apparel.

Expanding and diversifying our product offerings

While we will continue to expand and diversify our offerings of finished zipper in terms of design, materials and workmanship, we are exploring opportunities to utilise our existing sales force to promote our capabilities in the design and provision of premium items to complement the marketing activities of apparel brand owners in launching their new products in order to further strengthen our relationship with apparel brand owners. We believe this should help us to obtain more zipper orders and to increase our customers' loyalty to our brand.

Strengthening our product design, research and development capabilities

We believe our capabilities in product design, and research and development have contributed greatly to our success. We will further reinforce this advantage by:

- increasing the number of our designers and technical personnel with appropriate qualifications;
- sending our designers and technical personnel on overseas visits, conferences and seminars in order to enhance their international exposure to the apparel industry;
- conducting more in-house trainings with our designers to improve their knowledge in zipper designs, the use of new materials and production processes in order to better serve our customers' needs; and
- conducting more in-house trainings hosted by external specialists with our technical personnel to enable them to keep abreast of the latest production and management practices applied in zipper manufacturing. This will help us to continuously increase the productivity of our existing manufacturing facilities.

Making more extensive and better use of our SAP system

The SAP system, which we installed and operated at our Guangdong Plant with a capital expenditure of approximately HK\$4.8 million, has the capabilities of delivering operational and financial applications. We believe the SAP system has enabled our subsidiaries and functional departments to better communicate with one another, better control purchases and inventory levels, and better monitor deliveries. Our Directors believe that it also helps our management in deciding how to improve our production process, to better utilise our production capacity and to effectively analyse our production efficiency with the support of having the relevant financial data generated under the system. Before the adoption of the SAP system, our Group relied on our self-developed ERP system to control purchases, production and inventory levels as well as to monitor deliveries, and used the software of an external software provider to monitor our financial and accounting management.

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We work with our SAP system's service providers and our employees to install and operate the SAP system at our Zhejiang Plant with an expected capital expenditure of approximately HK\$3.6 million and to make more extensive and better use of that system within our Group as a whole, so as to further reduce our costs, improve our production efficiency and to enhance delivery and management decisions as well as to provide better services to customers.

PRODUCTS

We offer our customers the following products:

- quality zippers;
- sliders;
- components of zippers (including continuous zipper chains and stops) and moulds; and
- premium items such as toy figures, ornaments and key-rings.

Our finished zippers are categorised as follows:

- metal zippers — which are mainly used in trousers, jackets, jeans and working clothes;
- nylon zippers — which are usually found in skirts and sportswear; and
- plastic zippers — which are widely applied in down feather garments, skiing apparel and windbreakers.

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The following are images of the above-mentioned zippers and sliders:



Metal zipper



Nylon zipper



Plastic zipper



Slider



Slider

Below is a table summarising our turnover by product category during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%
Finished zippers										
Metal zippers	46.56	50.9%	52.53	44.7%	63.12	39.3%	34.54	45.5%	33.88	41.5%
Nylon zippers	37.55	41.0%	52.68	44.9%	67.56	42.0%	30.29	39.9%	33.34	40.8%
Plastic zippers	5.24	5.7%	5.22	4.4%	16.26	10.1%	6.90	9.1%	7.38	9.1%
	89.35	97.6%	110.43	94.0%	146.94	91.4%	71.73	94.5%	74.60	91.4%
Sliders	0.96	1.0%	3.83	3.3%	4.14	2.6%	2.19	2.9%	3.34	4.1%
Premium items	—	—	0.83	0.7%	8.00	5.0%	0.87	1.1%	1.55	1.9%
Components and moulds	1.27	1.4%	2.31	2.0%	1.63	1.0%	1.11	1.5%	2.15	2.6%
Total turnover	91.58	100.0%	117.40	100.0%	160.71	100.0%	75.90	100.0%	81.64	100.0%
Represented by: -										
Patented products	0.09	0.1%	0.97	0.8%	4.79	3.0%	2.14	2.8%	0.27	0.3%
Non-patented products	91.49	99.9%	116.43	99.2%	155.92	97.0%	73.76	97.2%	81.37	99.7%
Total turnover	91.58	100.0%	117.40	100.0%	160.71	100.0%	75.90	100.0%	81.64	100.0%

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The majority of our products are sold to OEMs of apparel products. Many of these are manufacturers for apparel brands. All the zippers referred to in the above table are finished zippers and display our trademarks.

Our sliders (not embodied into our own zippers) are produced by us on an OEM basis and are mainly sold to a well known brand of zippers in Europe.

Components and moulds include continuous zipper chains, pullers, fabric tapes, stops and moulds for producing sliders. As a value-adding service for our customers, we commenced designing and supplying premium items in late 2008, which included toy figures, ornaments and key-rings.

PRODUCT DESIGN AND PROVISION OF SOLUTIONS

We maintained a specialised product design team of nine employees as at 31 October 2010. Employees of our product design team work closely with our sales and marketing team to gain an understanding of the requirements of our customers, potential customers and apparel brand owners on zipper designs. We believe that this proactive approach of design-cum-sales is helpful for us in engaging new customers, generating more business from existing customers, retaining customers and identifying, possibly before our competitors, new trends and expectations of the apparel industry. Many of our product design personnel have extensive experience in the areas relevant to our business.

Given our well developed strengths in product design, combined with our comprehensive range of specifically developed or modified manufacturing machinery and skillful labour, we have the ability to provide the following value-adding solutions to apparel brand owners, our customers and potential customers:

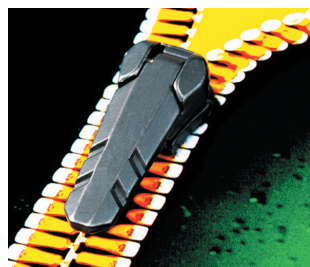
- we can share with our customers ideas on how to effectively fix our finished zippers to apparel made of different types of material, to better utilise zippers with different distinctive designs, colours and functionalities and to enhance the appearance and unique characters of apparel. Based on our ideas, we offer to design, make and provide samples of our products for our customers to inspect and select;
- we can produce zippers with tailor-made designs and specific functionalities within a short period of production lead time, approximately two to eight days from the time we receive the sales order to the time our products are ready for delivery to the customers (which depends on the quantity ordered), in order to meet tight production timelines and the requirements of our customers and to cope with the rapidly changing trends and tastes of the apparel retail market; and
- we can offer to design and provide different kinds of premium items to apparel brand owners in order to complement their marketing activities when they launch new lines of apparel products in the retail market.

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The following are images of selected premium items and patented products:



Premium items



Patented slider (Note 1) Patented zipper with specially designed teeth (Note 2)

Patented sliders (Note 3)

Notes:

- Please refer to patent number ZL200420044322.8 as set out in the section headed "Further information about our business — Intellectual property rights" in Appendix V to this prospectus.
- Specially designed teeth are known as "动感牙" (Vivid Teeth). Please refer to patent number ZL200530056266.X as set out in the section headed "Further information about our business — Intellectual property rights" in Appendix V to this prospectus.
- Please refer to patent number ZL200530059854.9 as set out in the section headed "Further information about our business — Intellectual property rights" in Appendix V to this prospectus.

SALES AND MARKETING

Sales markets

Most of our products are sold in China. Our turnover by geographic location during the Track Record Period is set out below:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%
Southern China	68.63	74.9%	79.69	67.9%	97.58	60.7%	45.70	60.2%	42.05	51.5%
Eastern China	19.85	21.7%	25.49	21.7%	48.93	30.5%	22.14	29.2%	29.02	35.6%
Overseas (Note)	3.10	3.4%	12.22	10.4%	14.20	8.8%	8.06	10.6%	10.57	12.9%
Total	91.58	100.0%	117.40	100.0%	160.71	100.0%	75.90	100.0%	81.64	100.0%

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Note: During the Track Record Period, the overseas regions included the United States, Switzerland, Italy, South Africa, Taiwan, Indonesia and Bangladesh. Our overseas trades, comprising of sales of finished zippers and sliders, were primarily denominated in US dollars and our Group did not engage in any foreign exchange hedging activities.

Customers

Our customers for zippers are OEMs who manufacture apparel products for (i) apparel brands in China; and (ii) some well known international apparel labels. We maintain a close working relationship with apparel brand owners on the design of zippers to be applied in the apparel products. The apparel brand owners usually decide on the zipper supplier for their OEMs and place orders with such OEMs who in turn source zippers from us.

The table below shows the approximate percentages of sales to our five largest customers and to our largest customer over our total sales during each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010:

	Year ended 31 December			Six months ended 30 June
	2007	2008	2009	2010
	% of total sales	% of total sales	% of total sales	% of total sales
Sales to: —				
our five largest customers . . .	26.4	20.2	19.2	20.0
our largest customer	10.1	5.4	5.3	6.5

Our largest customer for the six months ended 30 June 2010 was 湖北動能體育用品有限公司 (Hubei LPV Sports Co., Ltd.), a garment manufacturing company in which our Founders indirectly hold a 14.25% interest based on the current shareholding structure. For the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our sales of finished zippers to Hubei LPV Sports Co., Ltd. amounted to nil, approximately HK\$0.3 million, HK\$4.0 million and HK\$5.3 million, representing nil, approximately 0.3%, 2.5% and 6.5% of our total sales respectively, which were handled by our Group's sales and marketing staff in respect of the sales orders, and conducted at arm's length and on normal commercial terms. Mr. Xu Xinan, one of our Founders, is one of the seven directors of Hubei LPV Sports Co., Ltd. Save as disclosed, to the best of our Directors' knowledge, information and belief having made all reasonable enquiries, other shareholders and directors of Hubei LPV Sports Co., Ltd. (comprising of three private domestic companies and one domestic individual investor) do not have any past or present relationship with our Group, Shareholders, Directors or employees or any of their respective associates.

Save as disclosed above, none of our Directors or their associates or any of our existing Shareholders had any interest in any of our five largest customers during the Track Record Period.

BUSINESS

Pricing

When we set prices for our products, we generally consider the following major factors:

- the market price for the specific type or similar type of products;
- the listed prices of our major products which are the same or most similar to the customised products required by the customer;
- our production and delivery costs, and the expectation of a reasonable profit;
- the marginal value we add to our customers' products through our designs, services and production; and
- the quantity of the specific order and the production lead time required by the customer.

Credit management and payment terms

We adopt prudent credit policies and usually do not grant any credit to a new customer. The payment requirements for a new customer are as follows:

- a deposit may be requested to be made before the commencement of production of the product ordered; and
- payment upon delivery; otherwise, an undertaking for payment must be obtained from the relevant apparel brand owner whom the OEM customer provides services to.

After a customer has developed a business relationship with us for at least three months, we may consider granting credit to it. The following factors are considered by us in order to decide the creditworthiness of a customer and the credit terms granted to the customer:

- the amount of business conducted with the customer in the past; and
- the apparel brand owner whom the OEM customer provides services to.

Our standard credit terms are between 30-60 days, but can be as short as only 15 days or reach up to 90 days in some exceptional cases. Our customers settle payments with us mainly by cash or telegraphic transfers. Sales are principally denominated and settled in Renminbi.

Our finance department is required to closely monitor our customers' payment records and remind our sales managers to follow up with our customers on outstanding payment. For the three years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2010, our bad debts were approximately nil, nil, HK\$362,000 and HK\$64,000 respectively.

BUSINESS

Sales and marketing staff

As at 31 October 2010, our sales and marketing team consisted of one senior sales manager, five sales managers and 47 sales assistants. The team is headed by our chief executive officer, Mr. Xu Xinan, who, together with the senior sales manager, are responsible for formulating the overall sales and marketing strategies and communicating with apparel brand owners with an aim to facilitate them to designate or continue to designate us as the supplier of zippers to their OEMs. Of the five sales managers, two are assigned to serve customers in the Guangdong/Fujian region, two to cover the Shanghai/Jiangsu/Zhejiang region and one is stationed in Hong Kong to take care of export trades and relationships with international apparel brands. It is the sales and marketing managers' main responsibility to maintain regular communications with his/her designated customers in order to secure orders from them and to maintain a strong business relationship with them. Our sales managers often mobilise our product design personnel to work with the sales and marketing team on the design of zippers as a form of value-adding service. As soon as sales orders are secured from customers, our sales assistants will take over to ensure the sales orders are timely fulfilled. Our sales assistants need to closely liaise with the product design, production and quality assurance personnel to make sure the finished products will be ready for delivery as planned, as well as to arrange for the delivery of the zipper products to the customers in the most cost effective way. The performance of each sales manager and his/her sales assistants is regularly assessed as an independent unit, based on the amounts of sales generated, the recovery of receivables and all the incidental costs incurred in fulfilling the customers' orders. An incentive scheme is in place to motivate the sales and marketing staff and sales assistants in accordance with their performance.

Aside from managing the day-to-day sales activities with existing customers, our sales and marketing team is expected to collect market information on the latest market trends on apparel and provide input to the product design personnel on how the changes in market trends impact the design and development of zipper products. Furthermore, we hold monthly meetings with our sales and marketing executives to understand the business directions of apparel brand owners and their OEMs in order to identify potential new business opportunities.

Marketing and promotion

Our Group's core marketing strategy is to raise the brand awareness of our trademark "KEE" amongst brand owners of apparel products and their OEMs. During the Track Record Period, we utilised different marketing initiatives to accomplish this objective:

- **Direct marketing:** our sales team conducted direct marketing pitches to apparel brand owners, and existing and potential customers, and also updated them about our products by providing them with samples on a periodic basis;
- **Internet advertising:** we employed "key word search" services with a globally popular search engine on the internet, so that potential customers all over the world can see advertisements of our Group with a link to our Group's website when they type in certain key words on the search engine;

BUSINESS

- **Exhibitions and forums:** we participated in various fashion and garment exhibitions and forums (such as the Prime Source Forum in Hong Kong) within and outside China in order to promote our brand and products. Such exhibitions and forums generally attract large numbers of national and international industry participants and allow us to market our brand and products to a large number of potential customers;
- **Reverse site visits:** we from time to time invited our customers and potential customers to visit our production facilities and showrooms which enable them to gain a better understanding of our services, strengths, production processes and product offerings and hence enhance their confidence in our Group and our products; and
- **Outdoor advertising:** we leased billboards set up along (i) a highway in Zhejiang Province; and (ii) a highway connecting Shanghai and Nanjing to display images of our corporate brand and products.

We constantly examine and re-examine our marketing initiatives in order to ensure we can achieve our marketing strategy in the most cost effective manner. As we mainly supply to industry participants rather than retail consumers, we believe ordinary mass media marketing campaigns do not really suit our marketing needs. We decided that a “bottom-up approach” would enable us to raise the brand awareness of “KEE” amongst industry participants more efficiently and cost effectively. Therefore, in 2008, we discontinued a billboard advertisement and only participated in those exhibitions of the most relevance to the zipper industry. Furthermore, we have focused our efforts on motivating our sales force to build relationships with existing and potential apparel brand owners, designers and OEMs through regular on-site visits and to seek referrals from existing customers.

For the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our advertising and promotion expenses were approximately HK\$2.0 million, HK\$1.6 million, HK\$0.8 million and HK\$0.5 million, representing approximately 2.2%, 1.3%, 0.5% and 0.6% of our total turnover respectively. The decrease in our advertising and promotion expenses over the Track Record Period was mainly because (i) in 2007, we sponsored the gold sliders on certain uniforms of the China team’s gold medalists in a major international sports event; (ii) the billboard advertisement on a highway in Zhejiang Province was no longer used from 2008; and (iii) we became more selective in participating in exhibitions, choosing only those most relevant to our Company and the zipper industry.

Apparel brand owners

Our customers for zippers are OEMs who manufacture apparel products for (i) apparel brands in China; and (ii) some well known international apparel labels. We maintain a close working relationship with apparel brand owners on the design of zippers to be applied in the apparel products. The apparel brand owners usually decide on the zipper supplier for their OEMs. However, we do not have any contractual relationship with the apparel brand owners in respect of the sales orders placed by our customers and the apparel brand owners do not place orders directly with us. During the Track Record Period, we cooperated with at least 12 local apparel brands which included “Li Ning” and “Meters/bonwe” and 36 international apparel brands.

BUSINESS

We attribute the growth in our zipper business primarily to our ability in securing apparel brand owners (such as our service-and-solution-oriented business approach, our capability in the design of zippers, our prompt response to fulfilling our customers' orders and our ability in designing and supplying premium items to meet the promotional needs of apparel brand owners for their products) to select us as their preferred zipper supplier for their OEMs. We generally do not enter into long-term contractual agreements with our customers and hence they are not obliged to source zippers from us. Our Directors believe that the OEMs usually follow instructions and recommendations from the apparel brand owners to source materials including zippers for production in order to fulfill the product requirements set by the apparel brand owners.

To the best of our Directors' knowledge, information and belief, the apparel brand owners may generally have approximately one to three zipper suppliers on their preferred list. We are not subject to any periodic assessment on aspects such as finance and production of our Group as a whole in order to be selected to be on their preferred list. Instead, our sales managers and product design personnel work together with the apparel brand owners on the design of zippers to be applied in the apparel products to be launched in the coming seasons by providing design proposals and tailor-made zipper prototypes, which match the pattern, colour and functionality of the apparel products. In some cases, the apparel brand owners provide the graphic designs of zippers to us and then our product design personnel would work out the prototypes. Except for the product specifications, we are not subject to any requirement or restriction in relation to the production process and the raw materials used in the production.

Once our design and prototypes are accepted by the apparel brand owners, they would instruct their OEMs to source tailor-made zippers from us for the production of the apparel products, which we have participated in the design process. At such time, we become the designated zipper supplier for the particular apparel products.

The following table sets out the approximate amount and percentage of our Group's turnover that our Directors believe are attributable to the top ten apparel brand owners and the approximate number of years of our cooperation during the Track Record Period:

	Year ended 31 December												Six months ended 30 June			
	2007			2008			2009			2010						
	Brands	HK\$ (million)	%	Years of co- operation (at least)	Brands	HK\$ (million)	%	Years of co- operation (at least)	Brands	HK\$ (million)	%	Years of co- operation (at least)	Brands	HK\$ (million)	%	Years of co- operation (at least)
1.	Brand A	25.56	27.9%	2 years	Brand A	41.97	35.7%	3 years	Brand A	58.10	36.2%	4 years	Brand A	30.67	37.6%	4.5 years
2.	Brand B	18.08	19.7%	1 year	Brand B	16.68	14.2%	2 years	Brand B	23.62	14.7%	3 years	Brand C	13.03	16.0%	4.5 years
3.	Brand C	4.51	4.9%	2 years	Brand E	7.54	6.4%	2 years	Brand C	13.84	8.6%	4 years	Brand B	12.31	15.1%	3.5 years
4.	Brand D	3.93	4.3%	2 years	Brand C	7.30	6.2%	3 years	Brand D	6.86	4.3%	4 years	Brand N	3.03	3.7%	2.5 years
5.	Brand E	3.81	4.2%	1 year	Brand D	3.39	2.9%	3 years	Brand E	4.60	2.9%	3 years	Brand D	2.55	3.1%	4.5 years
6.	Brand F	1.58	1.7%	2 years	Brand H	2.35	2.0%	3 years	Brand L	2.83	1.8%	2 years	Brand J	1.77	2.2%	4.5 years
7.	Brand G	1.42	1.6%	1 year	Brand F	1.83	1.6%	3 years	Brand J	2.67	1.7%	4 years	Brand L	1.67	2.0%	2.5 years
8.	Brand H	1.15	1.3%	2 years	Brand I	1.67	1.4%	3 years	Brand M	2.40	1.5%	2 years	Brand E	1.26	1.5%	3.5 years
9.	Brand I	1.05	1.1%	2 years	Brand J	1.57	1.3%	3 years	Brand N	2.07	1.3%	2 years	Brand P	0.86	1.1%	2.5 years
10.	Brand J	0.99	1.1%	2 years	Brand K	1.27	1.1%	3 years	Brand O	1.22	0.8%	1 year	Brand Q	0.57	0.7%	0.5 year

BUSINESS

The above table is prepared based on (i) the best of our Directors' knowledge, information and belief having made all reasonable enquiries; (ii) our sales of finished zippers to OEMs who manufactured apparel products for the relevant apparel brand owners; and (iii) the sales and marketing information, including but not limited to, the product codes on the sales invoices, emails regarding sales orders and design proposals.

RAW MATERIALS AND SUPPLIES

The major raw materials and supplies that we apply in the production of our products are copper, monofilament line, POM, zinc alloy and polyester yarn. Copper, monofilament line and POM are used to manufacture the teeth of metal zippers, nylon zippers and plastic zippers respectively. Zinc alloy is used to manufacture zipper sliders and polyester yarn is applied in the manufacturing of fabric tapes. These materials are primarily sourced from suppliers in China and our payments for these raw materials are thus denominated and settled in Renminbi.

For the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our total raw material costs represented approximately 45.6%, 38.3%, 32.0% and 37.3% of our total cost of sales respectively. The decrease in percentages over the Track Record Period was mainly due to the effect of change in our product mix (primarily referred to as the proportion of metal, nylon and plastic zippers sold) and the increase in the proportion of other components of our cost of sales such as labour costs.

Our purchasing departments of KEE Guangdong and KEE Zhejiang take charge of all our sourcing needs for production, and are comprised of eight and three employees respectively as at 31 October 2010. Each month, each of our production departments compiles a plan for the use of raw materials and supplies according to the purchasing orders at hand and sales forecasts. After the plans are approved by the heads of production of KEE Guangdong and KEE Zhejiang, each of them will be implemented by the respective purchasing departments. At KEE Guangdong, we utilise the SAP system to closely monitor and to improve the accuracy and efficiency of our forecasts on the use of raw materials and supplies, and to minimise waste. This practice helps us to keep our inventory of raw materials and supplies at a minimum level. We also plan to consolidate the procurement process of KEE Zhejiang into that of KEE Guangdong after the installation of the SAP system at KEE Zhejiang by March 2011, in order to further improve the overall efficiency of our utilisation of raw materials and supplies. As at 31 October 2010, UNA had two employees responsible for the procurement of premium items.

During the Track Record Period, KEE Guangdong and KEE Zhejiang separately sourced raw materials for their own production save for (i) copper wires — which were purchased and processed by KEE Guangdong to form Y-shaped copper wires and then sent to KEE Zhejiang for metal teeth manufacturing; and (ii) zipper sliders — which were manufactured by KEE Guangdong and then delivered to KEE Zhejiang for assembling into finished zippers.

During the Track Record Period, we did not encounter any material production disruption due to shortages of supplies. The lead-time for sourcing our supplies varies from two to 15 days after placement of our purchase orders.

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We do not enter into long-term agreements with our suppliers and do not commit ourselves to a specific amount of purchases from them unless and until we place our orders. As such, we are free to source the same raw materials and supplies from a number of suppliers. Our good payment records have enabled us to obtain favourable credit terms from our suppliers. We have maintained business relationships of not less than three years with three of our five largest suppliers as at 30 June 2010. During the Track Record Period, we did not experience any material price fluctuations for our raw materials which caused a significant adverse impact to our business operation.

The table below shows the approximate percentages of purchases from our five largest suppliers and from our largest supplier over our total purchases from all suppliers during each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010:

	Year ended 31 December			Six months ended 30 June
	2007	2008	2009	2010
	% of total purchases	% of total purchases	% of total purchases	% of total purchases
Purchases from: —				
our five largest suppliers	48.4	38.7	50.8	63.7
our largest supplier	15.7	10.0	16.5	19.3

None of our Directors or their associates or any of our existing Shareholders had any interest in any of our five largest suppliers during the Track Record Period.

Our suppliers generally offer us a credit period of 7 to 45 days after our receipt of the payment notice at the end of each month. We settle payments with suppliers mainly by way of telegraphic transfers. Purchases are principally denominated and settled in Renminbi.

PRODUCTION

We undertake all of our production activities at our production facilities in our Guangdong Plant and Zhejiang Plant. We have the ability to produce almost every part and component of a finished zipper in-house, except for electroplating which is outsourced to an Independent Third Party.

Production plants

Guangdong Plant

Our Guangdong Plant is our largest production base in terms of production capacity and has the necessary manufacturing machinery to produce sliders. The particulars of the properties occupied by our Guangdong Plant are set out in the section headed “Business — Properties”.

BUSINESS

The production capacity of our Guangdong Plant and the percentages of usage of such production capacity are summarised as follows:

	Annual production capacity (pieces '000)	Rate of utilisation of production capacity in 2009 (%)	Rate of utilisation of production capacity from January 2010 to October 2010 (%)
Metal zippers	31,618	61%	89%
Nylon zippers	32,199	65%	77%
Plastic zippers	5,135	61%	77%
Sliders	100,383	67%	81%

Zhejiang Plant

Our Zhejiang Plant has a smaller production capacity for metal, nylon and plastic zippers than our Guangdong Plant. Sliders manufactured in our Guangdong Plant are delivered to our Zhejiang Plant for assembling into finished zippers. The particulars of the properties occupied by our Zhejiang Plant are set out in the section headed “Business — Properties”.

The production capacity of our Zhejiang Plant and the percentages of usage of such production capacity are summarised as follows:

	Annual production capacity (pieces '000)	Rate of utilisation of production capacity in 2009 (%)	Rate of utilisation of production capacity from January 2010 to October 2010 (%)
Metal zippers	9,472	79%	90%
Nylon zippers	21,461	70%	80%
Plastic zippers	2,631	76%	84%
Sliders	N/A	N/A	N/A

Notes:

1. The annual production capacity represents an approximate total output on the bases of (i) 8 working hours per day for each worker; (ii) 26 days per month and 12 months per year; and (iii) the daily average number of workers employed for each month. The annual production capacity may vary if, among other things, the product mix changes.
2. Figures are based on our internal production records.

BUSINESS

Seasonality

As our products are used mainly in apparel, our production season fluctuates with that of the apparel industries. Our production tends to be busier during April to October. During the off peak seasons, we service and maintain our production machinery, equipment and moulds, and arrange for our employees to receive further training.

Production team

As at 31 October 2010, our Group had a production team comprised of 703 personnel led by approximately 24 experienced managerial and executive level personnel in the production departments of our two plants. Most of these production personnel work on two shifts and normally work for six days a week. We provide training to both new and current employees. We believe that our production team, coupled with our automated production facilities, will continue to play a pivotal role in the future of our business.

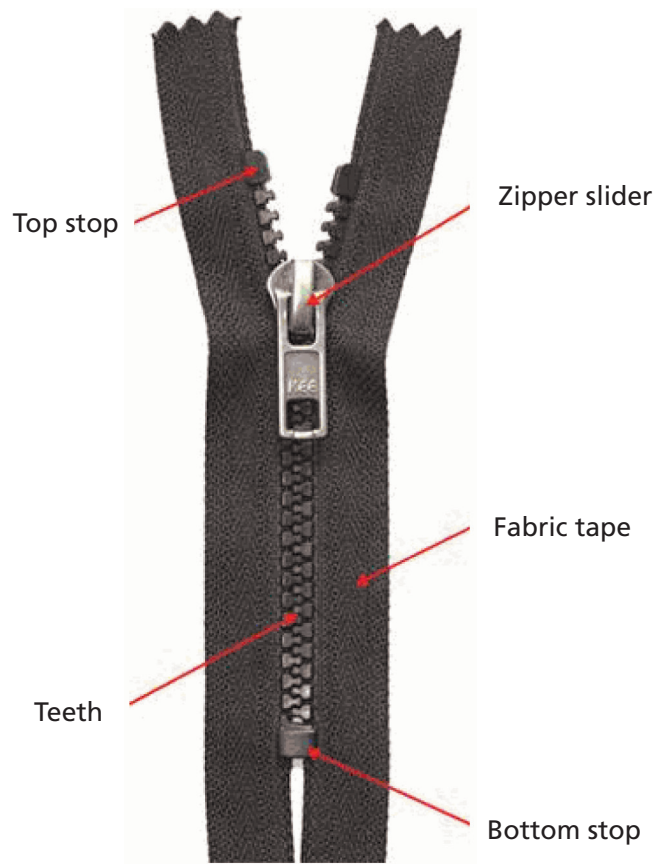
Production process

To enhance our competitiveness and our profitability, we have focused on establishing highly vertically integrated manufacturing processes, with the exception of electroplating. Our vertically integrated manufacturing processes range from developing our custom-made production machinery to the making of moulds, the weaving of fabric tapes to colour dyeing, the production of teeth and zipper sliders to making top and bottom stops, and the assembling of all the different components into quality zippers. In order to safeguard the quality of the outsourced electroplating processes, we have entered into an electroplating agreement, which specifies our minimum requirements for the electroplated parts provided and also our right to test such parts and return those of poor quality, with the electroplating factory. Meanwhile, we believe that our vertically integrated production capabilities enable us to maintain a tight control over production lead times and product quality, and to be sufficiently flexible to produce specially designed or customised products for our customers in a timely manner.

The structure of a finished zipper and the production processes of our finished zippers are illustrated and summarised below:

Structure of a finished zipper

A finished zipper is a fastening device which consists of a zipper slider, two fabric tapes, teeth, two top stops and a bottom stop. A row of teeth, which can be made of metal, nylon or plastic, is fixed onto the adjacent edge of each of the fabric tapes which are parallel to each other. A zipper slider is a moving device on the parallel rows of teeth operated by hand which fastens or disconnects the rows of teeth on the fabric tapes to provide a firm interlocking and unlocking function.



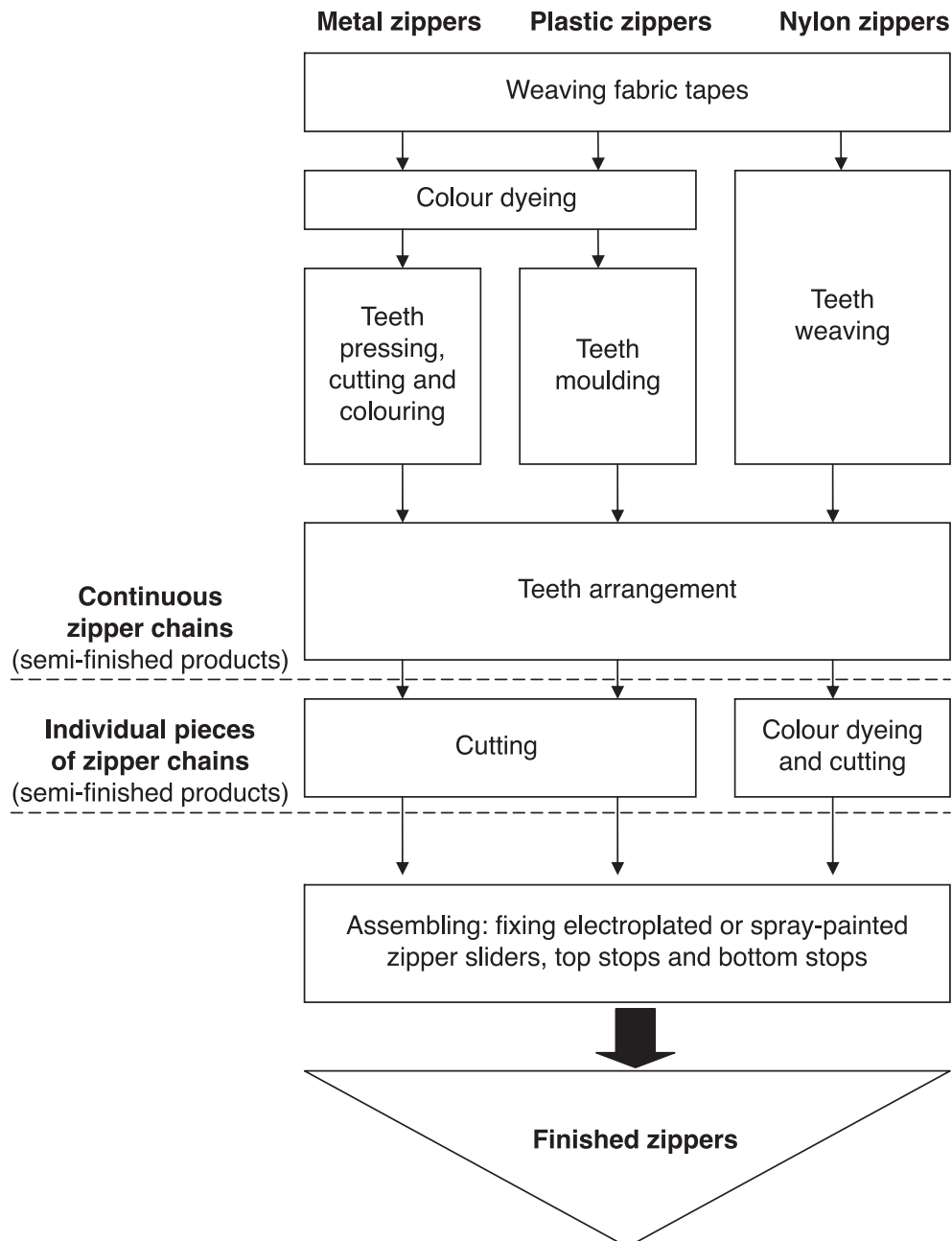
A finished zipper may:

- join or separate two sides of single garment, as in the front of a jacket, dress or skirt;
- open or close a pocket or the fly on a pair of trousers;
- attach or detach a separate part from the rest of a garment, for example attaching a hood to a coat; and
- be used as a decorative accessory.

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Key production processes of a finished zipper

The major differences among the production processes of metal zippers, nylon zippers and plastic zippers are (i) the raw materials used for making the teeth; (ii) the methods for teeth making (pressing and cutting for metal teeth, weaving for nylon teeth and moulding for plastic teeth); (iii) the techniques for teeth arrangement; and (iv) the sequence of colouring during production. The flow chart set out below demonstrates the major production processes of finished zippers.



Summary of the production processes

1. Top / bottom stops

- For **metal zippers**, copper wire is cut and pressed into the shape of top or bottom stops with our automated machinery.

Production of metal top and bottom stops



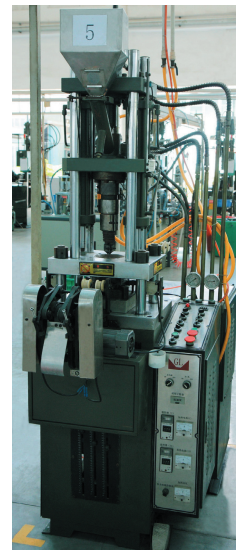
- For **nylon zippers**, a thin thread of nylon is passed through an ultrasonic machine which generates heating by high frequency vibration to melt a tiny portion of the thin thread of nylon and fix it onto a nylon zipper chain (a semi-finished product) to form top or bottom stops.

Production of nylon top and bottom stops



- For **plastic zippers**, POM is melted in a moulding machine and then moulded into the shape of top or bottom stops.

Production of plastic top and bottoms stops



2. Fabric tapes

- Polyester yarn is passed through a weaving machine to be weaved into plain fabric tapes for the sides of the zippers.

Weaving



- For **metal zippers** and **plastic zippers**, the plain fabric tapes are wound up with our *tape winding machine* and sent for colour dyeing before teeth arrangement.
- For **nylon zippers**, the plain fabric tapes are sewn with nylon zipper teeth and then sent to undergo the colour dyeing process.

Colour dyeing



3. Teeth making and arrangement

- For **metal zippers**, copper wire is pressed into a Y-shape and then cut into metal zipper teeth with our automated machinery. The dyed fabric tapes are fitted through the teeth setting machines and the Y-shaped teeth are set to form rows of metal zipper teeth on the dyed fabric tapes at even intermissions to form metal zipper chains. The metal zipper chains are sent for grinding to ensure the surfaces and edges of the teeth are smoothed and then passed to our *metal zipper cleaning machine* to remove stains and dirt by using detergent. The metal zipper chains are then transferred to our *metal teeth colouring machine* for colouring the teeth surface according to our customers' requests.

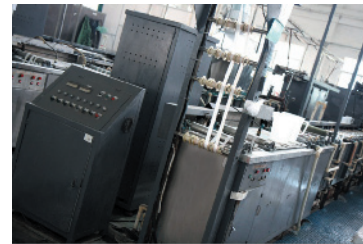
Pressing copper wire



Metal teeth setting



Metal teeth colouring



- For **nylon zippers**, the monofilament line is woven into a spiral shape to form a coil of nylon zipper teeth. The nylon zipper teeth are stitched onto the plain fabric tapes with stitching machines and then wound up with our *tape winding machine* for colour dyeing to form nylon zipper chains.

Stitching nylon teeth



- For **plastic zippers**, POM is mixed with colour dyes and then melted and moulded into the shape of plastic zipper teeth with our moulding machinery. The plastic zipper teeth are fused onto the dyed fabric tapes at even intervals to form plastic zipper chains.

Moulding plastic teeth



4. Zipper sliders

- We design the moulds for making the key components of zipper sliders: the zipper head and the zipper pull tab.
- Our technical personnel produce the precision moulds by using computer numerically controlled milling machines based on the graphic designs.
- The mould is put on the die-casting machines and melted zinc alloy is injected into the mould under high pressure to form the desired shape of the zipper head or the zipper pull tab.
- The melted zinc alloy will solidify rapidly to form a component with the required shape.
- The zipper head and the zipper pull tab are then extracted from the mould for assembly to form the zipper slider.
- Zipper sliders are sent for surface treatment, either electroplating or spray-painting, according to our customers' requests.
- Spray-painting provides a non-metallic coating for the zipper sliders and is undertaken in-house. Electroplating is the process where a metallic coating is applied to the slider for purposes of providing decorative finishes.

Mould making zipper sliders



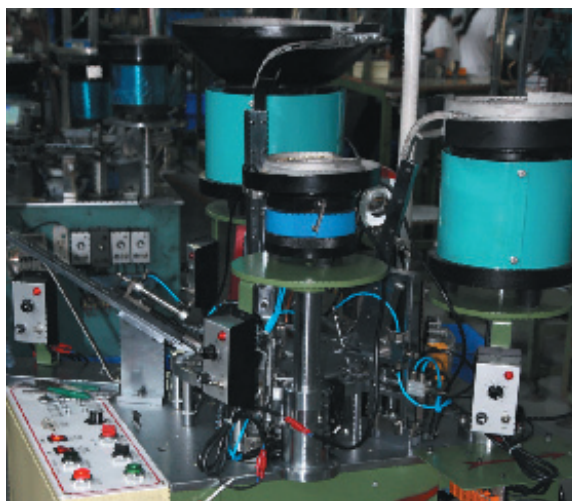
Die-casting zipper sliders



5. Assembling

- For **metal zippers** and **plastic zippers**, zipper chains are divided into the required length with our *zipper cutting machine* to form individual pieces of zippers. A zipper slider, top stops and a bottom stop are attached to each individual piece to form the finished zippers.
- For **nylon zippers**, zipper chains are transferred to our *nylon zipper gapping machine* and *nylon teeth ultrasonic melting machine* to divide the nylon zipper chains into the required length by removing a small segment of teeth from the zipper chain at even intervals and to facilitate assembling by melting part of the nylon zipper teeth. The semi-finished products are then passed to our *nylon zipper ultrasonic punching machines* and *nylon zipper 3-in-1 assembly machine* for dividing into individual pieces, fixing the top and bottom stops and adding sliders to form finished zippers.

Assembling



No major disruption to production

During the Track Record Period, there was no major disruption to our production, whether due to supplies of utilities, the malfunction of production machinery, acts of government or relations with our employees.

Outsourcing of the electroplating process

We have the capabilities to produce almost every part and component in manufacturing a finished zipper and to undertake every production process except for electroplating, which is outsourced to an Independent Third Party, an electroplating factory established and operated in Foshan City of Guangdong Province. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, the electroplating factory has the necessary licences and permits to operate its existing electroplating facilities and our Group is not liable for any breach in this connection by such factory. We have an established business relationship and cooperation with such Independent Third

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Party since 2007. We have entered into an electroplating agreement for a term of one year, which is expiring in June 2011 and is automatically renewable upon expiration each year subject to a 30 days' prior written notice by one party for termination, on similar salient terms including:

- the consideration was determined with reference to the prices as quoted by the Independent Third Party, being the electroplating factory, regarding our request for electroplating services each time;
- the electroplating quality shall fulfill our requirements as stated in the electroplating agreement; and
- we have the right to examine the electroplated products before acceptance and return those of poor quality.

Our Directors believe that our Group can easily locate an alternate supplier for the electroplating process if we fail to renew the electroplating agreement because there are at least nine other suitable suppliers for such services in Guangdong Province. During the Track Record Period, our Group did not experience any difficulty in locating and engaging a suitable supplier for the electroplating process. We intend to build electroplating facilities in the new plant in Hubei Province and consequently we no longer need to outsource the electroplating process to an Independent Third Party. We will ensure that we have appropriate personnel to manage and carry out this process. This will enable us to have a completely vertically integrated production capability and to gain additional cost efficiencies and economies of scale in our zipper manufacturing. Further details in this regard are set out in the section headed "Business — Business strategies — Investing in a new production plant in Hubei Province".

For the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our Group's outsourced electroplating costs as processing charges were approximately HK\$4.8 million, HK\$6.2 million, HK\$9.8 million, and HK\$3.0 million, representing approximately 8.9%, 9.2%, 10.3% and 6.4% of our total cost of sales respectively.

RESEARCH AND DEVELOPMENT

Our Directors strongly believe that investment in product design, and research and development is vital in providing our Company with a competitive edge in a highly competitive market. As such, we are committed to and place great emphasis on our product design, and research and development strategies to keep us ahead of our competitors. Our objectives are to continually introduce innovative products, to ensure that our new products are in conformity with market trends and that we are able to meet the changing needs of our customers.

Our research and development department is led by Mr. Hsieh Chin-Fong, who has experience in research and development in relation to zippers and zipper products, machines, moulds and equipment for producing zippers and zipper products, and he had performed such a role with many well known zipper producers before joining us in November 2004.

BUSINESS

Our research and development department has two primary roles:

- to develop new zipper products in terms of functionality and the use of materials; and
- to develop our own zipper production machinery and moulds in order to increase production efficiency and consistency in product quality.

As part of our service-and-solution-oriented business approach, our designers regularly work with our sales executives to produce various zipper prototypes in meeting the apparel brand owners' requests. Furthermore, we request our designers to keep regular communications with the sales executives in order to keep up with the latest trends in the apparel industry.

As at 31 October 2010, our research and development department consisted of 17 technical personnel. Most of these 17 technical personnel were graduates from universities or technical institutes. Our research and development department has custom-made our own zipper manufacturing machinery as set out below:

Name of machine	Functions
染色布帶自動捲繞機 (Tape winding machine)	For winding up fabric tapes before colour dyeing
金屬拉鏈自動化染色機 (Metal teeth colouring machine)	For colouring the surface of the metal zipper teeth
金屬拉鏈自動化清洗機 (Metal zipper cleaning machine)	For the removal of stains and dirt from the metal zipper teeth
尼龍拉鏈免修齒定寸機 (Nylon zipper gapping machine)	For the removal of a small segment of teeth from the nylon zipper chain at even intervals
尼龍拉鏈超音波熔牙機 (Nylon teeth ultrasonic melting machine)	For melting part of the nylon zipper teeth to facilitate assembling
尼龍拉鏈超音波沖孔機 (Nylon zipper ultrasonic punching machine)	For the perforation (i.e. making small holes in) of the nylon zipper chain in order to facilitate cutting
拉鏈切斷機 (Zipper cutting machine)	For cutting the zipper chain into designated lengths
尼龍拉鏈三合一裝嵌機 (Nylon zipper 3-in-1 assembly machine)	For the performance of two important assembling processes, namely (i) fixing the top and bottom stops; and (ii) adding sliders concurrently to form finished zippers

Save as disclosed in this prospectus, we have not entered into any cooperation arrangement for the development of new technology or machinery or are using intellectual property licensed by third parties.

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For the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our expenses on research and development, which were mainly staff costs, represented approximately 0.93%, 0.86%, 0.85% and 1.03% of our cost of sales respectively.

HONOURS AND RECOGNITION

As a result of our commitment to the quality of our products, and our efforts in using environmental friendly materials and manufacturing methods, we received the following honours and recognitions:

- in the summer of 2004, 北京李寧體育用品有限公司 (Beijing Li Ning Sports Goods Company Limited) which is one of the subsidiaries of 李寧有限公司 (Li Ning Company Limited (stock code: 2331), a company listed on the Main Board of the Stock Exchange) awarded Hongxinyuan Zippers with the honour of the “Supplier of Special Contribution” for assisting “Li Ning” in sponsoring the equipment of the China Team in the 2004 Olympic Games;
- on 21 September 2007, KEE Guangdong was first accredited with Oeko-Tex Standard 100 certification, which is an international testing and certification system for textiles shared among the 15 textile research and test institutes which make up the International Oeko-Tex Association, an Independent Third Party, in recognition of its products fulfilling human-ecological requirements for products with direct skin contact which was valid until 9 September 2009 and was subsequently renewed to be valid until 15 November 2011;
- in March 2009, 李寧(中國)體育用品有限公司 (Li Ning (China) Sports Goods Company Limited) which is one of the subsidiaries of 李寧有限公司 (Li Ning Company Limited) awarded KEE Guangdong with the “Most Outstanding Research and Development Award 2008”; and
- in March 2010, 李寧(中國)體育用品有限公司 (Li Ning (China) Sports Goods Company Limited) which is one of the subsidiaries of 李寧有限公司 (Li Ning Company Limited) awarded our Group with the “Most Outstanding Research and Development Award 2009”.

We will strive to build and maintain our brand and reputation. Our Directors believe that, as a result of the recognitions and awards, we are able to attract a broader customer base and more apparel brand owners. In addition, our Directors believe that our recognised brand can continue to drive the growth in sales of our zipper products.

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QUALITY ASSURANCE

We believe that having an established quality assurance system is one of the main factors contributing to our success and is crucial to us maintaining our reputation as a producer of quality products. Accordingly, we place high emphasis on the quality of our products, as any defects in our zippers would render the apparel products not suitable for use. Therefore, we are committed to providing our customers with reliable, competitively priced and high quality products through the implementation of stringent quality assurance measures in line with the PRC and international standards as set out below:

<u>Product/component</u>	<u>Standard</u>	<u>Association of accreditation</u>	<u>Country</u>
Finished zipper . . .	QB/T2171~2173-2001	China National Light Industry Council ⁽¹⁾	China
Finished zipper . . .	ASTM D2061-03	ASTM International ⁽²⁾	United States
Finished zipper . . .	BS3084:2006	British Standards Institution ⁽³⁾	United Kingdom
Fabric tape	GB18401-2003	General Administration of Quality Supervision, Inspection and Quarantine of the PRC ⁽⁴⁾	China

Notes:

1. It is a non-governmental association which aims to promote light industry development in China. Its main functions include carrying out industry investigation and research, participating in drafting industry standards and providing product quality supervision for local light industry enterprises.
2. It is a globally recognised association in the development and delivery of international standards which are used internationally to improve product quality, enhance safety, facilitate market access and trade, and build consumer confidence.
3. It is the national standards body recognised by the government of the United Kingdom, with a globally recognised reputation for independence, integrity and innovation in the production of standards that promote best practice.
4. It is a ministerial administrative organisation directly under the State Council in charge of national quality, metrology, commodity inspection, entry-exit health quarantine, entry-exit animal and plant quarantine, import-export food safety, certification and accreditation, standardisation and administrative law-enforcement.

We also solicit feedback from our customers on the standard of quality of our products. This enables us to identify any problematic issues, which would then be addressed through (i) modifications in our product designs and manufacturing processes; (ii) research and development; and (iii) improvements to our quality assurance procedures.

We were assessed and certified by SGS United Kingdom Limited in July 2003 and April 2010 that the requirements of ISO 9001:2000 accreditation and ISO 9001:2008 accreditation for the design and manufacture of zippers had been met respectively.

Our quality assurance group consists of a quality control team made up of 36 employees who also operate our product testing laboratory; and a field quality control team made up of 62 employees from the production department who are responsible for quality assurance at different stages of production. The quality control team's main duties include (i) overall quality assurance planning; (ii) formation of the quality assurance procedures and standards; (iii) education and training in respect of quality assurance;

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and (iv) quality checks on raw materials, supplies and finished products. The field quality control team's main duties are (i) to perform quality checks at different stages of the production of our products; (ii) to discuss with the production department and quality assurance team about the issues it identifies at the front line; and (iii) to raise suggestions about improvement to the production processes.

The product testing equipment installed and used in the laboratory operated by our quality assurance team is set out below:

Testing object	Machine and equipment	Functions
Polyester yarn	Oil content tester	For checking the oil content in the polyester yarn (a high oil content adversely affects the fabric tape colour dyeing process)
Cotton yarn/fire-proof yarn	Twisting density tester	For ensuring that the twisting density of the yarn (which is formed by twisting several very thin threads together) meets the required density
Finished zipper	Pull-force tester	For ensuring that the resistance of the zipper slider to being pulled off meets the industry standards
Finished zipper	Zipper durability tester	For testing the durability of the zipper by repeatedly pulling it up and down the zipper slider
Finished zipper	Twisting machine	For measuring the resistance of the zipper pull tab to being twisted off
Finished zipper	Washing and colour fastness machine	For testing the colour fastness of the fabric tape and teeth
Finished zipper	Salt fog tester	For measuring the resistance of the zipper slider and metal teeth to erosion
Finished zipper	Atomic absorption spectrophotometer	For determining the concentration of harmful metals (e.g. nickel) in the zipper slider and metal teeth
Finished zipper	Electronic microscope	For enlarging the image of the zipper onto a monitor to check for defects

Our product testing equipment gives us another means to ensure that our products meet the expectations and requirements of our customers by facilitating a wide range of product testing. We are not aware of any material non-compliance with the PRC and international standards during the Track Record Period. In addition, we did not receive any complaints from our customers about the quality of our products which caused a material adverse impact on our business during the Track Record Period.

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The principal quality control procedures applied during our production process are set forth below:

Use of approved suppliers

Our quality assurance process begins with ensuring that we use only high quality raw materials. Accordingly, we screen all suppliers thoroughly and only use suppliers approved by our purchasing department for our raw materials. We select suppliers based on the quality of raw materials that they supply as well as their experience, management expertise and reputation in the market. We constantly monitor the quality and performance of our suppliers and we review our list of approved suppliers regularly.

Source quality check

Our quality assurance team inspects each batch of incoming raw materials and supplies on a sampling basis to ensure that they are supplied by approved suppliers, and that the quality, grade and quantity of such raw materials conform with our order specifications before they are stored in our warehouses for future use. We maintain a certain assurance quality level for incoming raw materials and supplies. If the amount of substandard raw materials and supplies exceeds our assurance quality level, we will return the entire batch of raw materials and supplies to our suppliers.

In-production quality check

We implement in-production quality assurance measures throughout the production process to ensure that defective semi-finished products do not proceed to the next stage of the production process. During the different stages of production, our field quality control team monitors the quality of semi-finished products. Our field quality control team conducts various quality assurance tests at different checkpoints upon completion of various production stages. Only those semi-finished products which pass quality testing are allowed to proceed to the next stage of production. We also issue production process flowcharts and specifications for each semi-finished product, which must be strictly complied with during the production process.

Final quality check

Sampling checks are performed over our finished products based on our standard checking requirements for each type of products. Checking methods generally adopted include visual inspection, key specification checks and functional checks, and durability checks. Similar to incoming quality control, we maintain a certain assurance quality level for our finished products. If the amount of substandard finished products exceeds our assurance quality level, the whole batch of finished products will be returned to the production units. Finished products which have passed our sampling quality checks are packed into cartons, properly labeled and delivered to our customers or sent to the warehouses for storage pending delivery.

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As a result of our commitment to quality assurance, we have minimal rejection rates for our products. There were no material rejections recorded in 2007 and 2008. In 2009, our rejection rate was approximately 0.07% of our total sales. In the six months ended 30 June 2010, our rejection rate was approximately 0.11% of our total sales. All these rejected items were mainly due to the differences in colour or measurement between the original samples and the finished products, rather than the functioning of the zippers.

It is our policy that all customer complaints are handled promptly. At the request of our customers concerned, goods delivered to our customers may be returned for full refund or for new goods redelivered in the event that our customers concerned are not satisfied with the goods so produced. During the Track Record Period, we did not receive any complaints from our customers about the quality of our products which caused a material adverse impact on our business, nor did we experience any material goods returned from our customers.

LOGISTICS AND DISTRIBUTION

Warehousing and inventories

Our inventory mainly comprises of raw materials and supplies, work-in-progress and finished goods, all of which are stored in our warehouses located at our Guangdong Plant and Zhejiang Plant.

In order to ensure that our production process will not be interrupted as a result of supply shortages, we normally keep a certain minimum level of stocks of raw materials and supplies. Most of our products are customised according to the specific requirements of our customers. We only start to produce the customised products after we have received the specific sales orders from our customers.

We have put in place the following inventory management procedures to monitor our inventories:

- all purchases of raw materials and supplies must be authorised and approved by a purchasing manager and recorded in our inventory management system;
- all outgoing raw materials and supplies for production use must be authorised by a warehouse manager and recorded in our inventory management system;
- all finished goods are acknowledged by customers upon delivery and recorded in our inventory management system; and
- we regularly conduct inventory verifications and inspections at our warehouses to confirm the accuracy of the information recorded in our inventory management system.

We carefully monitor the level of our stocks of raw materials and supplies, work-in-progress and finished goods to minimise their storage time. All inventories entering into our warehouses are tagged with labels specifying their relevant dates of entry such that we are able to consume available raw materials and supplies and retrieve our finished products on a first-in-first-out basis.

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Transportation and delivery of products

We believe that the distance between our plants and the locations of our customers is a key consideration for our customers in deciding on the zipper suppliers. Our production bases in Foshan City of Guangdong Province and Jiaxing City of Zhejiang Province enable us to benefit from the efficient logistics infrastructure available in the areas of the Pearl River Delta and the Yangtze River Delta respectively.

We have our own transportation teams in our Guangdong Plant and Zhejiang Plant which are responsible for the delivery of our products from our plants to customers who are situated nearby our Guangdong Plant or Zhejiang Plant respectively.

We outsource most of our delivery of products to third party logistics providers in regions other than Guangdong and Zhejiang. These outsourcing arrangements allow us to reduce our capital investment. In order to eliminate the risk of liability for accidents in transit or delivery loss, we take out insurance policies obtained through third party logistics providers to cover the risks associated with product transportation. We establish a long-term business relationship with quality logistics providers in order to lower the risk of losses arising from performance failure of such logistics providers.

Our production lead time is approximately two to eight days from the time we receive the sales order to the time the ordered products are manufactured and ready for delivery at our warehouse (which depends on the quantity ordered). Our transportation time is approximately one to two days from the time we send out the ordered products to the time our customer receive the products (which depends on the customer's location). We generally agree with our customers on the product delivery time when the sales orders are confirmed. During the Track Record Period, we did not experience any material disruption to the delivery of our products which caused us to suffer loss or to pay compensation.

For the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our expenses on transportation and delivery of our products represented approximately 1.0%, 1.2%, 1.2% and 1.1% of our total turnover respectively.

INTELLECTUAL PROPERTY RIGHTS

We believe that our patents and trademarks have substantial value as we greatly value creativity. In fact, our business involves the use of different forms of intellectual property. Many of our finished zippers, sliders and machinery were designed or developed by us, thus they contain intellectual property rights. Therefore, some of our finished zippers have been patented, and we use our trademarks in our business and on most of our products.

We recognise the importance of protecting and enforcing our intellectual property rights. Our employees, who may have access to our trade secrets and other proprietary intellectual property information, are bound by confidentiality agreements. During the Track Record Period, there was no material action taken against any employee for breach of such confidentiality agreements. We will take appropriate action to defend our intellectual property rights if they are infringed in the future. Moreover, we intend to apply for registration of the appropriate intellectual property rights for any new technological know-how developed by us.

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We rely on various intellectual property laws and contractual restrictions to protect our proprietary rights. As at the Latest Practicable Date, we (i) registered the “开易” trademark in the PRC; (ii) registered the “^k_e” trademark in the PRC and with the World Intellectual Property Organisation; (iii) registered the “KEE” trademark in 32 countries and regions including the PRC and with the World Intellectual Property Organisation; (iv) applied for the registration of the “KEE” trademark in 12 countries; (v) owned 10 registered designs, two registered utility models, and three registered invention patents in the PRC; and (vi) filed one application for an invention patent in the PRC.

As at the Latest Practicable Date, we had not given any consent to any other party for the use of any trademarks or patents owned by us. We are not aware of:

- any material infringement of trademarks, registered designs, copyrights, patents or other intellectual property rights owned by us during the Track Record Period;
- any litigation or material disputes regarding the intellectual property rights owned by us during the Track Record Period; and
- any infringement of intellectual property rights owned by any third party.

As at the Latest Practicable Date, we had also registered three domain names including the following:

- kee.cn;
- keezippers.com; and
- kee.com.cn.

Save for the trademarks, registered designs, utility model patents, invention patents and domain names disclosed in this prospectus, our business and profitability are not dependent on any other trademarks, registered designs, copyrights, patents or other intellectual property rights.

Details of our intellectual property rights as at the Latest Practicable Date are set out in the section headed “Further information about our business — Intellectual property rights” in Appendix V to this prospectus.

COMPETITION

According to the CMMC Report 2009, China is the world leader in the production of zippers with approximately 39% of the global market share and it has approximately 1,400 zipper producers whose revenue from the sale of zippers each exceeded RMB5 million in 2009. In 2009, the total turnover of the top 15 producers in the industry accounted for approximately 17.8% of the sales value of the industry in China. In terms of our turnover compared to the sales value of the industry in China, our market share

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was about 0.28% in 2009. During 2007 to 2009, our turnover grew at a CAGR of approximately 32.5% while the sales value of the zipper industry in China grew at a CAGR of approximately 15.4%. Hence, the growth rate of our turnover outpaced the growth rate of the sales value of the zipper industry in China during the same period.

Our competitors are mainly zipper manufacturers in the quality zipper market. We believe that the primary elements of competition for our business are product quality, brand name recognition, pricing, timely delivery and customer service standards. With our competitive strengths set out in the section headed “Business — Competitive strengths” and our business strategies set out in the section headed “Business — Business strategies”, we believe that our business will continue to have healthy growth despite market competition from our competitors. Furthermore, we will continue to maintain a close working relationship with apparel brand owners in order to retain and improve our market position in the zipper industry.

INSURANCE

We maintain insurance policies to cover various aspects of risks in relation to our operations. The coverage of our insurance includes product liability claim and loss of or damage to our premises, machinery, office equipment, raw materials, finished products and vehicles.

We believe that our insurance coverage is adequate for our operations. We did not make any material insurance claims during the Track Record Period.

ENVIRONMENTAL PROTECTION

Environmental protection is the practice of protecting the environment and is an important component of modern business. Our Group is committed to improving our environmental protection standards and protecting the environment in all areas where we conduct our business.

Our production operations are all carried out in China and hence are subject to the relevant PRC environmental laws and regulations set out in the section headed “PRC laws and regulations”.

The water pollutant produced from our operations is mainly waste water discharged from the colour dyeing of fabric tapes. We have installed and operate sewage treatment facilities at our Guangdong Plant and Zhejiang Plant to reduce the level of water pollutant. Part of the treated waste water at our Guangdong Plant and all of the treated waste water at our Zhejiang Plant is discharged as permissible under the relevant environmental laws and regulations. The remaining part of the treated waste water at our Guangdong Plant is re-used by us in our production operations.

The solid wastes at our Guangdong Plant and Zhejiang Plant include normal industrial wastes such as scrap packaging metal, plastic materials and various residues from production. We have contracted a PRC licensed collection company to handle such industrial wastes discharged from our production at our Guangdong Plant. Our PRC Legal Adviser has advised that our Group and our Directors are not jointly and/or severally liable for any breach by the PRC licensed collection company. For our Zhejiang Plant, the local government service provider provides centralised collection service for industrial wastes discharged from our production.

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For the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our Group's capital expenditures on environmental protection were approximately HK\$0.5 million, HK\$1.2 million, HK\$0.3 million and HK\$0.2 million respectively. The increase in such expenditure in 2008 as compared to 2007 was primarily due to the construction of our Zhejiang Plant. A similar amount to 2009 is expected to be spent on environmental protection on a yearly basis unless there is a change to the relevant laws and regulations in the PRC.

Our PRC Legal Adviser has advised that our production operations (including color dyeing) at our Guangdong Plant and Zhejiang Plant have complied with the relevant PRC environmental laws and regulations and that we have obtained the necessary licences or permits issued by competent authorities.

PRODUCTION SAFETY

We emphasise the health and production safety of our employees. We have implemented measures at our production facilities to promote occupational health and safety and to ensure compliance with the applicable laws and regulations.

As at 31 October 2010, we had a designated safety team with 18 personnel responsible for the administration and promotion of production safety. Two of these personnel at our Guangdong Plant and another two at Zhejiang Plant have completed 安全生產管理人員安全培訓課程 (the safety training programme for production safety administration personnel) organised by 佛山市安全生產監督管理局 (the Foshan City Production Safety Supervision Board) and 嘉善縣安全生產監督管理局 (the Jiashan County Production Safety Supervision Board) and have obtained the certificates for the qualification of safety officer. We publish internal bulletins with production safety discussions to promote the importance of and to raise the awareness of occupational health and safety among our employees. We have established a series of safety guidelines, rules and procedures for different aspects of our production activities, including fire safety, warehouse safety, electricity safety, work-related injuries, and emergency and evacuation procedures. We maintain a general register with the records of accidents and dangerous occurrences. We have installed appropriate fire safety equipment. We also organise fire drills and provide fire prevention training to our staff.

We consider that sufficient measures have been taken to ensure compliance with the relevant laws and regulations of the PRC. We confirm that our operations were in compliance with the applicable safety laws and regulations in all respects and we did not experience any accidents that, individually or in the aggregate, had a material adverse effect on our financial conditions and results of operations during the Track Record Period.

Our PRC Legal Adviser has advised that our production operations at our Guangdong Plant and Zhejiang Plant have complied with the relevant PRC production safety rules, laws and regulations.

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PROPERTIES

Guangdong Plant

KEE Guangdong leases our Guangdong Plant from our Founders. The Lease Agreement has been registered with the real estate administration authorities of Foshan City. The size of the land is of approximately 26,976.6 sq. m. and the total gross floor area of the buildings is approximately 17,705 sq.m. which is allocated for the following functional uses:

• factory of	11,855 sq. m.
• office of	931 sq. m.
• quarters of	3,914 sq. m.
• warehouse of	1,005 sq. m.

Our Founders have the land use right certificate of the land occupied by KEE Guangdong and the building ownership right certificate or building and land ownership right certificate of the buildings constructed thereupon.

The principal provisions of the lease between KEE Guangdong and our Founders are as follows:

- the initial term of the lease is three years commencing on 1 January 2010;
- upon expiry of the initial term or any subsequent term of the lease, KEE Guangdong has the right at its sole discretion, but not the obligation, to request renewal of the lease for consecutive terms of three years each up to and including 31 December 2024;
- in case our Founders wish to sell the relevant buildings and/or land use rights, KEE Guangdong has the first right of refusal; and
- the rental of the leased buildings and/or land use rights during any term shall not exceed the market price as at the commencement date of each new term to be determined by an independent valuer.

For further details of this lease, please see the section headed “Connected transaction — Continuing connected transaction”.

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Zhejiang Plant

KEE Zhejiang owns our Zhejiang Plant. The size of the land is of approximately 32,241.3 sq. m., upon which we have constructed several buildings with a total gross floor area of approximately 23,183 sq.m. which is allocated for the following functional uses:

- factory of 12,502 sq. m.
- office of 3,478 sq. m.
- quarters of 5,816 sq. m.
- warehouse of 1,387 sq. m.

UNA office

UNA leases a commercial unit of approximately 50.23 sq. m. from an Independent Third Party. The unit is located at Nanhai District of Foshan City. Our PRC Legal Adviser considers this lease valid.

Shanghai Branch unit

Our Shanghai Branch leases a commercial unit of approximately 61.08 sq. m. from an Independent Third Party. The unit is located at Yan An Road West of Shanghai. Our PRC Legal Adviser considers this lease valid.

Hong Kong office

KEE Zippers leases an office of approximately 154.87 sq. m. in Tsimshatsui, Hong Kong from an Independent Third Party. Our Hong Kong Legal Adviser considers this lease valid.

See Appendix III to this prospectus for further details regarding the properties held and rented by our Group.

COMPLIANCE AND LITIGATION

Compliance with Section 122 of the Hong Kong Companies Ordinance

Pursuant to sections 122(1), 122(1A), 122(1B) and 122(2) of the Hong Kong Companies Ordinance, the financial statements of KEE Zippers are required to be laid at its annual general meeting no later than nine months after the date to which such financial statements are made up or at its other general meeting at a later time as may be specified by the court.

The financial statements of KEE Zippers for the years ended 31 December 2006, 2007 and 2008 were laid at its annual general meetings held on 14 March 2008, 12 March 2009 and 11 March 2010 respectively.

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On 30 July 2010, the Court of First Instance of the High Court of Hong Kong granted orders pursuant to section 122(1B) of the Hong Kong Companies Ordinance as follows:

- the requirements under sections 122(1) and 122(2) be substituted; and
- time be extended for the laying of the financial statements of KEE Zippers for the years ended 31 December 2006, 2007 and 2008 to its annual general meetings held on 14 March 2008, 12 March 2009 and 11 March 2010 respectively.

Our Hong Kong Legal Adviser has advised that KEE Zippers is, therefore, in compliance with section 122 of the Hong Kong Companies Ordinance.

The financial statements of KEE Zippers for the year ended 31 December 2009 have been prepared which have been audited by KPMG. Such financial statements have also been laid at the extraordinary general meeting of KEE Zippers held on 30 August 2010.

We will ensure that the financial statements of KEE Zippers for the years thereafter will be laid at the annual general meetings of KEE Zippers within the time specified in section 122(1A) of the Hong Kong Companies Ordinance.

Compliance with the PRC laws and regulations

Our PRC Legal Adviser has advised that we have obtained and completed all the required examination and approval formalities from the PRC government in respect of our Group reorganisation for the purposes of the Listing, which is legal and valid under the PRC laws and regulations.

Set out in the section headed “PRC laws and regulations” are the relevant PRC laws and regulations applicable to our operations and business. Nevertheless, there is no assurance that such laws and regulations will not change in the future.

Our existing Group members in the PRC

Our PRC Legal Adviser has advised that we have complied with all applicable laws and regulations of the PRC since the establishment of our existing Group members in the PRC save as disclosed as follows:

Our PRC Legal Adviser has noted a total amount of approximately HK\$2.5 million and a total amount of HK\$2.1 million in relation to our Group’s outstanding social insurance fund and housing provident fund contributions as at 30 June 2010, which were due and respectively calculated on the basis that all relevant employees of our Group were taken into account with reference to the relevant PRC laws and regulations in relation to the social insurance fund and housing provident fund. Such amounts of HK\$4.6 million in total have been fully provided for in the consolidated financial statements of our Group.

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Pursuant to 社會保險費徵繳暫行條例 (the Interim Regulation on Collections and Payment of Social Insurance Fund) and 住房公積金管理條例 (the Regulations on Management of Housing Provident Fund), the relevant authorities (i.e. 勞動保障行政部門或稅務機關 (the labour security administration authorities or the tax authorities) in respect of the social insurance fund; and 住房公積金管理中心 (the housing provident fund management centres) in respect of the housing provident fund) have authority to demand payment from our Group for any outstanding social insurance fund and housing provident fund contributions respectively. Our PRC Legal Adviser has advised that a penalty or fine would only be imposed if our Group refuses to pay the outstanding social insurance fund and housing provident fund contributions on time as demanded by the relevant authorities in future.

Our Directors confirm that up to the Latest Practicable Date, our Group has not received any such demand from the relevant authorities and our Group will pay the outstanding social insurance fund and housing provident fund contributions on time upon receipt of any demand from the relevant authorities in future. As such, our Directors consider that the outstanding social insurance fund and housing provident fund contributions would not have any material adverse impact on our Group's financial performance and conditions since the relevant amounts have been fully provided for in the consolidated financial statements of our Group.

Due to different levels of development in social benefits in different parts of the PRC, local policies or requirements in this regard in Foshan City of Guangdong Province and Jiaxing City of Zhejiang Province where we operate are less stringent than the requirements under the relevant PRC laws and regulations in relation to the social insurance fund and the housing provident fund. Given the circumstances and the confirmations obtained from the relevant competent social insurance fund and housing provident fund authorities, followed by our PRC Legal Adviser's on-site enquires, confirming that our Group has complied with the relevant local policies and requirements as regards social insurance fund and housing provident fund, our PRC Legal Adviser has advised that our Group is unlikely to be subject to any penalty or fine or any compulsory enforcement by court in connection with the outstanding social insurance fund and housing provident fund contributions.

Our Controlling Shareholders have undertaken to indemnify in favour of our Group against any costs, expenses and/or damages as a result of our above non-compliance with PRC social insurance fund and housing provident fund laws and regulations.

To facilitate our regulatory compliance regarding social insurance fund and housing provident fund, we have taken the following measures:

- We have a designated staff member to monitor any demand that may be received from the relevant authorities for the outstanding social insurance fund and housing provident fund contributions, and ensure that we will pay the outstanding contributions on time upon receipt of such demand;
- We have provided written guidelines to our human resources staff on the relevant laws, rules and regulations in such regard;

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- We have designated a staff member in our human resources department to (i) handle the calculation and the reporting on the social insurance fund and housing provident fund contributions for our subsidiaries in the PRC; and (ii) keep abreast of the regulatory requirements regarding social insurance fund and housing provident fund; and
- Our finance and accounting department will regularly review and check the calculations performed by our human resources department and make contributions of such funds accordingly.

KEE Investment and KEE Suzhou (both are no longer our Group members)

As part of our reorganisation to prepare for the Listing and to streamline our Group structure particularly by disposing of KEE Investment and KEE Suzhou (as a dormant company of KEE Investment) as a group, KEE Zippers sold the entire issued share capital of KEE Investment to Nicco on 22 September 2010. As a result, KEE Investment and KEE Suzhou ceased to be members of our Group. Our PRC Legal Adviser has advised that KEE Investment and KEE Suzhou were in compliance with all applicable rules, regulations and laws of the PRC before KEE Investment and KEE Suzhou were sold to Nicco save as disclosed as follows:

- KEE Investment, as the sole shareholder of KEE Suzhou, failed to pay all of the registered capital of KEE Suzhou within the timeframe specified in the articles of association of KEE Suzhou. In view of that (i) the business licence of KEE Suzhou was issued by 江蘇省蘇州工商行政管理局 (the Administration for Industry and Commerce of Suzhou, Jiangsu) on 13 December 2006 confirming that all of the registered capital of KEE Suzhou had been paid up; (ii) the annual inspections for KEE Suzhou by the relevant authorities for 2006 and 2007 have been passed; and (iii) no penalty or fine has been imposed as a result of such late capital contribution, our PRC Legal Adviser has advised that the possibility of a penalty or fine being imposed in this connection in future is very remote.
- KEE Investment, as the sole shareholder of KEE Zhejiang, failed to pay all of the registered capital of KEE Zhejiang within the timeframe specified in the articles of association of KEE Zhejiang. In view of that (i) the business licence of KEE Zhejiang was issued by 嘉興市工商行政管理局 (the Administration for Industry and Commerce of Jiaxing) on 18 June 2009 confirming that all of the registered capital of KEE Zhejiang had been paid up; (ii) the annual inspections for KEE Zhejiang by the relevant authorities for 2008 and 2009 have been passed; and (iii) no penalty or fine has been imposed as a result of such late capital contribution, our PRC Legal Adviser has advised that the possibility of a penalty or fine being imposed in this connection in future is very remote.
- Our business operation in Suzhou ceased in May 2008 and KEE Suzhou did not complete the 2008 annual inspection before the statutory deadline of 30 June 2009. On 30 December 2009, 江蘇省蘇州工商行政管理局 (the Administration for Industry and Commerce of Suzhou, Jiangsu) made a decision and revoked the business licence of KEE Suzhou. On 22 September 2010, Nicco acquired the entire issued share capital of KEE Investment. Hence,

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KEE Investment and KEE Suzhou (as a dormant company) are no longer members of our Group. As at the Latest Practicable Date, KEE Suzhou is yet to complete the cancellation of its tax registration with the relevant tax authorities in the PRC and the liquidation process prior to its de-registration. In relation to the tax concession enjoyed by KEE Suzhou in 2006 and 2007 prior to the end of its first 10 operating years as required by the relevant tax authorities, a claw-back provision of approximately HK\$3.0 million has been made in the consolidated financial statements of KEE Investment. Such claw-back provision remained in the consolidated financial statements of KEE Investment when KEE Investment was sold to Nicco. Our Directors consider that the disposal of KEE Investment and KEE Suzhou as a group would not have any material impact on our Group's financial performance and conditions.

Our Controlling Shareholders have undertaken to indemnify in favour of our Group against any costs, expenses and/or damages as a result of the above non-compliance by KEE Investment and KEE Suzhou. In future, our Group will seek advice from our PRC legal advisers from time to time in order to facilitate our on-going compliance with the PRC laws and regulations.

Litigation

From April 2008 to December 2008, 浙江中元建設股份有限公司(Zhejiang Zhongyuan Construction Joint-Stock Company Limited) carried out various construction works for KEE Zhejiang. KEE Zhejiang refused to pay the outstanding construction fee due to a disagreement between the parties concerning the amount of the construction fee. In light of these circumstances, on 26 May 2010, 浙江中元建設股份有限公司(Zhejiang Zhongyuan Construction Joint-Stock Company Limited) as plaintiff commenced legal proceedings against KEE Zhejiang as defendant whereby it claimed RMB830,487 for the outstanding construction fee and RMB34,000 for compensation. On 1 June 2010, the court made a property preservation order to freeze the bank savings of KEE Zhejiang for an amount of RMB870,000 for a period of six months. We have made a provision of approximately RMB865,000 in our Group's consolidated financial statements. As advised by our PRC Legal Adviser, if the judgement is entered into in favour of the plaintiff, the maximum potential liability will be approximately RMB980,000. Given the provision of RMB865,000 made in our Group's consolidated financial statements, our Directors are of the view that there will be no material impact on our business, financial conditions and results of operations because the difference between the maximum potential liability and the provision already made is not material.

Save as disclosed herein and in the section headed "Other information — Litigation" in Appendix V to this prospectus, as at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group.

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Investment in listed equity securities

In March 2007, our Group opened securities accounts and placed a total cash amount of RMB25,000,000 in the accounts to commence investing in A shares in the same month. The maximum aggregate investment amount was capped at RMB25,000,000. In July 2009, our Group disposed of all the equity investments and terminated its investing activities accordingly. Our Group sustained a total net realised loss of approximately HK\$4.62 million which included all the trading costs of approximately HK\$0.86 million in respect of investment in the A share market during the Relevant Period.

In April 2010, our Group's securities accounts were all closed. Further, in the 12 months following the date of Listing, our Group will be prohibited from engaging in share trading or investing in securities. The prohibition will continue to apply unless at the expiry of the 12-month period following the date of Listing our Company at a Board meeting to be attended by all of our Directors resolves to engage in share trading or investing in securities. Any decision by our Board after such Board meeting is convened will be announced by our Company before any share trading or investing in securities would be carried out. In the event that our Group engages in investment in stock markets in future, our Board will ensure that such activity is carried out in a manner that is in the interests of our Company and Shareholders as a whole, taking into account such factors that (i) such activity will be carried out with a view to capturing investment returns for our Group; (ii) such activity will not be carried out as a separate principal business of our Group; (iii) such activity will be carried out in unutilised cash without bank borrowings provided that the liquidity of our Group e.g. working capital will not be adversely affected, and any dividend declared to be distributed by our Company will be paid without delay; (iv) our chief financial officer will monitor and, if necessary, external investment managers will also be consulted on such investment decisions as the initial maximum amount of investment, types of securities to be invested in, investment objectives regarding expected investment returns and target sectors, the buying and selling strategies, any treasury policy to be adopted from time to time governing the use of unutilised cash of our Group and the stop loss limit to be set in this connection; and (v) our chief financial officer will report to our Board on the investment performance at least on a monthly basis and implement any monitoring measures from time to time considered by the Board as appropriate and necessary.

Further details in this regard are set out in the section headed "Financial information — Rule 8.05(1)(a) — minimum profit requirement".

PRC LAWS AND REGULATIONS

The relevant PRC laws and regulations applicable to our operations and the business of our Group are set out below:

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTED ENTERPRISES

The establishment and organisational structure of companies in the PRC are governed by 中華人民共和國公司法 (the Company Law of the PRC) (the “**Company Law**”) which was enacted by 全國人民代表大會常務委員會 (the Standing Committee of the National People’s Congress of the PRC) (the “**Standing Committee of NPC**”) and was first implemented on 1 July 1994. The currently effective Company Law was amended by the Standing Committee of NPC on 27 October 2005 and was implemented on 1 January 2006. The Company Law provides, among other things, the establishment, organisational structure, corporate management of companies, qualifications and obligations of company directors, supervisors and senior officers. The Company Law also applies to foreign-invested limited liability companies and companies limited by shares, unless otherwise provided in laws on foreign investment, in which case such provisions shall apply.

Before making an investment in the PRC, foreign investors shall comply with 外商投資產業指導目錄 (the Guidance Catalogue of Industries for Foreign Investment) (the “**Catalogue**”). The Catalogue was first promulgated in 1995 and the currently effective Catalogue was promulgated by 中華人民共和國商務部 (the Ministry of Commerce of the PRC) and 中華人民共和國國家發展和改革委員會 (the National Development and Reform Commission of the PRC) on 31 October 2007. The Catalogue classifies industries into three categories: encouraged, restricted and prohibited. Except otherwise stipulated by other laws and regulations, foreign investors are permitted to invest in industries not in the restricted or prohibited categories. Some industries in the restricted category may be limited to equity joint ventures or contractual joint ventures only or the Chinese shareholder as the controlling shareholder in the joint ventures. Foreign investors are not allowed to invest in industries in prohibited category. According to the currently effective Catalogue, the business of our subsidiaries in the PRC belongs to the permitted industry for foreign investment.

Wholly foreign-owned enterprises are also governed by 中華人民共和國外資企業法 (the Law on Wholly Foreign-Owned Enterprises of the PRC) (the “**Wholly Foreign-Owned Enterprise Law**”) and its implementation rules. The currently effective Wholly Foreign-Owned Enterprise Law was adopted by the Standing Committee of the NPC on 31 October 2000. The establishment procedures, registration procedures, registered capital and corporate structures of wholly foreign-owned enterprises are regulated by the abovementioned laws and regulations.

The Ministry of Commerce or the relevant local authorities are responsible for approving the establishment of wholly foreign-owned enterprises and other changes to the enterprises, such as changes in capital, equity transfer and consolidation.

PRC LAWS AND REGULATIONS

LAWS AND REGULATIONS RELATING TO TAXATION

The PRC subsidiaries of our Group shall pay tax in accordance with the PRC laws relating to taxation.

Enterprise income tax

On 1 January 2008, 中華人民共和國外商投資企業和外國企業所得稅法 (the Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises of the PRC) was abolished and the PRC Enterprise Income Tax Law, promulgated on 16 March 2007, became effective. Save as any preferential treatment provided under the PRC laws and regulations, domestic enterprises and foreign-invested enterprises shall be subject to a unified applicable enterprise income tax rate of 25%. Pursuant to the PRC Enterprise Income Tax Law, enterprises are divided into resident enterprises and non-resident enterprises. A resident enterprise refers to an enterprise that is established inside the PRC, or which is established under the law of a foreign country (region) but whose actual management organisation is inside the PRC. A non-resident enterprise refers to an enterprise established under the law of a foreign country (region), whose actual management organisation is not inside the PRC but which has offices or establishments inside the PRC; or which does not have any offices or establishments inside the PRC but has incomes sourced in the PRC. A resident enterprise shall pay the enterprise income tax on its incomes derived from both inside and outside the PRC at the rate of 25%. A non-resident enterprise having offices or establishments inside the PRC shall pay enterprise income tax on its incomes derived from the PRC and incomes derived from outside the PRC but which has actual connection with the said offices or establishments at the rate of 25%. A non-resident enterprise which has no office or establishment inside the PRC, or whose income has no actual connection with its office or establishment inside the PRC shall pay enterprise income tax on the incomes derived from the PRC at the rate of 20%.

For those enterprises that were established prior to the promulgation of the PRC Enterprise Income Tax Law and enjoyed lower tax rates according to the provisions of the previous tax laws and regulations, their income tax rates shall, according to the stipulations of the State Council, be gradually transferred to the tax rate provided in the PRC Enterprise Income Tax Law within five years after the PRC Enterprise Income Tax Law is promulgated. The enterprises that have enjoyed the preferential treatment of tax exemption for a fixed term may, according to the stipulations of the State Council, continue to enjoy such treatment after the promulgation of the PRC Enterprise Income Tax Law until the fixed term expires. However, for those that have failed to enjoy the preferential treatment due to failure to make profits, the term of preferential treatment may be counted as at the year when the PRC Enterprise Income Tax Law is promulgated.

Business Tax

All units and individuals engaged in the provision of services, the transfer of intangible assets or the sale of immovable properties within the territory of the PRC, as prescribed in 中華人民共和國營業稅暫行條例 (the Interim Regulation on Business Tax of the PRC) (the “**Interim Regulation on Business Tax**”), shall be regarded as taxpayers of business tax and shall pay business tax in accordance with the Interim Regulation on Business Tax. In addition, business tax shall be levied when the PRC enterprises engage in taxable activities including the provision of services, the transfer of intangible assets or the sale of immovable properties, etc.

PRC LAWS AND REGULATIONS

Withholding tax

The PRC Enterprise Income Tax Law prescribes a standard withholding tax rate of 20% on dividends and other China-sourced passive income of non-resident enterprises. However, the implementation rules of the PRC Enterprise Income Tax Law reduced the rate from 20% to 10%, effective from 1 January 2008.

The PRC government and the Hong Kong government signed 內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排 (Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income) on 21 August 2006 (the “**Arrangement**”). According to the Arrangement, no more than 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong tax resident, provided that the recipient is a company that directly holds at least 25% of the capital of the PRC company.

Value added tax

中華人民共和國增值稅暫行條例 (The Provisional Regulation concerning VAT of the PRC) was promulgated by the State Council on 13 December 1993 and revised on 10 November 2008. Under this regulation and its implementing rule, VAT is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC. The VAT in general is at the rate of 17% for goods sold or imported by taxpayers. Small-scale taxpayers are subject to VAT tax rate of 3%. For certain specified categories of goods sold or imported by taxpayers, the VAT rate is 13%.

Real property tax

Pursuant to 中華人民共和國房產稅暫行條例 (the Interim Regulation on Real Property Tax of the PRC) promulgated by the State Council on 15 September 1986 (the “**Interim Regulation on Real Property Tax**”), the real property tax is payable by the real property owners on the remaining value of the original price of the property after an one-off deduction of 10% to 30% of its price. The tax rates of real property will be 1.2% if the tax is levied on the remaining value of the real property or 12% if the tax is levied on the rental income of the real property. Pursuant to 關於對外資企業及外籍個人徵收房產稅有關問題的通知 (the Notice Concerning Relevant Issues of Levy of Real Property Tax from Foreign Enterprises and Foreign Individuals) jointly issued by 中華人民共和國財政部 (the Ministry of Finance of the PRC) and 國家稅務總局 (State Administration of Taxation) on 12 January 2009 and the 546th Order issued by the State Council on 31 December 2008, 城市房地產稅暫行條例 (the Provisional Urban Real Property Tax Regulation) was repealed with effect from 1 January 2009. Foreign-invested enterprises, foreign enterprises and organisations and foreign individuals (including enterprises and organisations with Hong Kong, Macau and Taiwan investments and overseas Chinese, compatriots from Hong Kong, Macau and Taiwan, collectively known as foreign enterprises and foreign individuals) shall pay real property tax by reference to Interim Regulation on Real Property Tax.

PRC LAWS AND REGULATIONS

REGULATIONS ON DIVIDEND DISTRIBUTION

The principal laws and regulations governing distribution of dividends paid by domestic companies and wholly foreign-owned enterprises include (i) the Company Law; and (ii) Wholly Foreign-Owned Enterprise Law and implementation regulations. Under the above laws and regulations, domestic companies and wholly foreign-owned enterprises in the PRC may pay dividends only from accumulated after-tax profits. In addition, such enterprises are required to allocate at least 10% of their after-tax profits each year, if any, to their statutory common reserve. The statutory common reserve is not distributable as cash dividends. Under the relevant PRC law, no net assets other than the accumulated after-tax profits can be distributed in the form of dividends.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

The principal law governing foreign currency exchange in the PRC is 中華人民共和國外匯管理條例 (the Regulation on Foreign Exchange Administration of the PRC) (the “**Foreign Exchange Rules**”). The Foreign Exchange Rules was first enacted by the State Council on 29 January 1996. On 1 August 2008, the State Council amended the Foreign Exchange Rules. According to the currently effective Foreign Exchange Rules, international payment in foreign exchange and transfer of foreign exchange under current accounts are freely convertible. The foreign exchange income of a domestic organisation or individual may be transferred back into the PRC or deposited overseas, the specific conditions and term requirements of which shall be determined by the foreign exchange administrative department of the State Council in light of the balance of payments and the foreign exchange administrative requirements.

An overseas organisation or individual that makes direct investment in the PRC shall handle the registration formalities at an administrative department of foreign exchange upon the approval of the competent department. A domestic organisation or individual that makes direct investment or issues or trades negotiable securities or derivative products overseas shall handle the registration formalities at the state administration of foreign exchange of the State Council. If the relevant state laws require the approval of or registration with the competent department, such approval or registration shall be obtained before handling the registration formalities. As the capital injection from foreign shareholders into KEE Guangdong and KEE Zhejiang involves foreign exchange and we are engaged in imports and exports, the laws and regulations relating to foreign exchange therefore apply to the business and operation of our Group.

Settlement and sale of and payment in foreign exchange

According to 結匯、售匯及付匯管理規定 (the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment), domestic entities shall promptly remit all foreign exchange from abroad unless authorised by the relevant authorities of the PRC. The income in foreign exchange of domestic entities generated from exports, entrepot business and other types of transactions (including other foreign exchange specified by the SAFE) shall be settled at the designated foreign exchange banks. Foreign-invested enterprises may retain their foreign earnings derived from their ordinary business activities at the limit prescribed by the SAFE and any excess amount shall be converted through the designated foreign exchange banks or foreign exchange adjustment centres. In the event that the payments to overseas in foreign exchange by domestic entities, including but not limited to, the

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advance payments for purchases and commissions exceed the limit prescribed by the SAFE, the payments can be made via their own foreign exchange accounts or the designated foreign exchange banks after the review by SAFE. Foreign-invested enterprises are permitted to convert after-tax dividends into foreign exchange and to remit such foreign exchange from their bank accounts in the PRC with valid proof of the relevant board resolutions. For the dividends which shall be paid in foreign exchange under the relevant laws and regulations, the payments can be effected via foreign exchange bank accounts or the designated foreign exchange banks with valid proof of the relevant board resolutions.

LAWS AND REGULATIONS RELATING TO PRODUCT QUALITY

Pursuant to 中華人民共和國產品質量法 (the Product Quality Law of the PRC), which was promulgated on 22 February 1993 and revised on 8 July 2000, producers shall be liable for the products they produce. Where a defective product causes physical injury to a person or damage to property, the victim may claim compensation against the producer or the seller of such product. If the case is severe enough to constitute a crime, criminal responsibility shall apply.

On 31 October 1993, the Standing Committee of NPC enacted 中華人民共和國消費者權益保護法 (the Law on Protection of Consumers' Rights and Interests of the PRC), which came to effect on 1 January 1994. The consumers who purchase and use commodities or receive services for daily consumption shall have the protection under the said law. Business operators which provide the commodities manufactured or sold by them or render services to the consumers shall abide by this law. Business operators shall guarantee that commodities and services supplied comply with the requirements of personal and property safety. Business operators shall make compensations if damages occur. Where the case is severe enough to constitute a crime, criminal responsibility shall apply.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Our operations are subject to PRC environmental laws and regulations, which include 中華人民共和國環境保護法 (the Environmental Protection Law of the PRC), 中華人民共和國大氣污染防治法 (the Law on Prevention and Control of Atmospheric Pollution of the PRC), 中華人民共和國水污染防治法 (the Law on Prevention and Control of Water Pollution of the PRC), 中華人民共和國固體廢物污染環境防治法 (the Law on Prevention and Control of Environmental Pollution by Solid Wastes of the PRC), 中華人民共和國環境噪聲污染防治法 (the Law on Prevention and Control of Environmental Noise Pollution of the PRC), 建設項目環境保護管理條例 (the Administrative Regulations on Environmental Protection for Construction Projects), 排污費徵收使用管理條例 (the Administrative Regulations on Levy and Utilisation of Sewage Charge) and 中華人民共和國環境影響評價法 (the Law on Appraising of Environment Impacts of the PRC). The environmental laws and regulations govern a broad range of environmental matters, including air pollution, sewage, waste discharge and noise emissions.

According to these environmental laws, construction projects shall conduct assessment of environmental impact, obtain approval on such assessment and be subject to final examination and consideration as to the compliance with the environmental protection standards. Prior to the construction of new facilities or expansion or transformation of existing facilities that may cause a significant impact on the environment, a report on the environmental impact of the construction project shall be submitted to the relevant environmental protection authority. The newly constructed production facilities cannot

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operate until the relevant department is satisfied that such facilities are in compliance with all relevant environmental protection standards. Environmental protection facilities shall be designed, constructed and put into use simultaneously with the main project construction. Pursuant to the requirements of 中華人民共和國環境保護法 (the Environmental Protection Law of the PRC), any production facilities that could possibly cause pollution or other public hazards shall adopt measures on environmental protection and shall establish a system on environmental protection and administration. Effective measures shall be adopted to prevent and control the pollution and harm caused to the environment by the emission of exhaust air, sewage, waste residues, dust, malodorous gas, radioactive substances, noise, vibration and electromagnetic radiation. Enterprises that discharge pollutants shall register with the relevant environmental protection authority. The State Environmental Protection Administration shall formulate national standards on emission of pollutants in accordance with the national standards on environmental quality, and the state economic and technological conditions. Governments at the provincial level and of the autonomous regions and municipalities may formulate their respective local standards on the discharge of pollutants for items not specified in the national standards. The local governments may formulate local standards, which are more stringent than the national ones.

Pursuant to the requirements under the currently effective 中華人民共和國水污染防治法 (the Law on Prevention and Control of Water Pollution of the PRC) and 中華人民共和國大氣污染防治法 (the Law on Prevention and Control of Atmospheric Pollution of the PRC), which became effective on 1 September 2000 and 排污費徵收使用管理條例 (the Administrative Regulations on Levy and Utilisation of Sewage Charge), enterprises which discharge water or air pollutants shall pay discharge fees pursuant to the types and volume of pollutants discharged. The discharge fees are calculated by the local environmental protection authority, which shall review and verify the types and volume of pollutants discharged. Once the discharge fees have been calculated, a notice on payment of discharge fees shall be issued to the relevant enterprises.

Pursuant to 中華人民共和國固體廢物污染環境防治法 (the Law on Prevention and Control of Environmental Pollution Caused by Solid Waste of the PRC), which was revised and became effective on 1 April 2005, entities and individuals collecting, storing, transporting, utilising, or disposing of solid waste shall take precautions against the spread, loss, and leakage of such solid waste or adopt such other measures for preventing such solid waste from polluting the environment.

The penalties for any breach of the environmental protection laws vary from warnings, fines, decisions to impose deadlines for cure, orders to stop production and imposition of administrative actions against relevant responsible individuals. Any entity whose construction projects fail to satisfy the requirements of pollution prevention may be ordered to suspend its production or operation and be subject to a fine. The responsible person of the entity may be subject to criminal liabilities for serious breaches resulting in significant damage to private or public property or personal death or injury.

According to 中華人民共和國環境影響評價法 (the Law on Appraising of Environment Impacts of the PRC) adopted at the 30th session of the Standing Committee of the Ninth National People's Congress on 28 October 2002 and promulgated on 1 September 2003, manufacturers must prepare environmental impact evaluation reports setting forth the impact that the proposed construction project may have on the environment and the measures to prevent or mitigate the impact for approval by the government authority prior to the commencement of the construction of the relevant project.

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Electroplating facilities

According to 建設項目環境影響評價文件分級審批規定 (the Provisions on Graded Examination and Approval of Documents Evaluating Environmental Impacts of Construction Projects) (Order No. 5) issued by the Ministry of Environmental Protection of the PRC, which was amended on 11 December 2008 and became effective on 1 March 2009, all electroplating facilities should be examined and approved by the environmental protection authorities of provincial or prefecture level due to the severe pollution of the electroplating industry, and then ratified by the provincial government and registered with the Ministry of Environmental Protection of the PRC. Order No. 5 is a guideline standard in which no provisions concerning the penalties that enterprises should bear in the event of non-compliance are stipulated. However, our PRC Legal Adviser has advised that the relevant administration of environmental protection could have the authority to order enterprises stop constructing such facilities, and even impose a penalty within the scope of RMB50,000 to RMB200,000 in the event of non-compliance by the enterprises according to Article 31 of 中華人民共和國環境影響評價法 (the Law on Appraising of Environment Impacts of the PRC) as Order No. 5 is made to improve the implementations of this law mentioned above.

Pursuant to 清潔生產標準電鍍行業 (the Standard of Clean Production of Electroplating Industry) (HJ/T314-2006), which was promulgated on 22 November 2006 and revised on 27 November 2008 by the Ministry of Environmental Protection of the PRC and became effective on 1 February 2009, all electroplating facilities should maintain the standard of clean production to protect the environment. This guideline standard is the industrial standard of national environmental protection. 清潔生產標準電鍍行業 (the Standard of Clean Production of Electroplating Industry) provides an industry standard for electroplating facilities and there is no article stipulating the penalties borne by enterprises in breach of this standard but our PRC Legal Adviser has advised that the local administration of environmental protection at the county level or above could have the authority to order enterprises to stop constructing such facilities, and impose a penalty of no more than RMB100,000 in the event of non-compliance by enterprises according to Article 36 of 中華人民共和國環境保護法 (the Environmental Protection Law of the PRC) and Article 40 of 中華人民共和國清潔生產促進法 (the Law of Cleaner Production Promotion of the PRC) as the standard is formulated in accordance with these two laws mentioned above.

Pursuant to 電鍍污染物排放標準 (the Emission Standard of Pollutants for Electroplating) (GB_21900-2008) effective on 1 August 2008, all the electroplating facilities should strictly comply with this emission standard regarding emission of waste water and air pollutants. This standard stipulates the composition limits of waste water and air pollutants discharged by electroplating facilities. Although there is no provision related to penalties borne by enterprises under the circumstances of non-compliance with this standard, our PRC Legal Adviser has advised that the local administration of environmental protection at the county level could have the authority to order enterprises to make adjustments within a specified time limit and impose a penalty within the scope of RMB10,000 to RMB100,000 pursuant to Article 48 of 中華人民共和國大氣污染防治法 (the Law on Prevention and Control of the Atmospheric Pollution of the PRC) or impose the amount of two to five times of the pollution discharge fees where enterprises could not satisfy the composition limits of waste water and air pollutants pursuant to Article 74 of 中華人民共和國水污染防治法 (the Law on Prevention and Control of Water Pollution of the PRC) as the standard is formulated to improve the implementation of the two aforesaid laws.

PRC LAWS AND REGULATIONS

Color dyeing

Our color dyeing operations are subject to 中華人民共和國水污染防治法 (the Law on Prevention and Control of Water Pollution of the PRC), 中華人民共和國海洋環境保護法 (the Ocean Environmental Protection Law of the PRC), 中華人民共和國循環經濟促進法 (the Circular Economy Promotion Law of the PRC) and 國務院關於環境保護若干問題的決定 (the Decision on Several Issues of Environmental Protection by the State Council).

According to 中華人民共和國水污染防治法 (the Law on Prevention and Control of Water Pollution of the PRC) and 國務院關於環境保護若干問題的決定 (the Decision on Several Issues of Environmental Protection by the State Council) which was promulgated on 3 August 1996, any newly constructed production projects including without limitation dyeing, electroplating and metal that failed to be in compliance with the requirements under the national industrial policies, relevant laws and regulations and may cause severe pollution to the water should be ordered to shut down or cease production by the government at the city or the county level of their domiciles.

Pursuant to 中華人民共和國循環經濟促進法 (the Circular Economy Promotion Law of the PRC) which was promulgated on 29 August 2008 and became effective on 1 January 2009, the State adopts a key supervision and administration system to regulate key enterprises in high energy or water consuming industries such as steel, non-ferrous metal, coal, electrical power, petroleum processing, chemical industry, building materials, building construction, paper-making, printing and dyeing.

Pursuant to 中華人民共和國水污染防治法 (the Law on Prevention and Control of Water Pollution of the PRC) and 中華人民共和國海洋環境保護法 (the Ocean Environmental Protection Law of the PRC) that came into effect on 1 June 2008 and on 1 April 2000 respectively, any construction of new industrial production projects of dyeing, electroplating, metal, paper-making and petroleum processing that failed to comply with the national industrial policies or adopt the effective controlling measures to reduce their pollution, or even could cause severe pollution to the water and marine environment should be strictly prohibited.

LAWS AND REGULATIONS RELATING TO LABOUR AND SOCIAL INSURANCE

The Standing Committee of NPC promulgated 中華人民共和國勞動法 (the Labour Law of the PRC), which became effective on 1 January 1995. Pursuant to the Labour Law of the PRC, the State shall implement a system of guaranteed minimum wages. Specific standards on minimum wages shall be stipulated by provincial, autonomous regional and municipal people's governments and reported to the State Council for registration. The employer shall pay labourers wages no lower than local standards on minimum wages.

On 29 June 2007, the Standing Committee of NPC promulgated the PRC Employment Contract Law, which became effective on 1 January 2008. The PRC Employment Contract Law contains provisions for the protection of the legitimate rights of employees including the requirement of execution of labour contracts in written form, the stipulation as to circumstances under which employees may be entitled to economic compensation for termination of labour contracts and the imposition of stricter penalties on employers who fail to pay wages or social security premiums for their employees according to the laws and regulations.

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According to 社會保險費徵繳暫行條例 (the Interim Regulation on Collections and Payment of Social Insurance Fund) promulgated and implemented on 22 January 1999 by the State Council and 工傷保險條例 (the Regulation on Work-related Injury Insurance) implemented on 1 January 2004 by the State Council, the employer shall pay pension insurance fund, basic medical insurance fund, unemployment insurance fund and occupational injury insurance fund for the employees.

Work-related injury insurance

All types of enterprises and sole proprietors in the PRC that hire workers (the “**Proprietors**”) shall participate in work-related injury insurance and pay work-related injury insurance premiums for all of the staff and workers or hired workers in their work unit (the “**Employees**”) in accordance with 工傷保險條例 (the Regulation on Work-Related Injury Insurance). Furthermore, the Employees shall have the right to enjoy the benefits of work-related injury insurance in accordance with the regulation. The collection and the payment of work-related injury insurance premiums shall be in accordance with the provisions in 社會保險費徵繳暫行條例 (the Interim Regulation on the Collection and Payment of Social Insurance Premiums) regarding the collection and payment of basic endowment insurance premiums, basic medical insurance premiums and unemployment insurance premiums. The Proprietors shall pay work-related injury insurance premiums on time. The Regulation on Work-Related Injury Insurances also specify the determination of work-related injury, assessment of work capability, work-related injury insurance benefits, supervision and administration and legal liability.

Housing provident fund

According to 住房公積金管理條例 (the Regulations on the Management of Housing Provident Fund) effective on 3 April 1999 and revised on 24 March 2002, the PRC companies shall go through housing fund registration with the local housing fund administration centres and open housing fund accounts for their employees with banks. A company may be subject to an order to attend to registration within a time limit for failure to comply with the rules in relation to the abovementioned registration and accounts opening. If a company fails to attend to registration within the prescribed time limit, it shall be imposed with a penalty ranging from RMB10,000 to RMB50,000. Where a company fails to pay up housing funds within the time limit, the housing provident fund management centre will order it to make payment within a certain period of time, and if the company still fails to do so, the housing provident fund management centre may apply to the court for enforcement of the unpaid amount.

According to 浙江省住房公積金條例 (the Regulations on Management of Housing Provident Fund of Zhejiang Province) promulgated by the People’s Congress of Zhejiang Province on 1 October 1997 and revised on 2 November 2001, where an enterprise fails to pay the housing provident fund within the prescribed time limit, a late-payment fine at a daily rate of 0.1% shall be charged on the outstanding contribution by the managing centre of housing provident fund.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Trademark Law

According to 中華人民共和國商標法 (the Trademark Law of the PRC) adopted at the 24th meeting of the Standing Committee of the Fifth National People’s Congress on 23 August 1982 and revised on

PRC LAWS AND REGULATIONS

22 February 1993 and 27 October 2001 respectively, registered trademarks are those that have been approved and registered by the Trademark Office of the PRC, and trademark registrants shall be entitled to the right to exclusive use of their trademarks and shall be protected by law. The Trademark Law of the PRC contains provisions on, among other things, the application for trademark registration, the examination and approval of trademark registration, the renewal, assignment and licensing of registered trademarks, the protection of exclusive use, the determination of disputes concerning registered marks and the administration of the use of trademarks.

Patent Law

According to 中華人民共和國專利法 (the Patent Law of the PRC) adopted at the 4th meeting of the Standing Committee of the Sixth National People's Congress on 12 March 1984 and revised on 4 September 1992, 25 August 2000 and 27 December 2008 respectively, patent can be granted to inventions, utility models and designs. The Patent Office of the PRC receives and examines patent applications and grants patent rights to inventions, utility models and designs that conform with the provisions of this Law. The Patent Law of the PRC contains provisions on, among other things, the requirements for grant of patent rights, the application for patent, the examination and approval of application for patent, duration, cessation and invalidation of patent rights, compulsory license for exploitation of patent and the protection of patent rights.

LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

According to 中華人民共和國安全生產法 (the Production Safety Law of the PRC) which became effective on 1 November 2002. The production and business operation entities are required to have safe conditions as required by the relevant laws and regulations concerning the production safety, strengthen the administration of production safety, establish and perfect the system of responsibility for production safety and perfect the conditions for safe production. The major person-in-charge of the production and business operation of the entities shall take charge of the overall work of the production safety of the entity concerned. Business operation entities shall purchase work-related injury insurance according to the relevant laws and regulations.

SAFE REGISTRATION

According to 關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知 (the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Return Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Vehicles) (the "SAFE Circular 75"), which was issued by the SAFE on 21 October 2005, and effective on 1 November 2005:

- domestic residents who plan to establish or control an offshore special purpose vehicle must conduct foreign exchange registration with the local foreign exchange authority;
- domestic residents who have contributed the assets or shares of a domestic enterprise into an offshore special purpose vehicle, or have raised funds offshore after such contribution, must conduct foreign exchange registration for the modification of the record concerning the offshore special purpose vehicle with the local foreign exchange authority; and

PRC LAWS AND REGULATIONS

- domestic residents are required to go through registration for the modification of the record with the local foreign exchange authority within 30 days from the date of any major capital change event, such as an increase or a decrease of capital, share transfer, share swap, merger or division, long term equity or debt investment or foreign guarantee where no round-trip investment is involved.

Our PRC Legal Adviser has advised that the SAFE Circular 75 is not applicable to our Controlling Shareholders and KEE Zippers as our Founders had already held the entire interests in Nicco directly and had also held the entire interests in KEE Zippers indirectly through Nicco before the SAFE Circular 75 came into force, and our Founders neither made any equity financing (including convertible debt financing) nor round-trip investment as defined in the SAFE Circular 75 through Nicco and KEE Zippers. Therefore, neither Nicco nor KEE Zippers falls within the meaning of “special purpose vehicle” as defined in the SAFE Circular 75. Our PRC Legal Adviser has further advised that our Founders have complied with the relevant applicable foreign exchange laws and regulations in the PRC.

THE RULES ON THE MERGER AND ACQUISITION OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS

Under 關於外國投資者併購境內企業的規定 (the Rules on the Acquisition of Domestic Enterprises by Foreign Investors in the PRC) (the “**M&A Rules**”), a foreign investor is required to obtain the necessary approvals when (i) a foreign investor acquires equity in a domestic company thereby converting it into a foreign-invested enterprise, or subscribes for new equity via an increase of registered capital thereby converting it into a foreign-invested enterprise; and (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and then injects those assets to establish a foreign-invested enterprise. Circumventing the M&A Rules by using trusts, nominees, or other means is prohibited.

Our PRC Legal Adviser has advised that the M&A Rules are not applicable to our Group reorganisation and Listing because our relevant PRC subsidiaries were either established before the implementation of the M&A Rules or subject to other applicable rules and regulations in the PRC instead. As such, our Company is not required to obtain approval from the China Securities Regulatory Commission in this regard.

COMPLIANCE WITH THE PRC LAWS AND REGULATIONS

Our PRC Legal Adviser has advised that we have obtained and completed all the required examination and approval formalities from the PRC government in respect of our Group reorganisation for the purposes of the Listing, which is legal and valid under the PRC laws and regulations. Further, our PRC Legal Adviser has advised that we have complied with all applicable laws and regulations of the PRC since the establishment of our existing Group members in the PRC save as disclosed in the section headed “Business — Compliance and litigation — Compliance with the PRC laws and regulations — Our existing Group members in the PRC”.

CONNECTED TRANSACTION

Upon Listing, the transaction set forth below will constitute a continuing connected transaction for our Company under Chapter 14A of the Listing Rules:

CONNECTED PERSONS

Both Mr. Xu Xipeng and Mr. Xu Xinan are our executive Directors and Controlling Shareholders and therefore are Connected Persons of our Company.

CONTINUING CONNECTED TRANSACTION

Since the previous lease agreement in respect of the Guangdong Plant which was leased at a monthly rental of RMB240,000 expired on 31 December 2009, Mr. Xu Xipeng and Mr. Xu Xinan (as lessors) and KEE Guangdong, a wholly-owned subsidiary of our Company (as lessee), entered into the Lease Agreement pursuant to which Mr. Xu Xipeng and Mr. Xu Xinan have agreed to lease to KEE Guangdong the Guangdong Plant at a monthly rental of RMB260,000 payable within the first 10 working days of each month for an initial term of three years commencing on 1 January 2010 to 31 December 2012.

For each of the three years ending 31 December 2012, the annual rental payable by our Group (the “**Annual Cap**”) under the Lease Agreement will be as follows:

	RMB	HK\$
Year ending 31 December 2010	3,120,000	3,651,336
Year ending 31 December 2011	3,120,000	3,651,336
Year ending 31 December 2012	3,120,000	3,651,336

For the three years ended 31 December 2007, 2008 and 2009, the annual rentals paid by our Group regarding the Guangdong Plant were approximately HK\$1.1 million, HK\$3.2 million and HK\$3.3 million respectively. After an upward adjustment of RMB20,000 per month with reference to the prevailing market rate from RMB240,000 per month to RMB260,000 per month, the Annual Cap has increased to RMB3,120,000 (or HK\$3,651,336). According to the advice of Asset Appraisal Limited, the monthly rental of RMB260,000 is fair and reasonable with reference to the market rate.

KEE Guangdong is entitled to renew the Lease Agreement at its sole discretion for consecutive terms of three years each up to 31 December 2024. The monthly rental may be renewed by reference to the prevailing market price and shall not be higher than the market price to be ascertained by an independent valuer.

Given the annual rental amount payable by KEE Guangdong, the Lease Agreement, which constitutes a continuing connected transaction under Rule 14A.34, falls within the ambit of Rule 14A.35 of the Listing Rules and is only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules, the annual review requirements set out in Rules 14A.37 to 14A.40 of the Listing Rules and the requirements set out in Rules 14A.35(1) and 14A.35(2) of the Listing Rules.

CONNECTED TRANSACTION

REASONS FOR THE WAIVER APPLICATION

Pursuant to Rule 14A.42(3) of the Listing Rules, the Stock Exchange may consider granting a waiver from the announcement requirements set out in Rule 14A.47 of the Listing Rules in relation to the Lease Agreement. Since the details of the Lease Agreement have been included in this prospectus, our Directors consider that strict compliance with the announcement requirements set out in Rule 14A.47 of the Listing Rules would add additional and unnecessary costs to our Company. Therefore, our Directors consider that the waiver from the announcement requirements set out in Rule 14A.47 of the Listing Rules in connection with the Lease Agreement is in the interests of our Company and our Shareholders as a whole. Our Company will comply with the relevant requirements under Chapter 14A of the Listing Rules, including the Annual Cap, and will re-comply with the relevant rules of Chapter 14A of the Listing Rules (including independent Shareholders' approval requirements) if the waiver from the Stock Exchange expires or the Annual Cap is exceeded, or when the Lease Agreement expires or is renewed or when there is a material change to the terms of the Lease Agreement.

Furthermore, our Directors (including our INEDs) are of the view that the entering into of the Lease Agreement is in the ordinary and usual course of business of our Group, the Lease Agreement including the Annual Cap is on normal commercial terms, and the terms of the Lease Agreement including the Annual Cap are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Having reviewed the terms of the Lease Agreement and based on the advice of Asset Appraisal Limited that the monthly rental of RMB260,000 is fair and reasonable with reference to the market rate, the Sponsor concurs with the view of our Directors (including our INEDs) that the entering into of the Lease Agreement is in the ordinary and usual course of business of our Group, the Lease Agreement including the Annual Cap is on normal commercial terms, and the terms of the Lease Agreement including the Annual Cap are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

THE WAIVER SOUGHT AND THE PROPOSED CONDITIONS RELATED THERETO

Pursuant to Rule 14A.42(3) of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement requirements set out in Rule 14A.47 of the Listing Rules for the Lease Agreement subject to the following conditions:

- (a) the transactions under the Lease Agreement are entered into:
 - (i) in the ordinary and usual course of the business of our Group;
 - (ii) on normal commercial terms (or on terms no less favourable to our Group than terms available to Independent Third Parties); and
 - (iii) in accordance with the terms of the Lease Agreement that are fair and reasonable and in the interests of our Company and our Shareholders as a whole;

CONNECTED TRANSACTION

- (b) the annual aggregate rental paid by our Group will not exceed the Annual Cap for each of the three financial years ending 31 December 2012;
- (c) each year our INEDs shall review the transactions conducted under the Lease Agreement and confirm in the annual report and consolidated financial statements of our Company for the relevant financial year that the transactions have been conducted in the manner as stated in paragraph (a) above;
- (d) each year our Company's auditors shall provide a letter to our Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of our Company's annual report) confirming that the transactions under the Lease Agreement:
 - (i) have received the approval of our Board;
 - (ii) have been entered into in accordance with the terms of the Lease Agreement; and
 - (iii) have not exceeded the Annual Cap,

where, for whatever reason, the auditors of our Company decline to accept the engagement, our Directors shall inform the Stock Exchange immediately;

- (e) details of the transactions conducted under the Lease Agreement in each financial year shall be disclosed in accordance with Rules 14A.45(1) to (5) of the Listing Rules in the annual report and consolidated financial statements of our Company for the financial year concerned;
- (f) our Company shall promptly notify the Stock Exchange and publish an announcement if we know or have reason to believe that our INEDs and/or our Company's auditors will not be able to confirm the matters set out in Rule 14A.37 and/or Rule 14A.38 of the Listing Rules and our Company may have to re-comply with Rules 14A.35 (3) and (4) of the Listing Rules respectively and any other conditions the Stock Exchange considers appropriate; and
- (g) our Company, Mr. Xu Xipeng and Mr. Xu Xinan shall undertake to the Stock Exchange that, for so long as our Shares are listed on the Stock Exchange, we will provide the auditors of our Company with sufficient access to the relevant records for the purpose of reporting on the transactions conducted under the Lease Agreement.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

In preparation for the Share Offer, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTION

Our Group has entered into a transaction, which will constitute a continuing connected transaction for our Company under the Listing Rules upon Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement requirements set forth in Chapter 14A of the Listing Rules. Further information on such continuing connected transaction and the conditions of the waiver are set forth in the section headed “Connected transaction”.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

The executive Directors are as follows:

Mr. Xu Xipeng
Mr. Xu Xinan
Mr. Yang Shaolin

All executive Directors are not ordinarily resident in Hong Kong.

Pursuant to Rule 8.12 of the Listing Rules, our Company must have a sufficient management presence in Hong Kong. This will normally mean that at least two of our executive Directors must be ordinarily resident in Hong Kong.

As the business and operation of our Group are primarily located, managed and conducted in China through our Company’s major operating subsidiaries, the executive Directors and senior management of our Group are therefore based in China. Accordingly, for the purposes of the management and operations of our Group, appointment of additional executive Directors to establish management presences in Hong Kong would not only increase the administrative expenses of our Group, but would also reduce the effectiveness of our Board in making decisions for our Group, especially when business decisions are required to be made within a short period of time.

Our Directors believe that it would be practically difficult and commercially infeasible for our Company to appoint one more Hong Kong resident as executive Director or to relocate our Company’s executive Directors who are resident in China to Hong Kong merely for the purpose of complying with Rule 8.12 of the Listing Rules.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 of the Listing Rules subject to the following conditions:

- (a) Our Company has appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange. Our two authorised representatives are Mr. Xu Xipeng (an executive Director) and Ms. Li Yan Wing, Rita (a joint company secretary of our Company). Ms. Li is ordinarily resident in Hong Kong. Each of our authorised representatives will be available to meet with the Stock Exchange within a reasonable time frame upon request of the Stock Exchange and will be readily contactable by telephone, facsimile and email to promptly address inquiries from the Stock Exchange. Each of our two authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange.
- (b) Each of our authorised representatives has means to contact all members of our Board (including our INEDs) promptly at all times as and when the Stock Exchange wishes to contact any of our Directors for any matters. To enhance the communications between the Stock Exchange or our authorised representatives and our Directors, our Company will implement a policy that (i) each executive Director, non-executive Director and INED will have to provide his mobile phone number, office phone number, residential phone number, fax number and email address, if applicable, to our authorised representatives; (ii) in the event that a Director expects to travel and be out of office, he will have to provide the phone number of the place of his accommodation to our authorised representatives; and (iii) all our executive Directors, non-executive Director, INEDs and authorised representatives will provide their respective mobile phone numbers, residential phone numbers, office phone numbers, fax numbers and email addresses, if applicable, to the Stock Exchange.
- (c) In compliance with Rule 3A.19 of the Listing Rules, our Company has appointed Shenying Wanguo as the compliance adviser of our Company for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date. Our compliance adviser will, in addition to our authorised representatives and alternative authorised representative, act as an additional channel of communication with the Stock Exchange.
- (d) In addition, those Directors (including executive Directors, non-executive Director and INEDs) who are not ordinarily resident in Hong Kong should possess valid travel documents to visit Hong Kong for business purpose and would be able to come to Hong Kong and meet the Stock Exchange upon reasonable notice.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

WAIVER IN RELATION TO THE QUALIFICATIONS OF A JOINT COMPANY SECRETARY

The joint company secretaries of our Company are as follows:

Mr. Yang Shaolin (“**Mr. Yang**”)

Ms. Li Yan Wing, Rita (“**Ms. Li**”)

Pursuant to Rule 8.17 of the Listing Rules, the secretary of our Company must be a person who is ordinarily resident in Hong Kong and has the requisite knowledge and experience to discharge the functions of secretary of our Company.

Mr. Yang, as a joint company secretary of our Company, is not ordinarily resident in Hong Kong and does not possess the qualification required under Rule 8.17 of the Listing Rules.

Ms. Li, as another joint company secretary of our Company, is a senior manager of the corporate services division of Tricor Services Limited and an Associate of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. She has over 20 years’ experience in corporate advisory services. Ms. Li has provided various secretarial and corporate services to many listed companies.

For the protection of interests of our Shareholders and our Company and to promote good corporate governance, our Company has appointed Ms. Li as a joint company secretary, who is ordinarily resident in Hong Kong and meets the requirements under Rule 8.17 of the Listing Rules, to assist Mr. Yang, to (i) discharge his duties as a joint company secretary of our Company; and (ii) enable him to acquire the relevant experience required under Rule 8.17(3) of the Listing Rules.

Ms. Li has been engaged by our Company in the above capacity for an initial period of three years commencing on the Listing Date. During the engagement period, Ms. Li will ensure that she will be available to provide assistance to Mr. Yang. In addition, our Company will endeavour to arrange Mr. Yang to have sufficient training through attending relevant external seminars and/or training courses.

Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.17 of the Listing Rules subject to the following conditions:

- (a) Mr. Yang will be assisted by Ms. Li to acquire the relevant experience within the meaning of Rule 8.17(3) of the Listing Rules to discharge his duties as a joint company secretary of our Company;
- (b) our Company shall demonstrate to the satisfaction of the Stock Exchange that Mr. Yang, having the benefit of Ms. Li’s assistance for three years, would have acquired the relevant experience within the meaning of Rule 8.17(3) of the Listing Rules so that a further waiver in this regard would not be necessary;

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

- (c) the waiver will be revoked immediately when Ms. Li ceases to provide assistance and guidance to Mr. Yang or resigns as a joint company secretary of our Company;
- (d) our Company shall notify the Stock Exchange at the end of the three year waiver period for the Stock Exchange to re-visit the situation;
- (e) our another authorised representative, Mr. Xu Xipeng (an executive Director), will act as an additional channel of communication with the Stock Exchange; and
- (f) our compliance adviser, Shenyin Wanguo, will also act as an additional channel of communication with the Stock Exchange.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

Our Board currently consists of seven Directors, of whom three are executive Directors, one is a non-executive Director and three are INEDs. The powers, functions and duties conferred on our Board include convening Shareholders' meetings and reporting their work to the Shareholders' meetings, implementing the resolutions of the Shareholders' meetings, determining our business plans and investment plans, formulating our annual budget and approving final accounts, formulating our proposals for dividend distributions, bonus payments and for the increase or reduction of share capital, as well as exercising other powers, functions and duties as conferred by the Memorandum and the Articles.

The following table sets out certain information concerning our Directors:

Name	Age	Position
Mr. Xu Xipeng (許錫鵬)	45	Executive Director (<i>Chairman</i>)
Mr. Xu Xinan (許錫南)	40	Executive Director (<i>CEO</i>)
Mr. Yang Shaolin (楊少林)	36	Executive Director (<i>CFO</i>)
Mr. Chow Hoi Kwang, Albert (周浩光) . . .	58	Non-executive Director
Mr. Lin Bin (林斌)	48	INED
Mr. Kong Hing Ki (江興琪)	39	INED
Mr. Tam Yuk Sang, Sammy (譚旭生)	47	INED

Executive Directors

Mr. Xu Xipeng (許錫鵬), aged 45, is an executive Director, chairman of our Board, one of our Founders and an elder brother of Mr. Xu Xinan. Mr. Xu is responsible for the formulation of development strategies, overseeing of the overall business of our Group and the operation of our Board. Mr. Xu has over 18 years of experience in the zipper industry. During these 18 years, Mr. Xu has been responsible for the overall management and overseeing production of Hongji Zippers, Hongxinyuan Zippers and our Group. He was appointed as an executive Director on 6 July 2010.

Mr. Xu Xinan (許錫南), aged 40, is an executive Director, our chief executive officer, one of our Founders and the younger brother of Mr. Xu Xipeng. Mr. Xu is responsible for the implementation of the decisions of our Board and the overall guidance and supervision of our business. Mr. Xu has over 18 years of experience in the zipper industry. During these 18 years, Mr. Xu has been responsible for the overall management, sales and marketing of Hongji Zippers, Hongxinyuan Zippers and our Group. He was appointed as an executive Director on 6 July 2010.

Mr. Yang Shaolin (楊少林), aged 36, is an executive Director, our chief financial officer and one of our joint company secretaries. He is responsible for the overall financial planning of our Group, and managing our finance and accounting department and our information technology department. Mr. Yang joined us in December 2008 and has over 13 years' experience in corporate management and financial management. Mr. Yang worked as an accountant and later as a finance manager in various manufacturing enterprises (including 廣州金源行金屬有限公司 (Guangzhou KYH Metal Co., Ltd.) for

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

over two and a half years) prior to joining our Group. He obtained a Bachelor's Degree in Economics majoring in accounting from 北京物資學院 (Beijing Wuzi University) in 1997. Mr. Yang is also a member of The Chinese Institute of Certified Public Accountants and a registered tax agent in the PRC. He was appointed as an executive Director on 6 July 2010.

Non-executive Director

Mr. Chow Hoi Kwang, Albert (周浩光), aged 58, was appointed as a non-executive Director on 6 July 2010. Mr. Chow joined our Group in 2005 and has advised our Group on business strategy and internal controls. Mr. Chow has 19 years' experience in corporate management and holds a Bachelor Degree of Commerce from McMaster University in Canada. Mr. Chow is also a member of The Society of Management Accountants of Canada (also known as CMA Canada). Mr. Chow's work experience prior to joining our Company (except during 1996 to 1999 when he retired from work and lived in Canada) includes:

- from 1988 to 1991, as the regional finance director of Frank Small & Associates Limited, an Australian market research company;
- from 1992 to 1996, as chief operating officer and director and one of the founders of Asia Market Intelligence Limited, a market research company in Hong Kong; and
- from 1999 until the Latest Practicable Date, as the managing director, the founder and the sole shareholder of Inetol Cyber Limited (力圖聯網有限公司) of Hong Kong, a company engaged in manufacturing and trading of headwear.

Independent non-executive Directors

Mr. Lin Bin (林斌), aged 48, was appointed as an INED on 10 August 2010. Mr. Lin graduated from 江西財經大學 (Jiangxi University of Finance and Economics) in 1984 with a Bachelor's Degree in Economics majoring in industrial accounting. Mr. Lin obtained his Doctorate Degree in Economics (Accountancy) from 廈門大學 (the University of Xiamen) in 1997. Mr. Lin has served in various positions as tutor, lecturer and associate professor in the Faculty of Economics and Management in 華東交通大學 (East China Jiaotong University). Currently, Mr. Lin is a professor and a director of the department of accountancy and also a director of 會計碩士專業教育中心 (the Education Centre of Master of Professional Accounting) of 中山大學 (Sun Yat-Sen University). His roles in public services include:

- the vice chairman of 廣東省內部審計協會 (the Association of Internal Audit of Guangdong Province);
- the vice chairman of 廣東省審計學會 (the Audit Society of Guangdong Province);
- a committee member of 中國會計學會會計教育專業委員會 (the Committee of Accounting Education of the Accounting Society of China); and

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

- a member of 中華人民共和國財政部企業內部控制標準委員會諮詢專家組 (the Consultation Team for Enterprise Internal Control Standards of the Ministry of Finance of the PRC).

Mr. Lin also acts as an independent non-executive director of;

- 廣州白雲國際機場股份有限公司 (Guangzhou Baiyun International Airport Company Limited), a company whose shares are listed on the Shanghai Stock Exchange, and
- 深圳市愛施德股份有限公司 (Shenzhen Aisidi Company Limited), a company whose shares are listed on the Shenzhen Stock Exchange.

Mr. Kong Hing Ki (江興琪), aged 39, was appointed as an INED on 24 November 2010. He has over 10 years' experience in accounting, auditing and finance, gained from international accountancy and commercial firms. Currently, he is a financial controller of a company whose ultimate holding company is listed on the main board of the Singapore Exchange Securities Trading Limited, and is an independent non-executive director and the audit committee chairman of Hing Lee (HK) Holdings Limited (stock code: 396), a company whose shares are listed on the Stock Exchange. Mr. Kong obtained a Bachelor's Degree in Commerce from The Australian National University and a Master of Business Administration Degree from Deakin University, which is a joint program of Deakin University and CPA Australia conducted in Hong Kong. He is a Fellow of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia.

Mr. Tam Yuk Sang, Sammy (譚旭生), aged 47, was appointed as an INED on 10 August 2010. Mr. Tam graduated from the Hong Kong Polytechnic University with a Professional Diploma in Accountancy in 1986 and is a Fellow of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He has over 20 years' experience in accounting, auditing and finance. He is currently president of Essentack Limited, a corporate strategy and management advisory company, and he is also an independent non-executive director and the audit committee chairman of Kith Holdings Limited (stock code: 1201), a company whose shares are listed on the Stock Exchange. Save as disclosed, in the three years preceding the Latest Practicable Date, Mr. Tam was also an independent non-executive director and the audit committee chairman of Ngai Lik Industrial Holdings Limited (stock code: 332), a company whose shares are listed on the Stock Exchange.

Save disclosed above, there are no other matters concerning all our Directors' appointment that need to be brought to the attention of our Shareholders and the Stock Exchange and there are no other matters which shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

SENIOR MANAGEMENT

Our senior management are responsible for the day-to-day management of our business. The following table sets forth certain information concerning our senior management personnel:

Name	Age	Position
Mr. Hsieh Chin Fong (謝慶豐)	66	Chief technical officer
Ms. Mo Qiuye (莫秋葉)	32	Senior sales manager
Mr. Wei Chengxin (魏成信)	37	Factory director

Mr. Hsieh Chin Fong (謝慶豐), aged 66, is our chief technical officer responsible for overseeing various aspects of our product design, and research and development departments. He has many years of experience in the zipper industry including zipper production and the development of zipper production machinery. Prior to joining our Group in November 2004, Mr. Hsieh had worked for several zipper manufacturers in Taiwan. Mr. Hsieh acted as a senior specialist in 宏大拉鏈股份有限公司 (Max Zipper Co., Ltd) from 1987 to 1993 and acted as a general manager in 冠宇拉鏈股份有限公司 (Unitech Zipper & Machinery Co. Ltd) from 1992 to 2004.

Ms. Mo Qiuye (莫秋葉), aged 32, was appointed as our senior sales manager in December 2009. She is responsible for the management of our China sales and customer service. Ms. Mo joined our Group in March 1999 as a sales assistant. In 2007, she was appointed as a sales manager. Ms. Mo has more than 11 years' experience in the sale of zippers and garment accessories and has an in-depth knowledge in the apparel business.

Mr. Wei Chengxin (魏成信), aged 37, is our factory director. Mr. Wei joined us in March 1997 as a member of the field quality control team and he was promoted to the production department manager in September 1998. Mr. Wei was further promoted to become the factory director of KEE Suzhou in September 2006 and was transferred to his current position at KEE Zhejiang in May 2008. Mr. Wei has more than 13 years' experience in the management of production of zippers and has an in-depth knowledge in the techniques required of the production of zippers.

JOINT COMPANY SECRETARIES

Mr. Yang Shaolin (楊少林), aged 36, an executive Director and our chief financial officer, was appointed as a joint company secretary of our Company on 25 November 2010. For details of his biography, please refer to the section headed "Directors, senior management and employees — Directors".

Ms. Li Yan Wing, Rita (李昕穎), aged 45, was appointed as a joint company secretary of our Company on 25 November 2010. Ms. Li is a senior manager of the corporate services division of Tricor Services Limited and an Associate of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. She has over 20 years' experience in corporate advisory services. Prior to joining Tricor Services Limited, Ms. Li served as a senior manager of the company secretarial department of Tengis Limited. Ms. Li has provided various secretarial and corporate services to many listed companies. Currently, she is not acting as a company secretary of any listed companies other than our Company. Ms. Li works closely and shares responsibilities with Mr. Yang

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Shaolin who is another joint company secretary of our Company. Besides, she is supported by different designated teams of professional staff within Tricor Services Limited. Ms. Li is confident that she is able to allocate sufficient time and has professional resources to perform her role as a joint company secretary of our Company.

CORPORATE GOVERNANCE

We consider our corporate governance structure is very important in establishing a strong relationship among our Board, senior management, our Shareholders and our stakeholders. Accordingly, we have put in place our corporate governance structure with a view to creating shareholder value and augmenting intracompany relationships. Our Board, which includes three INEDs out of a total of seven Directors, is responsible for setting strategic, management and financial objectives and ensuring that the interests of our Shareholders, including those of minority Shareholders, are protected. To this end, our Board has established an audit committee, a remuneration committee and a nomination committee.

AUDIT COMMITTEE

An audit committee was established by our Board on 14 December 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 approve our financial reporting process and internal control system, and to assist our Board in providing an independent view of the effectiveness of our financial reporting process. The members of the audit committee are Mr. Lin Bin, Mr. Kong Hing Ki and Mr. Tam Yuk Sang, Sammy. Mr. Lin Bin is the chairman of the audit committee.

REMUNERATION COMMITTEE

A remuneration committee was established by our Board on 14 December 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 to review and determine the terms and structure of the remuneration packages, bonuses and other compensation payable to our Directors and senior management. The members of the remuneration committee are Mr. Xu Xipeng, Mr. Lin Bin and Mr. Tam Yuk Sang, Sammy. Mr. Xu Xipeng is the chairman of the remuneration committee.

The remuneration packages of our Directors are generally structured by reference to market terms and individual merits. Salaries are normally reviewed and discretionary bonuses are paid on an annual basis based on our results, individual performance and other relevant factors.

NOMINATION COMMITTEE

We established a nomination committee on 14 December 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 functions of the nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board and in senior management. The nomination committee comprises Mr. Xu Xinan, Mr. Lin Bin and Mr. Kong Hing Ki. Mr. Xu Xinan is the chairman of the nomination committee.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

The aggregate amount of compensation (including any fees, salaries and other allowances and benefits in kind) paid by us to our Directors and senior management during each of the three years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2010 was approximately HK\$1.4 million, HK\$1.4 million, HK\$2.3 million and HK\$1.0 million respectively.

Save as disclosed above, no other payments have been paid or are payable, in respect of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, by us or any of our subsidiaries to our Directors and senior management.

Going forward, our remuneration committee will review and determine the remuneration and compensation of our Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and senior management and performance of our Group.

SHARE OPTION SCHEME

The purpose of the Share Option Scheme is to provide us with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to potential participants comprising of our employees, Directors or non-executive Directors (including INEDs) of any member of our Group. For further details of the Share Option Scheme, please see the section headed "Share Option Scheme" in Appendix V to this prospectus.

EMPLOYEES

As at 31 October 2010, we had 981 full-time employees on our own payroll, an increase of over 100% since the start of the Track Record Period when we then had 482 full-time employees. Our employees are located in China and Hong Kong. The relationship and cooperation between our management and employees has been good and is expected to remain amicable in the future. There has not been any incidence of work stoppages or labour disputes, which adversely affected our operations.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Save for the social insurance in China and the mandatory provident fund scheme in Hong Kong, we have not set aside or accrued any amount of money to provide for retirement or similar benefits for our employees.

The functional distribution of our Group's employees as at 31 October 2010 was as follows:

	China	Hong Kong	Total
Administrative	51	1	52
Design	9	—	9
Finance and accounting	16	—	16
Information technology	10	—	10
Internal audit	2	—	2
Management	8	—	8
Production	727	—	727
Purchasing	13	—	13
Quality control	36	—	36
Research and development	17	—	17
Sales and marketing	49	4	53
Warehouse and storage	38	—	38
Total number of employees	976	5	981

We review the performance of our employees annually, the results of which are used in determining annual bonus, salary adjustments and promotion appraisals. We conduct research on remuneration packages offered for similar positions in our industry, which we believe helps us remain competitive in the labour market. Our employees are also entitled to participate in our Share Option Scheme, details of which are more fully set out in the section headed "Share Option Scheme" in Appendix V to this prospectus.

TRAINING

Our employees are a valuable resource of our Company. As such, we place great emphasis on the training and development of our employees. We provide internal and external training to our employees to ensure they possess the requisite skills-set parameter and technical expertise for the operation of our business. Our training programme is not only used as a platform to constantly upgrade the skills of our employees, it is also used to encourage greater cohesion within our Company, so as to increase overall efficiency and loyalty to our Company, and also as a means of retaining quality employees. Our training programmes focus mainly on specific areas such as sales and marketing, product knowledge, product design, use of the SAP system, development and modification of machinery and moulds, quality control and production, and occupational safety. The training sessions are performed on a regular basis and are usually conducted in-house. The suppliers of our production machinery also conduct training sessions for our employees when new machines are installed or new versions of the software that is required to run the machines are released.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

SOCIAL INSURANCE

We contribute to various social insurance plans, such as pension contribution plans, medical insurance plans, work-related injury insurance plans and unemployment insurance plans for our employees in accordance with the applicable PRC laws and regulations on social insurance. Please also refer to the section headed “PRC laws and regulations”.

Our contributions paid to the social insurance plans described above for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 amounted to approximately HK\$0.5 million, HK\$1.1 million, HK\$2.4 million and HK1.4 million respectively.

COMPLIANCE ADVISER

We will appoint Shenyin Wanguo as our compliance adviser upon Listing in compliance with Rule 3A.19 of the Listing Rules.

We expect to enter into a compliance adviser’s agreement with the compliance adviser, the material terms of which are expected to be as follows:

- we will appoint the compliance adviser for the purpose of Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of the publication of our financial results for the financial year ending 31 December 2011, unless terminated earlier in accordance with the terms of the compliance adviser’s agreement;
- the compliance adviser shall provide us with such advisory services as are required to be provided by a compliance adviser pursuant to Chapter 3A of the Listing Rules; and
- we may terminate the appointment of the compliance adviser if the compliance adviser’s work is of an unacceptable standard or if there is a material dispute (which cannot be resolved within 30 days) over fees payable to the compliance adviser as permitted by Rule 3A.26 of the Listing Rules. The compliance adviser will have the right to terminate its appointment if we breach the agreement.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware of, 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 any options that may be granted under the Share Option Scheme or the exercise of the Over-allotment Option, the following persons will have interests or short positions in our Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO (except they are Directors), or are directly and/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 our Company:

<u>Substantial Shareholder</u>	<u>Capacity/Nature of interest</u>	<u>Number of Shares directly or indirectly held immediately following completion of the Share Offer and the Capitalisation Issue</u>	<u>Percentage of the issued share capital of our Company immediately following completion of the Share Offer and the Capitalisation Issue</u>
Mr. Xu Xipeng ⁽¹⁾	Interest in controlled company	300,000,000	75%
Ms. Ke Saixia ⁽²⁾	Family interest	300,000,000	75%
Mr. Xu Xinan ⁽¹⁾	Interest in controlled company	300,000,000	75%
Ms. Lu Jiehong ⁽³⁾	Family interest	300,000,000	75%
Nicco ⁽⁴⁾	Beneficial owner	300,000,000	75%

Notes:

1. These Shares will be directly held by Nicco, which is beneficially owned as to 47.305% by Mr. Xu Xipeng and 47.305% by Mr. Xu Xinan respectively. Nicco, Mr. Xu Xipeng and Mr. Xu Xinan as a group of persons entitled to exercise 30% or more of voting rights at general meeting of our Company, are together regarded as Controlling Shareholders.
2. As Nicco is beneficially owned as to 47.305% by Mr. Xu Xipeng, Mr. Xu Xipeng is deemed to be interested in the Shares held by Nicco by virtue of Part XV of the SFO. Ms. Ke Saixia, being Mr. Xu Xipeng's spouse, will be deemed to be interested in the Shares held by Nicco under Part XV of the SFO.
3. As Nicco is beneficially owned as to 47.305% by Mr. Xu Xinan, Mr. Xu Xinan is deemed to be interested in the Shares held by Nicco by virtue of Part XV of the SFO. Ms. Lu Jiehong, being Mr. Xu Xinan's spouse, will be deemed to be interested in the Shares held by Nicco under Part XV of the SFO.
4. As Nicco will be entitled to exercise 30% or more of voting rights at general meeting of our Company, it will be regarded as a Controlling Shareholder.

SUBSTANTIAL SHAREHOLDERS

NON-DISPOSAL UNDERTAKING

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has, jointly and severally, undertaken to our Company and the Sponsor (on behalf of the Underwriters) that he/it shall not directly or indirectly and shall procure that the relevant registered holder(s) of the Shares (as the case maybe) shall not (except pursuant to or in connection with the Stock Borrowing Agreement):

- (a) during the First Lock-up 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 he/it is shown by this prospectus to be the beneficial owner (whether direct or indirect); or
- (b) during the Second Lock-up 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 referred to in (a) above if, immediately following such disposal or upon the exercise of enforcement of such options, rights, interests or encumbrances, he/it, individually or together with each other as a group, would cease to be a Controlling Shareholder.

Each of our Controlling Shareholders has also jointly and severally undertaken to the Stock Exchange, our Company and the Sponsor that within the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, he/it shall:

- (1) when he/it pledges or charges any Shares beneficially owned by him/it, in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of Shares so pledged or charged; and
- (2) when he/it receives indications, whether verbal or written, from the pledgee/chargee that any of the pledged/charged Shares will be disposed of, immediately inform us of such indications.

We shall inform the Stock Exchange as soon as we have been informed of matters referred to in (1) and (2) above by any of our Controlling Shareholders and disclose such matters by way of an announcement in accordance with the Listing Rules as soon as practicable.

Further details of undertakings given by our Controlling Shareholders are set out under the section headed “Underwriting — Undertakings” and the section headed “Relationship with the Controlling Shareholders — Non-competition undertakings”.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDER

Nicco, Mr. Xu Xipeng and Mr. Xu Xinan, as a group of persons entitled to exercise 30% or more of voting rights at general meeting of our Company, are together regarded as Controlling Shareholders. Nicco individually is, and Mr. Xu Xipeng and Mr. Xu Xinan (collectively through Nicco) are, entitled to exercise 30% or more of voting rights at general meeting of our Company, and regarded as a Controlling Shareholder.

Details of the shareholdings of our Controlling Shareholders are set forth in the section headed “Substantial Shareholders” and the section headed “Further information about our Directors, senior management, staff, Substantial Shareholders and experts” in Appendix V to this prospectus.

NON-COMPETITION UNDERTAKINGS

Our Controlling Shareholders, as covenantors (collectively, the “**Covenantors**”), have entered into a deed of non-competition in favour of our Company on 30 December 2010, (the “**Non-competition Deed**”), pursuant to which each of the Covenantors has irrevocably and unconditionally undertaken to and covenanted with our Company (for itself and for the benefit of the members of our Group) that during the continuation of the Non-competition Deed that each of the Covenantors shall not, and shall procure each of his/its associates and/or companies controlled by he/it, whether on his/its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly, which carries on a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group (including but not limited to the production of finished zippers and business ancillary to any of the foregoing in each case, to be more particularly described or contemplated herein) in Hong Kong, China and any other country or jurisdiction to which our Group markets, sells, distributes, supplies or otherwise provides such products and/or in which any member of our Group carries on business mentioned above from time to time (the “**Restricted Business**”). Our Directors have represented and warranted that none of them and, as far as they know, none of our Controlling Shareholders or his/its associates is currently interested, involved or engaging, directly or indirectly, in (whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Business otherwise than through our Group.

Pursuant to the Non-competition Deed, each of the Covenantors has also undertaken that if each of the Covenantors and/or any of his/its associates is offered or becomes aware of any project or new business opportunity (“**New Business Opportunity**”) that relates to the Restricted Business, whether directly or indirectly, he/it shall (i) promptly within seven days notify our Company in writing of such opportunity and provide such information as is reasonably required by our Company in order to enable our Company to come to an informed assessment of such opportunity; and (ii) use his/its best endeavours to procure that such opportunity is offered to our Company on terms no less favourable than the terms on which such opportunity is offered to him/it and/or his/its associates.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Our Directors (including our INEDs) will review the New Business Opportunity and decide whether to invest in the New Business Opportunity. If our Group has not given written notice of its desire to invest in such New Business Opportunity or has given written notice denying the New Business Opportunity within thirty (30) business days (the “**30-day Offering Period**”) of receipt of notice from the Covenantors, the Covenantors and/or his/its associates shall be permitted to invest in or participate in the New Business Opportunity on his/its own accord. With respect to the 30-day Offering Period, our Directors consider that such period is adequate for our Company to assess any New Business Opportunity. In order to ensure that our Group has adequate time to assess some complicated business opportunities, the Covenantors have agreed to extend the offering period from 30 business days to a maximum of 60 business days should our Group require so by giving written notice within the 30-day Offering Period to the Covenantors.

In addition, upon Listing, each of the Covenantors has also undertaken:

- (i) in favour of our Company to provide our Company and our Directors (including our INEDs) from time to time with all information necessary, including but not limited to, monthly sales records (such as sales orders placed by customers, the corresponding invoices and any other relevant documents considered necessary by our INEDs), for the annual review by our INEDs with regard to compliance of the terms of the Non-competition Deed and the enforcement of the non-competition undertakings in the Non-competition Deed;
- (ii) to provide to our Company, after the end of each financial year of our Company, a declaration made by each of the Covenantors which shall state whether or not the Covenantors have during that financial year complied with the terms of the Non-competition Deed, and if not, particulars of any non-compliance, which declaration (or any part thereof) may be reproduced, incorporated, extracted and/or referred to in the annual report of our Company for the relevant financial year such annual declaration shall be consistent with the principles of making voluntary disclosures in the corporate governance report; and
- (iii) to our Group to allow our Directors (including our INEDs) , their respective representatives and our auditors to have sufficient access (with reasonable prior notice) to the records of the Covenantor and his/its associates to ensure their compliance with the terms and conditions under the Non-competition Deed.

Further, each of the Covenantors has undertaken that during the period in which he/it and/or his/its associates, individually or taken as a whole, remains as a Controlling Shareholder:

- (i) he/it will not invest or participate in any project or business opportunity that competes or may compete, directly or indirectly, with the business activities engaged by our Group from time to time unless pursuant to the provisions stipulated in the Non-competition Deed;
- (ii) he/it will not solicit any existing or then existing employee of our Group for employment by him/it or his/its associates (excluding our Group);

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (iii) he/it will not without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to his/its knowledge in his/its capacity as the Controlling Shareholder for any purposes; and
- (iv) he/it will procure his/its associates (excluding our Group) not to invest or participate in any project or business opportunity mentioned above unless pursuant to the provisions stipulated in the Non-competition Deed.

The Non-competition Deed will take effect upon Listing and shall expire on the earlier of:

- (i) the day on which our Shares cease to be listed on the Main Board or other recognised stock exchange; or
- (ii) the day on which the Covenantors and his/its associates, individually or taken as a whole, cease to own, in aggregate, 30% or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as Controlling Shareholder and do not have power to control our Board or there is at least one other independent Shareholder other than the Covenantors and his/its respective associates holding more Shares than the Covenantors and his/its respective associates taken together.

In order to strengthen the corporate governance in respect of the existing and potential conflict of interests between our Group and the Covenantors, upon Listing:

- (i) our Company shall disclose in our annual reports the compliance and enforcement of the undertakings by the Covenantors in respect of the Non-competition Deed and the appropriate action to be taken by our Company;
- (ii) our Company shall disclose decision on matters reviewed by our INEDs in relation to the compliance and enforcement of the arrangement of the New Business Opportunity in our annual reports;
- (iii) our Board will ensure reporting any event relating to potential conflict of interests to our INEDs as soon as practicably when it realises or suspects any event relating to potential conflict of interests may occur during the daily operations;
- (iv) following the reporting of any event relating to potential conflict of interests, our Board will hold a management meeting to review and evaluate the implications and risk exposures of such event and the compliance of the Listing Rules in order to monitor any irregular business activities and alert our Board, including our INEDs, to take any precautionous actions; and
- (v) in the event that there is any potential conflict of interests relating to the business of our Group between our Group and the Controlling Shareholders, the interested Directors, or as the case may be, the Controlling Shareholders would, according to the Articles or the Listing Rules, be required to declare his/its interests and, where required, abstain from participating in the relevant board meeting or general meeting and voting on the transaction and not count as quorum where required.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

We believe that we can carry on our business independently of our Controlling Shareholders (and our Controlling Shareholders' associates) following the Listing, and that we satisfy the relevant requirements under the Listing Rules, since (i) our Controlling Shareholders and their respective associates do not have any interests in any business that competes or is likely to compete with ours; (ii) our Controlling Shareholders and their respective associates do not have any dealings with us (other than a continuing connected transaction as disclosed in the section headed "Connected transaction"); (iii) our Controlling Shareholders have entered into the Non-competition Deed in our favour; (iv) our corporate Controlling Shareholder (i.e. Nicco) is an investment holding company and does not carry on any business; (v) all amounts due to Shareholders and related parties, save for the monthly rental payable to our Founders under the Lease Agreement, have been settled as at the Latest Practicable Date; (vi) our Controlling Shareholders do not share common resources with our Group; and (vii) all guarantees given by our Founders to secure our bank borrowings have been released.

SHARE CAPITAL

SHARE CAPITAL

The following table is prepared on the basis that the Share Offer and the Capitalisation Issue have become unconditional. This table, however, takes no account of any Shares which may be allotted and issued by our Company pursuant to the exercise of the options which may be granted under the Share Option Scheme or the exercise of the Over-allotment Option and of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below:

	HK\$
<i>Authorised share capital:</i>	
<u>2,000,000,000</u> Shares	<u>20,000,000</u>
<i>Shares in issue or to be issued, fully paid or credited as fully paid:</i>	
200 Shares in issue	2
299,999,800 Shares to be issued under the Capitalisation Issue (<i>Note</i>)	2,999,998
<u>100,000,000</u> Shares to be issued under the Share Offer	<u>1,000,000</u>
<i>Total:</i>	
<u>400,000,000</u> Shares	<u>4,000,000</u>

Note: Pursuant to the written resolutions of the sole shareholder of our Company passed on 14 December 2010, conditional upon the share premium account of our Company being credited as a result of the Share Offer, the Directors were authorised to capitalise the amount of HK\$2,999,998 from the amount standing to the credit of the share premium account of our Company and to appropriate such amount as to pay up in full at par 299,999,800 Shares for allotment and issue to the persons whose names appeared on the register of members of our Company at the close of business on 14 December 2010, in proportion (or as nearly as possible without involving fractions) to their respective shareholdings in our Company.

RANKING

The Offer Shares will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned herein, and will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus, save for entitlements under the Capitalisation Issue.

SHARE OPTION SCHEME

We have conditionally adopted a share option scheme. Details of the principal terms of our Share Option Scheme are summarised in the section headed "Share Option Scheme" in Appendix V to this prospectus.

SHARE CAPITAL

GENERAL MANDATE

Our Directors have been granted a general unconditional mandate to exercise all powers of our Company to allot, issue and deal with (otherwise than by way of rights issues, scrip dividend or an issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of the options which may be granted under the Share Option Scheme or other similar arrangements) Shares with an aggregate nominal value not exceeding the sum of:

- 20% of the aggregate nominal value of our share capital in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme); and
- the aggregate nominal amount of Shares repurchased under the authority granted by us to our Directors pursuant to the Repurchase Mandate referred to below (if any).

This general mandate will remain in effect until:

- the conclusion of our next annual general meeting;
- the expiration of the period within which our next annual general meeting is required to be held under the Articles or any applicable law; or
- the revocation, variation or renewal by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please refer to the section headed “Further information about our Group — Written resolutions of the sole shareholder” in Appendix V to this prospectus.

REPURCHASE MANDATE

Our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of our share capital in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme).

SHARE CAPITAL

The general mandate to repurchase Shares will remain in effect until:

- the conclusion of our next annual general meeting;
- the expiration of the period within which our next annual general meeting is required to be held under the Articles or any applicable law; and
- the revocation, variation or renewal by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

For further details of this repurchase mandate, please refer to the section headed “Further information about our Group — Written resolutions of the sole shareholder” in Appendix V to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with the Accountants' Report set out in Appendix I to this prospectus. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the factors set out in the section headed "Risk factors" and elsewhere in this prospectus.

RESULTS OF OPERATIONS

Set out below are our consolidated income statements for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010 extracted from the Accountants' Report in Appendix I to this prospectus:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million) (unaudited)	HK\$ (million)
Turnover	91.58	117.40	160.71	75.90	81.64
Cost of sales	<u>(53.74)</u>	<u>(67.62)</u>	<u>(95.58)</u>	<u>(45.57)</u>	<u>(46.66)</u>
Gross profit	<u>37.84</u>	<u>49.78</u>	<u>65.13</u>	<u>30.33</u>	<u>34.98</u>
Other revenue	0.15	0.17	0.31	0.02	0.05
Net realised and unrealised gain / (loss) on investments in listed equity securities	10.91	(22.37)	6.84	6.33	—
Other net loss	(0.63)	(0.49)	(0.37)	(0.18)	(0.26)
Distribution costs	(7.36)	(7.42)	(7.45)	(3.28)	(4.19)
Administrative expenses	<u>(12.05)</u>	<u>(16.23)</u>	<u>(18.32)</u>	<u>(7.75)</u>	<u>(12.48)</u>
Profit from operations	28.86	3.44	46.14	25.47	18.10
Finance costs	<u>—</u>	<u>(0.91)</u>	<u>(1.89)</u>	<u>(1.01)</u>	<u>(0.75)</u>
Profit before taxation	28.86	2.53	44.25	24.46	17.35
Income tax	<u>(1.48)</u>	<u>(4.60)</u>	<u>(3.98)</u>	<u>(2.27)</u>	<u>(2.79)</u>
Profit / (loss) for the year / period	<u><u>27.38</u></u>	<u><u>(2.07)</u></u>	<u><u>40.27</u></u>	<u><u>22.19</u></u>	<u><u>14.56</u></u>
Attributable to:					
Equity shareholder of our Company	25.99	0.31	37.35	20.94	13.86
Non-controlling interests	<u>1.39</u>	<u>(2.38)</u>	<u>2.92</u>	<u>1.25</u>	<u>0.70</u>
Profit / (loss) for the year / period	<u><u>27.38</u></u>	<u><u>(2.07)</u></u>	<u><u>40.27</u></u>	<u><u>22.19</u></u>	<u><u>14.56</u></u>

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OVERVIEW

We are a producer of finished zippers in China. Our customers for zippers are OEMs who manufacture apparel products for (i) apparel brands in China; and (ii) some well known international apparel labels. We maintain a close working relationship with apparel brand owners on the design of zippers to be applied in the apparel products. The apparel brand owners usually decide on the zipper supplier for their OEMs and place orders with such OEMs who in turn source zippers from us. During the Track Record Period, we cooperated with at least 12 local apparel brands which included “Li Ning” and “Meters/bonwe” and 36 international apparel brands.

Our finished zippers are categorised as follows:

- metal zippers — which are mainly used in trousers, jackets, jeans and working clothes;
- nylon zippers — which are usually found in skirts and sportswear; and
- plastic zippers — which are widely applied in down feather garments, skiing apparel and windbreakers.

We also supply sliders, components of zippers (including continuous zipper chains and stops) and moulds to other zipper manufacturers. Since late 2008, we have started to design and supply premium items such as toy figures, ornaments and key-rings exclusively to apparel brand owners to meet the promotional needs for their products. These premium items have provided us with the opportunity to diversify our product offerings and to further strengthen our relationship with the apparel brand owners.

During the Track Record Period, approximately 87% or above of our turnover was derived from sales in China. Other regions to which we have sold our products include the United States, Switzerland, Italy, South Africa, Taiwan, Indonesia and Bangladesh. In particular, we are a supplier of sliders to a European zipper producer who manufactures zippers for well known fashion brands.

We are a vertically integrated producer for zippers, except for the electroplating process which is outsourced to an Independent Third Party. We believe the advantages of vertical integration that we benefit from include (i) lower transaction costs; (ii) higher certainty in the quality of our products; (iii) improved supply chain coordination; (iv) the capture of upstream and downstream profit margins; and (v) an increase in barriers to entry for potential competitors. We are also capable of developing our own custom-made production machinery and modifying conventional machinery so that zippers can be produced by us more efficiently and with greater consistency in quality. We own our Zhejiang Plant and lease our Guangdong Plant from our Founders and our UNA office, Shanghai Branch unit and Hong Kong office from Independent Third Parties. The major cost components of our Group’s operations are raw materials and supplies, staff and labour costs, outsourced electroplating costs, depreciation on machinery, buildings and other fixed assets, and rental expenses.

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We have enjoyed growth in revenue and profitability over the Track Record Period. As zippers are commonly used in apparel, we believe our business has benefited from the growth of the apparel industry in China. We also believe our growth in revenue and profitability is attributable to our focus on the quality zipper market segment, our ability to provide solutions to meet our customers' needs and the recognition of our brand "KEE" for innovative design and quality products amongst apparel brand owners.

MAJOR ACQUISITIONS AND DISPOSALS

Acquisition of the non-controlling interest in KEE Investment

On 11 June 2010, 郭振義先生 (Mr. Guo Zhenyi) sold 1,500 shares in KEE Investment, representing 15% of the then entire issued share capital of KEE Investment, to KEE Zippers, which consideration, primarily determined by reference to the profitability of KEE Zhejiang as an operating subsidiary of KEE Investment for the year ended 31 December 2009, was settled by the allotment and issue of 978 shares in Nicco to Mr. Guo Zhenyi, all credited as fully paid. As a result of this transaction, KEE Investment became our then wholly-owned subsidiary.

Acquisition of UNA

On 12 June 2010, KEE Guangdong acquired the entire equity interests in UNA from 劉景翀先生 (Mr. Liu Jingchong) and 許利雄先生 (Mr. Xu Lixiong) for RMB100,000 which was approximately equal to the fair value of UNA's net assets as at the acquisition date. Immediately prior to the transaction, Mr. Liu Jingchong and Mr. Xu Lixiong held 1% and 99% of the equity interests in UNA respectively. Mr. Xu Lixiong is a brother-in-law of our Founders. Mr. Liu Jingchong is an Independent Third Party. As a result of this transaction, UNA has become our wholly-owned subsidiary. Our Group has been sourcing premium items from UNA. Such purchases made prior to 12 June 2010 are therefore disclosed as related party transactions in the Accountants' Report. For the period from the establishment date of UNA i.e. 10 June 2009 to 31 December 2009, the turnover and net loss of UNA were approximately RMB1.9 million and RMB0.2 million respectively.

The following table sets out the amount and percentage of premium items sold by our Group which were sourced from UNA and other independent suppliers during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%
Sale of premium items: -										
Sourced from UNA	—	—	—	—	2.75	34.4%	—	—	1.55	100.0%
Sourced from other suppliers.	—	—	0.83	100.0%	5.25	65.6%	0.87	100.0%	—	—
Total	—	—	0.83	100.0%	8.00	100.0%	0.87	100.0%	1.55	100.0%

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Transfer of the entire equity interests in KEE Zhejiang from KEE Investment to KEE Zippers

On 18 August 2010, KEE Investment transferred its entire equity interests in KEE Zhejiang to KEE Zippers for HK\$64,571,180, which was determined by reference to the unaudited net asset value of KEE Zhejiang as at 31 December 2009, adjusted for a dividend distributed to KEE Investment on 13 June 2010. As a result, KEE Zhejiang became a direct wholly-owned subsidiary of KEE Zippers. Since both KEE Zippers and KEE Investment were wholly-owned subsidiaries of our Company at that time, there was no material financial impact to our Group as a result of this transaction.

Disposal of the entire equity interests in KEE Investment (including KEE Suzhou) to Nicco

On 22 September 2010, KEE Zippers sold its entire equity interests in KEE Investment to Nicco for HK\$13,871,833. KEE Suzhou is the wholly-owned subsidiary of KEE Investment and has been dormant since May 2008. Due to the inactiveness of KEE Suzhou, KEE Investment and KEE Suzhou as a group does not have any business operation. As a result of this transaction, KEE Investment and KEE Suzhou are no longer subsidiaries of our Company, and there was no material gain or loss recorded as the consideration for this disposal represented the fair value of KEE Investment's consolidated net assets (including KEE Suzhou) as at the date of disposal.

KEE Investment had been an intermediate holding company within our Group and it had no contribution to our turnover during the Track Record Period. KEE Suzhou has been dormant since May 2008 and its contribution to our turnover for the two years ended 31 December 2007 and 2008 accounted for approximately 21.7% and 2.9% respectively. According to the unaudited consolidated management accounts of KEE Investment (including KEE Suzhou) as at 31 August 2010, KEE Investment (including KEE Suzhou) had (i) total assets of approximately HK\$17.4 million primarily represented by an amount due from 郭振義先生 (Mr. Guo Zhenyi) of approximately HK\$3.4 million and an amount due from KEE Zippers of approximately HK\$13.7 million (which was settled by cash on 29 September 2010); and (ii) total liabilities of approximately HK\$3.5 million primarily represented by a claw-back provision of approximately HK\$3.0 million in relation to the tax concession enjoyed by KEE Suzhou in 2006 and 2007 which became dormant in May 2008 prior to the end of its first 10 operating years as required by the relevant tax authorities.

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Group structure

Set out below were the companies comprising our Group (i) at the beginning of the Track Record Period; (ii) at the end of the Track Record Period; and (iii) as at the Latest Practicable Date:

As at 1 January 2007	Attributable interest to our Group (%)	As at 30 June 2010	Attributable interest to our Group (%)	As at the Latest Practicable Date	Attributable interest to our Group (%)
				• Our Company	100%
				• KEE International BVI	100%
• KEE Zippers	100%	• KEE Zippers	100%	• KEE Zippers	100%
• KEE Guangdong	100%	• KEE Guangdong	100%	• KEE Guangdong	100%
• KEE Investment	85%	• KEE Investment	100%		
			<i>(since 11 June 2010)</i>		
• KEE Zhejiang	85%	• KEE Zhejiang	100%	• KEE Zhejiang	100%
			<i>(since 11 June 2010)</i>		
• KEE Suzhou	85%	• KEE Suzhou	100%		
			<i>(since 11 June 2010)</i>		
		• UNA	100%	• UNA	100%
			<i>(since 12 June 2010)</i>		

NON-CONTROLLING INTEREST

As a result of the acquisition of the 15% equity interest of 郭振義先生 (Mr. Guo Zhenyi) in KEE Investment by KEE Zippers on 11 June 2010, our Group no longer records a non-controlling interest in our Group's consolidated financial statements. Prior to such acquisition, the results, assets and liabilities of KEE Investment and its subsidiaries (i.e. KEE Zhejiang and KEE Suzhou) were consolidated into our Group's financial statements with a non-controlling interest recorded in our Group's income statements and balance sheets.

FACTORS AFFECTING FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS OF OUR GROUP

Our financial conditions and results of operations have been, and will continue to be, affected by a number of factors, including those set out below and in the section headed "Risk factors".

Product mix

We supply our finished zippers to OEMs who manufacture apparel products. Our finished zippers are categorised as follows:

- metal zippers — which are mainly used in trousers, jackets, jeans and working clothes;
- nylon zippers — which are usually found in skirts and sportswear; and

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- plastic zippers — which are widely applied in down feather garments, skiing apparel and windbreakers.

We also supply sliders, components of zippers (including continuous zipper chains and stops) and moulds to other zipper manufacturers. We design and supply premium items such as toy figures, ornaments and key-rings to meet the promotional needs of apparel brand owners for their products.

Our product mix during the Track Record Period and gross profit margin analysis are respectively set out in the sections headed “Financial information — Principal income statement components — Turnover” and “Financial information — Principal income statement components — Gross profit and gross profit margin”. Our product mix had been broadly consistent over the Track Record Period notwithstanding that we have started to supply premium items to our customers since late 2008.

As we adjust our product mix, our overall gross profit may be affected by a change in revenue attributable to, and change in gross profit margin of, each product category. We will continue to monitor and adjust our product mix in order to increase our Group’s turnover and gross profit.

Pricing of our products

Set out in the section headed “Business — Sales and marketing — Pricing” is the policy of pricing for our products. Pricing of our products is also affected by factors such as pricing of our competitors’ products, changes in consumption pattern and general economic conditions, all of which are beyond our control. If we are unable to cope with these factors and fail to determine our product pricing appropriately, our business, financial conditions and results of operations may be adversely affected.

Ability to maintain our position as a designated supplier of zippers

Our customers for zippers are OEMs who manufacture apparel products for (i) apparel brands in China; and (ii) some well known international apparel labels. We maintain a close working relationship with apparel brand owners on the design of zippers to be applied in the apparel products. The apparel brand owners usually decide on the zipper supplier for their OEMs and place orders with such OEMs who in turn source zippers from us. Our brand “**KEE**” is recognised for innovative designs and quality products by apparel brand owners. If such brand owners cease to designate us as their supplier of zippers, their OEMs may reduce their order size or discontinue to place orders with us. As such, our ability to maintain our position as a designated supplier of zippers is crucial to our success in the future.

Consumer demand for apparel in China

As zippers are commonly used in apparel, the growth of consumer demand for apparel products will have a positive impact on our business which is driven by various factors including increasing disposable income of urban households and a growing affinity for fashionable designs of apparel products which come with high quality zippers.

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Growth of the Chinese economy

During the Track Record Period, approximately 87% or above of our turnover was derived from sales in China. We anticipate that our reliance on the China market will continue in the near future. Our financial conditions and results of operations will therefore be affected by the macro-economic conditions and the disposable income levels of consumers in China.

Cost of raw materials

Cost of raw materials is a major component of our cost of sales. If we are unable to pass on any surge in raw materials costs to our customers by increasing the sales prices of our products, this may adversely affect our gross profit margin.

Staff and labour costs

Our staff and labour costs include salaries, wages and other benefits, which are major cost components of our operations and represented approximately 21.7%, 20.8%, 22.7% and 22.5% of our turnover for the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 respectively. Our profitability may be adversely affected if costs of staff and workers borne by our Group rise materially.

Seasonality

As our products are used mainly in apparel, our production season fluctuates with that of the apparel industry. Our production tends to be busier during April to October. Accordingly, any comparison of our results of operations between our interim and annual results in a calendar year is not necessarily meaningful. As a result, our interim results should not be referred to as an indicator of our performance for any given year.

Expansion of production capacity by investing in a new production plant in Hubei Province

We plan to establish a new plant in Hubei Province. Accordingly, our production capacity will be expanded and more revenue is expected to be generated. Further details are set out in the section headed "Business — Business strategies". Our Group's financial performance and conditions may be affected if such plan does not materialise in the future.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The discussion and analysis of the our financial position and results of operations as included in this prospectus is based on the consolidated financial statements prepared in accordance with the significant accounting policies set out in note 1 to the financial information in the Accountants' Report, which conform with Hong Kong Financial Reporting Standards.

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Our Group's financial conditions and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of our financial information. Our Group bases the assumptions and estimates on historical experience and on various other assumptions that our Group believes to be reasonable and which form the basis for making judgments 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 judgments 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 our financial information.

Our Group believes the critical accounting policies involve the most significant judgments and estimates used in the preparation of our financial information are set out in note 32 to the financial information in the Accountants' Report, which include:

- impairment for non-financial long-term assets and receivables;
- depreciation and amortisation; and
- inventories.

Further details are set out in note 32 to the financial information in the Accountants' Report.

PRINCIPAL INCOME STATEMENT COMPONENTS

Turnover

Turnover represents the sales value of goods supplied to our customers. The following table sets out our turnover by product category during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%
Finished zippers										
Metal zippers	46.56	50.9%	52.53	44.7%	63.12	39.3%	34.54	45.5%	33.88	41.5%
Nylon zippers	37.55	41.0%	52.68	44.9%	67.56	42.0%	30.29	39.9%	33.34	40.8%
Plastic zippers	5.24	5.7%	5.22	4.4%	16.26	10.1%	6.90	9.1%	7.38	9.1%
	89.35	97.6%	110.43	94.0%	146.94	91.4%	71.73	94.5%	74.60	91.4%
Sliders	0.96	1.0%	3.83	3.3%	4.14	2.6%	2.19	2.9%	3.34	4.1%
Premium items	—	—	0.83	0.7%	8.00	5.0%	0.87	1.1%	1.55	1.9%
Components and moulds	1.27	1.4%	2.31	2.0%	1.63	1.0%	1.11	1.5%	2.15	2.6%
Total turnover	91.58	100.0%	117.40	100.0%	160.71	100.0%	75.90	100.0%	81.64	100.0%

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The following table sets out our turnover by geographic location during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%
Southern China	68.63	74.9%	79.69	67.9%	97.58	60.7%	45.70	60.2%	42.05	51.5%
Eastern China	19.85	21.7%	25.49	21.7%	48.93	30.5%	22.14	29.2%	29.02	35.6%
Overseas (Note)	3.10	3.4%	12.22	10.4%	14.20	8.8%	8.06	10.6%	10.57	12.9%
Total	<u>91.58</u>	<u>100.0%</u>	<u>117.40</u>	<u>100.0%</u>	<u>160.71</u>	<u>100.0%</u>	<u>75.90</u>	<u>100.0%</u>	<u>81.64</u>	<u>100.0%</u>

Note: During the Track Record Period, the overseas regions included the United States, Switzerland, Italy, South Africa, Taiwan, Indonesia and Bangladesh. Our overseas trades, comprising of sales of finished zippers and sliders, were primarily denominated in US dollars and our Group did not engage in any foreign exchange hedging activities.

The following table sets out the number of pieces of our metal zippers, plastic zippers, nylon zippers and sliders sold during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	(million)	(million)	(million)	(million)	(million)
Total pieces sold ⁽¹⁾					
Metal zippers	18.48	20.98	26.66	13.50	18.27
Nylon zippers	21.96	25.55	35.89	16.29	16.67
Plastic zippers	2.12	1.67	5.06	2.17	2.70
Sliders	2.64	10.15	10.48	5.66	7.30

The following table sets out the average sales prices for our metal zippers, plastic zippers, nylon zippers and sliders sold during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK\$	HK\$	HK\$	HK\$	HK\$
Average sales prices ⁽²⁾					
Metal zippers ⁽³⁾	2.52	2.50	2.37	2.56	1.85
Nylon zippers ⁽³⁾	1.71	2.06	1.88	1.86	2.00
Plastic zippers ⁽³⁾	2.47	3.13	3.21	3.18	2.73
Sliders	0.36	0.38	0.40	0.39	0.46

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Notes:

1. We have not included the details of the number of units sold and the average sales prices for premium items and components and moulds because we have a broad range of these products that vary significantly in terms of unit price and the sales of these products were insignificant as compared to the total turnover during the Track Record Period.
2. Average sales prices represent the turnover for the year/period divided by the total number of pieces sold for the year/period.
3. The sales price of each finished zipper depends on (i) the complexity of the slider design; (ii) the quantity of a specific order and the production lead time required by customers; and (iii) the amount of raw materials used which depends on the length of the finished zipper (for instance, shorter finished zippers are mainly applied in trousers and jeans while longer finished zippers are usually found in clothes). Therefore, the sales prices of our finished zippers vary significantly.

Cost of sales

Cost of sales primarily consists of (i) raw material costs; (ii) direct labour cost; (iii) manufacturing overhead costs; and (iv) purchase costs of premium items. Raw material costs primarily include the costs of copper, monofilament line, POM, zinc alloy, and polyester yarn consumed. Manufacturing overhead costs include administrative staff costs relevant to production, processing charges (i.e. the outsourced electroplating costs), water and electricity, depreciation on plant and machinery, rental expense for our Guangdong Plant and other manufacturing costs.

The following table sets out our cost of sales by product category during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%
Finished zippers										
Metal zippers	27.40	51.0%	30.26	44.7%	39.51	41.3%	22.93	50.3%	21.78	46.7%
Nylon zippers	21.18	39.4%	29.99	44.4%	38.91	40.7%	16.32	35.8%	16.63	35.6%
Plastic zippers	3.81	7.1%	3.72	5.5%	9.72	10.2%	3.90	8.6%	3.69	7.9%
	<u>52.39</u>	<u>97.5%</u>	<u>63.97</u>	<u>94.6%</u>	<u>88.14</u>	<u>92.2%</u>	<u>43.15</u>	<u>94.7%</u>	<u>42.10</u>	<u>90.2%</u>
Sliders	0.70	1.3%	2.30	3.4%	2.65	2.8%	1.38	3.0%	2.15	4.6%
Premium items	—	—	0.26	0.4%	4.18	4.4%	0.58	1.3%	1.25	2.7%
Components and moulds	0.65	1.2%	1.09	1.6%	0.61	0.6%	0.46	1.0%	1.16	2.5%
Total cost of sales	<u>53.74</u>	<u>100.0%</u>	<u>67.62</u>	<u>100.0%</u>	<u>95.58</u>	<u>100.0%</u>	<u>45.57</u>	<u>100.0%</u>	<u>46.66</u>	<u>100.0%</u>

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The following table sets out our cost of sales by category during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%
Raw materials	24.53	45.6%	25.88	38.3%	30.57	32.0%	17.32	38.0%	17.41	37.3%
Direct labour	7.93	14.8%	9.47	14.0%	13.78	14.4%	6.07	13.3%	6.98	15.0%
Manufacturing overheads	21.28	39.6%	32.01	47.3%	47.05	49.2%	21.60	47.4%	21.02	45.0%
Staff costs	4.34	8.1%	5.38	8.0%	10.71	11.2%	5.35	11.7%	5.26	11.3%
Depreciation	2.18	4.1%	3.38	5.0%	6.06	6.3%	2.79	6.1%	3.22	6.9%
Utilities	2.52	4.7%	3.60	5.3%	6.66	7.0%	3.07	6.7%	3.22	6.9%
Processing charges	4.84	9.0%	6.15	9.1%	9.81	10.2%	3.87	8.5%	2.99	6.4%
Rental expense	0.88	1.6%	2.22	3.3%	2.34	2.5%	1.17	2.6%	1.13	2.4%
Others	6.52	12.1%	11.28	16.6%	11.47	12.0%	5.35	11.8%	5.20	11.1%
Purchase of merchandise	—	—	0.26	0.4%	4.18	4.4%	0.58	1.3%	1.25	2.7%
Total cost of sales	53.74	100.0%	67.62	100.0%	95.58	100.0%	45.57	100.0%	46.66	100.0%

Gross profit and gross profit margin

The following table sets out our gross profit by product category during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%
Finished zippers										
Metal zippers	19.16	50.6%	22.27	44.7%	23.61	36.3%	11.61	38.3%	12.10	34.6%
Nylon zippers	16.37	43.3%	22.69	45.6%	28.65	44.0%	13.97	46.1%	16.71	47.8%
Plastic zippers	1.43	3.8%	1.50	3.0%	6.54	10.0%	3.00	9.8%	3.69	10.5%
	36.96	97.7%	46.46	93.3%	58.80	90.3%	28.58	94.2%	32.50	92.9%
Sliders	0.26	0.7%	1.53	3.1%	1.49	2.2%	0.81	2.7%	1.19	3.4%
Premium items	—	—	0.57	1.1%	3.82	5.9%	0.29	1.0%	0.30	0.9%
Components and moulds	0.62	1.6%	1.22	2.5%	1.02	1.6%	0.65	2.1%	0.99	2.8%
Total gross profit	37.84	100.0%	49.78	100.0%	65.13	100.0%	30.33	100.0%	34.98	100.0%

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The following table sets out our gross profit margin by product category during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	%	%	%	%	%
Finished zippers					
Metal zippers	41.2%	42.4%	37.4%	33.6%	35.7%
Nylon zippers	43.6%	43.1%	42.4%	46.1%	50.1%
Plastic zippers	27.3%	28.7%	40.2%	43.5%	50.0%
Overall gross profit margin for finished zippers.	41.4%	42.1%	40.0%	39.8%	43.6%
Sliders.	27.1%	39.9%	36.0%	37.0%	35.6%
Premium items	—	68.7%	47.8%	33.3%	19.4%
Components and moulds	48.8%	52.8%	62.6%	58.6%	46.0%
Overall gross profit margin for all products	41.3%	42.4%	40.5%	40.0%	42.8%

Other revenue

Other revenue consists of interest income earned on our bank deposits.

Net realised and unrealised gain/(loss) on investments in listed equity securities

During the Relevant Period, our Group was involved in investing in A shares listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange. Such activity was outside the ordinary and usual course of business of our Group and should therefore be excluded from the computation of profit for the purposes of Rule 8.05(1)(a) of the Listing Rules. Further details are set out in the section headed “Financial information — Rule 8.05(1)(a) — minimum profit requirement”.

Other net loss

Other net loss mainly consists of the net loss from disposal of fixed assets and net foreign exchange loss.

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Distribution costs

Distribution costs primarily consist of (i) staff costs relating to sales and marketing personnel; (ii) transportation costs for delivery of our products to customers; (iii) advertising and promotion expenses; (iv) and rental expenses for a showroom in Guangzhou (lease terminated in 2007) and a commercial unit in Shanghai. The following table sets out our distribution costs by category during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%
Staff costs	2.95	40.1%	2.90	39.1%	3.26	43.7%	1.22	37.2%	1.92	45.8%
Transportation	0.93	12.7%	1.39	18.7%	1.99	26.7%	0.89	27.1%	0.91	21.7%
Advertising and promotion. . .	2.01	27.3%	1.56	21.0%	0.76	10.2%	0.47	14.3%	0.48	11.5%
Depreciation.	0.14	1.9%	0.19	2.6%	0.28	3.8%	0.15	4.6%	0.16	3.8%
Rental expenses	0.65	8.8%	0.27	3.6%	0.14	1.9%	0.07	2.1%	0.06	1.4%
Others	0.68	9.2%	1.11	15.0%	1.02	13.7%	0.48	14.7%	0.66	15.8%
Total	7.36	100.0%	7.42	100.0%	7.45	100.0%	3.28	100.0%	4.19	100.0%

For the three years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2009 and 2010, our total distribution costs accounted for approximately 8.0%, 6.3%, 4.6%, 4.3% and 5.1% of our turnover respectively.

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Administrative expenses

Administrative expenses primarily consist of (i) salary and welfare expenses for management and administrative personnel; (ii) depreciation and amortisation; (iii) rental expenses for our Guangdong Plant and our office in Hong Kong; (iv) auditors' remuneration; and (v) other administrative expenses including professional fees. The following table sets out our administrative expenses by category during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%	HK\$ (million)	%
Staff costs	4.64	38.5%	6.70	41.3%	8.68	47.4%	3.60	46.5%	4.19	33.6%
Depreciation and amortisation	0.76	6.4%	1.65	10.2%	2.05	11.2%	0.96	12.4%	1.25	10.0%
Rental expenses	1.03	8.5%	1.53	9.4%	1.39	7.6%	0.67	8.6%	0.71	5.7%
Auditors' remuneration	0.24	2.0%	0.24	1.5%	0.24	1.3%	0.08	1.0%	0.71	5.7%
Others	5.38	44.6%	6.11	37.6%	5.96	32.5%	2.44	31.5%	5.62	45.0%
Total	12.05	100.0%	16.23	100.0%	18.32	100.0%	7.75	100.0%	12.48	100.0%

For the years ended 31 December 2009 and the six months ended 30 June 2009 and 2010, our total administrative expenses accounted for approximately 13.2%, 13.8%, 11.4%, 10.2% and 15.3% of our turnover respectively.

Finance costs

Finance costs represent interest expenses on our bank borrowings.

Income tax

Income tax mainly represents the tax expenses incurred in relation to the operations of our Group in the PRC and Hong Kong. Since KEE Guangdong and KEE Zhejiang are wholly foreign-owned enterprises in the PRC, they are entitled to enjoy the "2+3 tax holiday" as referred to note 5 to the financial information in the Accountants' Report. KEE Guangdong commenced its "2+3 tax holiday" in 2006 and KEE Zhejiang is deemed to have commenced its "2+3 tax holiday" in 2008.

Further details are set out in note 5 to the financial information in the Accountants' Report.

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RULE 8.05(1)(a) — MINIMUM PROFIT REQUIREMENT

Rule 8.05(1)(a) of the Listing Rules provides that:

*“a new applicant must have a trading record of not less than three financial years during which the profit attributable to shareholders must, in respect of the most recent year, be not less than HK\$20,000,000 and, in respect of the two preceding years, be in aggregate not less than HK\$30,000,000. The profit mentioned above should exclude any **income or loss** of the issuer, or its group, generated by activities outside the ordinary and usual course of its business”.*

In the opinion of our Directors and Sponsor, our Group is able to meet the profit requirements under Rule 8.05(1)(a) of the Listing Rules based on the profit attributable to Shareholder derived from our Group’s principal business. The gains and losses arising from our Group’s investment in listed equity securities during the Relevant Period should be excluded from the computation for the profit requirements as such activity was outside the ordinary and usual course of business of our Group.

Investment in listed equity securities

During the Relevant Period, our Group was involved in investing in A shares listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange with a view to capturing investment returns from the China’s stock market.

In March 2007, our Group placed a total cash amount of RMB25,000,000 in the securities accounts and commenced investing in A shares in the same month. Any cash balance remained in the securities accounts was included in our Group’s cash and cash equivalents in the consolidated balance sheets as at 31 December 2007, 2008 and 2009.

Our Shareholders i.e. our Founders and 郭振義先生 (Mr. Guo Zhenyi (“**Mr. Guo**”)), as our minority shareholder who did not involve in the day-to-day operations of our Group) decided that our Group undertook to invest in A shares to take advantage of the then positive stock market sentiment. Our Founders and Mr. Guo further decided that the investment portfolio should consist of CSI 300 Index constituent stocks and quality stocks subscribed for from initial public offerings in the A share market. While our Founders and Mr. Guo were ultimately responsible for the investment decisions made, our Founders entrusted Mr. Guo to take charge of the equity investing activities so that our Founders could continue to focus on our Group’s principal business. Mr. Guo reported the investment results to our Founders from time to time during the Relevant Period. The maximum aggregate amount regarding our Group’s equity investment in the A share market was capped at RMB25,000,000. Mr. Guo is neither a professional investment manager nor a professional investor. During the Relevant Period, he simply relied on the market advices and stock recommendations from securities brokers to decide the timing and amount of each trade and did not engage any particular resources from our Group in conducting the equity investing activities. Unlike our zipper business, our Group did not run our investment in A shares as a separate principal business, as there were no designated team of staff, office premises and facilities to support Mr. Guo’s equity investing activities. Our Group did not set any clear investment objectives in

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terms of investment returns and target sectors nor any stop loss limit in this connection. Our PRC Legal Adviser has advised that our subsidiaries in the PRC were permitted to engage in investing in the A share market with relevant approved securities accounts, and such activity was lawful, valid and legally effected under the relevant PRC laws and regulations.

Our Group's investment in A shares was recorded as investments in listed equity securities at fair value i.e. on a mark-to-market basis in the consolidated balance sheets as at 31 December 2007 and 2008.

Set out below is the relevant financial information extracted from our Group's consolidated balance sheets in the Accountants' Report:

		As at 31 December		
		2007	2008	2009
		HK\$ (million)	HK\$ (million)	HK\$ (million)
Investments in listed equity securities	(A)	19.80	9.00	—
Total assets	(B)	129.48	160.59	165.96
	(A) ÷ (B)	15.3%	5.6%	N/A

Throughout the Track Record Period, our Group maintained a healthy cash position. For the three years ended 31 December 2007, 2008 and 2009, our Group's principal business i.e. zipper manufacturing generated net operating cash of approximately HK\$33 million, HK\$24 million and HK\$34 million respectively, and there was no dividend paid by us. Further details are set out in the section headed "Financial information — Liquidity and capital resources". Our investment in A shares was financed by our Group's unutilised cash and no bank borrowings were involved in this connection.

Net realised and unrealised gains and losses on investments in A shares (taking into account the change in fair value of such investments) were recorded as a separate item in the consolidated income statements for the three years ended 31 December 2007, 2008 and 2009.

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Set out below is the summary of our Group's investment records and results based on the Accountants' Report:

	Year ended 31 December			Total
	2007	2008	2009	
	HK\$ (million)	HK\$ (million)	HK\$ (million)	
Financial information extracted from the consolidated income statements:				
Net realised and unrealised gain / (loss) on investments in listed equity securities.	10.91	(22.37)	6.84	(4.62)
Financial information extracted from the consolidated cash flow statements:				
Payment for purchase of investments in listed equity securities	(133.31)	(16.69)	(7.33)	(157.33)
Proceeds from sale of investments in listed equity securities	124.42	5.12	23.17	152.71
Net cash inflow / (outflow) in respect of purchase and sale of investments in listed equity securities	(8.89)	(11.57)	15.84	(4.62)

The relatively high value of cash amounts involved in the purchase and sale of investments in listed equity securities in 2007 was resulted from the then positive stock market sentiment which led to the relatively high number of purchase and sale trades executed during the same period. Nevertheless, the maximum aggregate amount regarding our Group's investment in A shares was capped at the initial amount of RMB25,000,000, which represented approximately 20.6% and 17.7% of our total assets as at 31 December 2007 and 2008 respectively. In other words, our Group's maximum loss resulting from our investment in A shares was limited to the initial amount of RMB25,000,000 regardless of the number of trades executed and the fluctuations in the value of the investment portfolio at any one time.

Over the Relevant Period, our Group made a total net realised loss of approximately HK\$4.62 million (inclusive of all the transaction costs (including brokerage fees and stamp duty charges) of approximately HK\$0.86 million) and had a total net cash outflow of the same amount in respect of investment in A shares.

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The performance of the CSI 300 Index compiled by China Securities Index Company Limited over the Relevant Period was as follows:

Date	CSI 300 Index	Increase / (Decrease)
19 March 2007	2,659.41	—
28 December 2007	5,338.27	100.7%
31 December 2008	1,817.72	(65.9)%
9 July 2009	3,396.30	86.8%

Motivated by the daily market advices and the stock recommendations from securities brokers and the then strong market sentiment, our Group's investing activities were relatively active during the period from March to August and December in 2007. In early 2008, in view of the then ongoing market volatility, our Founders asked Mr. Guo to gradually reduce the investing activities. In July 2009, our Group disposed of all the equity investments and terminated the investing activities accordingly. During the Relevant Period, around 38 stocks in total had been traded in the A share market.

Set out below are the monthly numbers of trades and the respective trade amounts executed by our Group during the Relevant Period:

	Year ended 31 December											
	2007				2008				2009			
	Purchase		Sale		Purchase		Sale		Purchase		Sale	
	HK\$ (million)	Number of trades	HK\$ (million)	Number of trades	HK\$ (million)	Number of trades	HK\$ (million)	Number of trades	HK\$ (million)	Number of trades	HK\$ (million)	Number of trades
January	N/A	N/A	N/A	N/A	13.38	11	—	—	—	—	—	—
February	N/A	N/A	N/A	N/A	—	—	—	—	4.27	14	5.17	18
March	32.05	58	18.04	46	—	—	—	—	1.37	2	0.21	1
April	17.21	23	17.18	35	—	—	1.10	5	1.69	3	0.78	1
May	27.65	20	34.63	22	—	—	0.17	1	—	—	—	—
June	17.79	28	13.37	25	—	—	—	—	—	—	6.42	8
July	4.97	24	3.97	16	—	—	—	—	—	—	10.59	13
August	22.44	26	17.35	19	—	—	—	—	N/A	N/A	N/A	N/A
September	0.78	7	1.99	12	—	—	—	—	N/A	N/A	N/A	N/A
October	2.50	6	0.87	7	—	—	—	—	N/A	N/A	N/A	N/A
November	0.62	2	0.74	3	0.46	4	1.48	10	N/A	N/A	N/A	N/A
December	7.30	19	16.28	21	2.85	7	2.37	4	N/A	N/A	N/A	N/A
Total	<u>133.31</u>	<u>213</u>	<u>124.42</u>	<u>206</u>	<u>16.69</u>	<u>22</u>	<u>5.12</u>	<u>20</u>	<u>7.33</u>	<u>19</u>	<u>23.17</u>	<u>41</u>

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Our Group's investment in listed equity securities was a temporary activity which bore no relationship with, and was not necessary for, our Group's principal business i.e. zipper manufacturing. Our Group's investment in listed equity securities lasted for only two years and four months in our operating history, and was only relatively active for a short period of time. The highest number of trades was recorded in the month of March 2007 followed by the relatively active months of April to August and the month of December in 2007. During the Relevant Period, there were 14 months recording no more than five trades each month. In fact, nine months recorded no trades at all. The average value per trade amounted to approximately HK\$0.6 million over the Relevant Period. The average holding period per trade was approximately 96 days over the Relevant Period.

Our Group ceased investing in A shares in July 2009. In April 2010, our Group's securities accounts were all closed. Further, in the 12 months following the date of Listing, our Group will be prohibited from engaging in share trading or investing in securities. The prohibition will continue to apply unless at the expiry of the 12-month period following the date of Listing our Company at a Board meeting to be attended by all of our Directors resolves to engage in share trading or investing in securities. Any decision by our Board after such Board meeting is convened will be announced by our Company before any share trading or investing in securities would be carried out. In the event that our Group engages in investment in stock markets in future, our Board will ensure that such activity is carried out in a manner that is in the interests of our Company and Shareholders as a whole, taking into account such factors that (i) such activity will be carried out with a view to capturing investment returns for our Group; (ii) such activity will not be carried out as a separate principal business of our Group; (iii) such activity will be carried out in unutilised cash without bank borrowings provided that the liquidity of our Group e.g. working capital will not be adversely affected, and any dividend declared to be distributed by our Company will be paid without delay; (iv) our chief financial officer will monitor and, if necessary, external investment managers will also be consulted on such investment decisions as the initial maximum amount of investment, types of securities to be invested in, investment objectives regarding expected investment returns and target sectors, the buying and selling strategies, any treasury policy to be adopted from time to time governing the use of unutilised cash of our Group and the stop loss limit to be set in this connection; and (v) our chief financial officer will report to our Board on the investment performance at least on a monthly basis and implement any monitoring measures from time to time considered by the Board as appropriate and necessary.

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Profitability of our Group's principal business under our management

Set out below are our adjusted profits attributable to Shareholder assuming that there were no investment in listed equity securities during the Track Record Period. Such information is derived from our Group's consolidated income statements and note 3 to the financial information in the Accountants' Report.

	Year ended 31 December			Six months ended 30 June
	2007	2008	2009	2010
	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)
Profit attributable to Shareholder (based on our Group's consolidated income statements in the Accountants' Report)	25.99	0.31	37.35	13.86
<i>Adjusted by:</i>				
Net realised and unrealised (gain) / loss on investments in listed equity securities	(10.91)	22.37	(6.84)	—
Tax effect of net realised and unrealised gain / (loss) on investments in listed equity securities	1.70	(1.14)	0.29	—
Net realised and unrealised gain / (loss) on investments in listed equity securities attributable to non-controlling interests . .	<u>0.77</u>	<u>(1.99)</u>	<u>0.68</u>	<u>—</u>
Adjusted profit attributable to Shareholder (assuming there were no investment in listed equity securities during the Track Record Period).	<u><u>17.55</u></u>	<u><u>19.55</u></u>	<u><u>31.48</u></u>	<u><u>13.86</u></u>

By excluding the effects of gains and losses on investment in listed equity securities from our Group's performance, it demonstrates that our Group's principal business is able to meet the profit requirements under Rule 8.05(1)(a) of the Listing Rules.

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Set out below are our adjusted profits from operations and adjusted net profits and relevant margin percentages assuming that there were no investment in listed equity securities during the Track Record Period. Such information is derived from our Group's consolidated income statements and note 3 to the financial information in the Accountants' Report.

	Year ended 31 December			Six months ended 30 June
	2007	2008	2009	2010
	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)
Adjusted profit from operations (Note 1)	17.95	25.81	39.30	18.10
Adjusted operating profit margin (%)	19.6%	22.0%	24.5%	22.2%
Adjusted net profit (Note 2)	18.17	19.16	33.72	14.56
Adjusted net profit margin (%)	19.8%	16.3%	21.0%	17.8%

Notes:

1. These figures are arrived at after the net realised and unrealised gain or loss on investment in listed equity securities has been deducted from or added back to (as the case may be) our profit from operations for each of the three years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2010 in the Accountants' Report.
2. These figures are arrived at after the net realised and unrealised gain or loss on investment in listed equity securities and the related tax charge or benefit set out in note 3 to the financial information in the Accountants' Report have been deducted from or added back to (as the case may be) our net profit or loss for each of the three years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2010 in the Accountants' Report.

Our Group's adjusted profits attributable to Shareholder, profits from operations and net profits were on an increasing trend over the Track Record Period. By excluding the effects of gains and losses on investment in listed equity securities from our Group's performance, it demonstrates that our Group's principal business was commercially and operationally viable under our management during the Track Record Period.

Rationale for excluding the effects of gains and losses on investment in listed equity securities for the purposes of Rule 8.05(1)(a) of the Listing Rules

Our Directors and Sponsor are of the opinion that the gains and losses arising from our Group's investment in listed equity securities during the Relevant Period should be excluded from the computation of profit for the purposes of Rule 8.05(1)(a) of the Listing Rules for the following reasons:

- our Group's investment in listed equity securities was not carried out in the ordinary and usual course of business of our Group;
- our Group's principal business since its inception and during the Track Record Period has been the manufacture and sale of finished zippers which has actively generated our Group's turnover;

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- our Group's investment in listed equity securities was a temporary activity which lasted for only two years and four months in our operating history, and was only relatively active for a short period of time i.e. from March to August and December in 2007;
- our Group's securities accounts were all closed in April 2010, and our Group does not have any plan to engage in investment in the stock markets after Listing; and
- the gains and losses arising from our Group's investment in listed equity securities were not recurring, and were not attributable to our Group's principal business.

Our Directors and Sponsor consider that our Group's investment in listed equity securities during the Relevant Period was not carried out in the ordinary and usual course of business of our Group. During the Relevant Period, our Group's investment in listed equity securities financed by our Group's unutilised cash was engaged with a view to capturing investment returns from the China's stock market, which bore no relationship with, and was not necessary for, our Group's principal business i.e. zipper manufacturing. There were no clear investment objectives set in terms of investment returns and target sectors. In fact, our Group's investment in listed equity securities was conducted in a manner which was not sufficient to be viewed as a separate principal business. During the Relevant Period, there were 14 months recording no more than five trades each month. In fact, nine months recorded no trades at all. Mr. Guo, who did not involve in the day-to-day operations of our Group and is neither a professional investment manager nor a professional investor, was asked by our Founders to look after our Group's investment in listed equity securities. Mr. Guo had not much support in terms of resources from our Group. Unlike our zipper business, there were no designated team of staff, office premises and facilities for the purposes of running our Group's investment in listed equity securities as a separate principal business. Since our Group's investment in listed equity securities during the Relevant Period is not considered to be carried out in the ordinary and usual course of business of our Group, the gains and losses arising therefrom should be excluded from the computation of profit for the purposes of Rule 8.05(1)(a) of the Listing Rules.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six months ended 30 June 2009 compared to six months ended 30 June 2010

Turnover

Our total turnover increased by approximately 7.6% on a period-on-period basis primarily as a result of:

- a decrease of approximately 1.9% in sales of metal zippers;
- an increase of approximately 10.1% in sales of nylon zippers;
- an increase of approximately 7.0% in sales of plastic zippers;
- an increase of approximately 52.5% in sales of sliders;
- an increase of approximately 78.2% in sales of premium items; and
- an increase of approximately 93.7% in sales of components of zippers (including continuous zipper chains and stops) and moulds.

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Our turnover for each of the product categories recorded an increase in the first half of 2010 as compared to the corresponding period in 2009 except for a minor decrease in sales of metal zippers by 1.9%.

Finished zippers

Revenue from sales of our finished zippers increased by approximately 4.0% on a period-on-period basis primarily due to an increase in sales volume. Such increase was as a result of (i) the growth of the apparel industry in China which increased the demand for quality zippers; (ii) an increase in the number of apparel brand owners designating us to supply finished zippers to their OEMs; and (iii) the seasonality that the peak season started approximately one month later in 2010 as compared to 2009 due to a later Chinese New Year. Decrease in sales of metal zippers by approximately 1.9% on a period-on-period basis was further due to market competition and a change in product mix (for instance, shorter finished zippers are mainly applied in trousers and jeans while longer finished zippers are usually found in clothes).

Sliders

Increase in sales of our sliders was attributable to an increase in sales volume as a result of an increase in sales orders for our sliders from a European zipper producer who manufactures zippers for well known fashion brands.

Premium items

Increase in sales of premium items such as toy figures, ornaments, key-rings and clothing accessories was attributable to an increase in sales volume as a result of an increase in demand for these items from apparel brand owners in order to meet their promotional needs for their products.

Components and moulds

Increase in sales of components and moulds was primarily due to an increase in sales of scrap zinc alloy to third parties which was no longer recycled in our production of zipper sliders.

Cost of sales

Our total cost of sales increased by approximately 2.4% on a period-on-period basis primarily as a result of:

- an increase of approximately 0.5% in raw material costs;
- an increase of approximately 15.0% in direct labour cost;
- a decrease of approximately 2.7% in manufacturing overhead costs; and
- an increase of approximately 1.2 times in purchase costs of premium items.

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Raw material costs represented approximately 38.0% and 37.3% of our total cost of sales for the six months ended 30 June 2009 and 2010 respectively. The relatively slight increase in raw material costs of approximately 0.5% on a period-on-period basis was a result of less copper consumed (as an expensive and a major raw material for producing teeth of metal zippers) which was in line with the decrease in sales of metal zippers on a period-on-period basis.

Direct labour cost represented approximately 13.3% and 15.0% of our total cost of sales for the six months ended 30 June 2009 and 2010 respectively. Increase in direct labour cost of approximately 15.0% on a period-on-period basis was primarily due to an increase in labour force to cope with the increase in sales orders.

Manufacturing overhead costs represented approximately 47.4% and 45.0% of our total cost of sales for the six months ended 30 June 2009 and 2010 respectively. Decrease in manufacturing overhead costs of approximately 2.7% on a period-on-period basis was primarily due to a better cost control on the outsourced electroplating process and economies of scale.

Increase in purchase costs of premium items was due to an increase in demand for premium items from apparel brand owners in order to meet their promotional needs for their products.

Gross profit and gross profit margin

Our overall gross profit increased by approximately 15.3% on a period-on-period basis.

Our overall gross profit margin increased from approximately 40.0% for the first half of 2009 to 42.8% for the corresponding period in 2010 as a result of:

- an increase in gross profit margin of metal zippers from 33.6% to 35.7%;
- an increase in gross profit margin of nylon zippers from 46.1% to 50.1%;
- an increase in gross profit margin of plastic zippers from 43.5% to 50.0%;
- a decrease in gross profit margin of sliders from 37.0% to 35.6%;
- a decrease in gross profit margin of premium items from 33.3% to 19.4%; and
- a decrease in gross profit margin of components and moulds from 58.6% to 46.0%.

Finished zippers

Gross profit for our finished zippers increased by 13.6% from HK\$28.6 million for the first half of 2009 to HK\$32.5 million for the corresponding period in 2010. Gross profit margin increased from approximately 39.8% to 43.6%, which was due to an increase in gross profit margins of our three types of finished zippers.

Increase in gross profit margins of our finished zippers was primarily due to (i) a better cost control on the outsourced electroplating process; (ii) economies of scale; and (iii) the relatively high profit margin of one of our plastic zippers, which uses “動感牙” (Vivid Teeth), a patented product of our Group.

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Sliders

Gross profit for our sliders increased by approximately 46.9% from HK\$810,000 for the first half of 2009 to HK\$1,190,000 for the corresponding period in 2010.

Gross profit margin on the other hand decreased from approximately 37.0% to 35.6%, which was primarily due to an increase in costs of production to enhance the quality of sliders sold to a European zipper producer by not recycling scrap zinc alloy.

Premium items

Gross profit for our premium items slightly increased from approximately HK\$290,000 for the first half of 2009 to HK\$300,000 for the corresponding period in 2010.

Gross profit margin on the other hand decreased from approximately 33.3% to 19.4%, which was primarily due to a reduction in pricing on our premium items as a result of market competition.

Components and moulds

Gross profit for our components and moulds increased by approximately 52.3% from HK\$650,000 for the first half of 2009 to HK\$990,000 for the corresponding period in 2010.

Gross profit margin on the other hand decreased from approximately 58.6% to 46.0%, which was primarily due to the sale of low-margined scrap zinc alloy during the first half of 2010.

Distribution costs

Distribution costs increased by approximately 27.3% from HK\$3.3 million for the first half of 2009 to HK\$4.2 million for the corresponding period in 2010, representing 4.3% and 5.1% of our turnover for the six months ended 30 June 2009 and 2010 respectively.

Staff costs relating to sales and marketing personnel accounted for the majority of our distribution costs, representing approximately 37.2% and 45.8% of our total distribution costs for the six months ended 30 June 2009 and 2010 respectively. Increase in staff costs by 57.4% on a period-on-period basis was primarily due to (i) an increase in headcounts to cope with our business expansion; and (ii) an increase in salary and staff benefits accrued to our sales and marketing personnel.

Transportation costs represented approximately 27.1% and 21.7% of our distribution costs for the six months ended 30 June 2009 and 2010 respectively. Increase in transportation costs by 2.2% on a period-on-period basis was primarily due to the increase in our sales orders.

Administrative expenses

Administrative expenses increased by approximately 60.3% from HK\$7.8 million for the first half of 2009 to HK\$12.5 million for the corresponding period in 2010, representing approximately 10.2% and 15.3% of our turnover for each of the respective periods.

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Staff costs relating to administrative personnel accounted for the majority of our administrative expenses, representing approximately 46.5% and 33.6% of our total administrative expenses for the six months ended 30 June 2009 and 2010 respectively. Increase in staff costs by 16.4% on a period-on-period basis was primarily due to increases in headcounts and staff benefits accrued to our management and administrative personnel.

Auditors' remuneration increased significantly on a period-on-period basis primarily due to the professional fees paid and payable in connection with the audit of our financial statements for the purposes of the Listing.

Other administrative expenses represented approximately 31.5% and 45.0% of our total administrative expenses for the six months ended 30 June 2009 and 2010 respectively, which mainly included professional fees, office expenses, travelling expenses and entertainment expenses. Increase in other administrative expenses by approximately 1.3 times from HK\$2.4 million for the first half of 2009 to HK\$5.6 million for the corresponding period in 2010 was primarily due to (i) the professional fees paid and payable for the preparation of the Listing; and (ii) the expenses incurred in connection with the installation of the SAP system at our Guangdong Plant.

Profit from operations

Profit from operations of approximately HK\$25.5 million for the first half of 2009 was arrived at taking into account the results from investment in listed equity securities. Our Group ceased investing in A shares in July 2009. Therefore, our profit from operations for the six months ended 2010 was entirely derived from our Group's principal business.

During the Relevant Period, our Group was involved in investing in A shares listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange. Such activity was outside the ordinary and usual course of business of our Group and should be excluded from the computation of profit for the purposes of Rule 8.05(1)(a) of the Listing Rules. Further details are set out in the section headed "Financial information — Rule 8.05(1)(a) — minimum profit requirement".

Finance costs

Finance costs, which represented interest expenses on our bank borrowings, decreased from approximately HK\$1.0 million for the six months ended 30 June 2009 to HK\$746,000 for the corresponding period in 2010 primarily due to a lower level of average loan balance during the six months ended 30 June 2010 as compared to the corresponding period in 2009.

Income tax

Income tax expenses increased by approximately 21.7% from HK\$2.3 million for the six months ended 30 June 2009 to HK\$2.8 million for the corresponding period in 2010 primarily due to the end of the two-year exemption from income tax for KEE Zhejiang as a wholly foreign-owned enterprise which commenced production in 2008 followed by a three-year 50% reduction in income tax rate commencing in 2010.

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Profit attributable to equity shareholder of our Company

Profit attributable to equity shareholder of our Company of approximately HK\$20.9 million for the first half of 2009 was arrived at taking into account the results from investment in listed equity securities. Our Group ceased investing in A shares in July 2009. Therefore, our profit attributable to equity shareholder of our Company for the six months ended 2010 was entirely derived from our Group's principal business.

During the Relevant Period, our Group was involved in investing in A shares listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange. Such activity was outside the ordinary and usual course of business of our Group and should be excluded from the computation of profit for the purposes of Rule 8.05(1)(a) of the Listing Rules. Further details are set out in the section headed "Financial information — Rule 8.05(1)(a) — minimum profit requirement".

Year ended 31 December 2009 compared to year ended 31 December 2008

Turnover

Our total turnover increased by approximately 36.9% on a year-on-year basis primarily as a result of:

- an increase of approximately 20.2% in sales of metal zippers;
- an increase of approximately 28.2% in sales of nylon zippers;
- an increase of approximately 2.1 times in sales of plastic zippers;
- an increase of approximately 8.1% in sales of sliders;
- an increase of approximately 8.6 times in sales of premium items; and
- a decrease of approximately 29.4% in sales of components of zippers (including continuous zipper chains and stops) and moulds.

Our turnover for each of the product categories recorded an increase in 2009 as compared to 2008 except for a minor decrease in sales of components and moulds by approximately HK\$680,000.

Finished zippers

Revenue from sales of our finished zippers increased by approximately 33.1% on a year-on-year basis primarily due to an increase in sales volume. Such increase was mainly attributable to an increase in sales amounts of finished zippers to our existing customers as a result of the growth of the apparel industry in China which increased the demand for quality zippers, and an increase in the number of apparel brand owners designating us to supply finished zippers to their OEMs. Among the three categories of our finished zippers, the growth in sales of our plastic zippers was the most significant in terms of percentage, which increased by approximately 2.1 times from HK\$5.2 million in 2008 to HK\$16.3 million in 2009. The majority of the increase in sales of our plastic zippers was attributable to increased orders for our product that uses “動感牙” (Vivid Teeth), which is a patented product of our Group, and was chosen by our customers for their apparel products.

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Sliders

Increase in sales of our sliders was attributable to an increase in sales volume as a result of an increase in sales orders for our sliders from a European zipper producer who manufactures zippers for well known fashion brands.

Premium items

Increase in sales of premium items such as toy figures, ornaments, key-rings and clothing accessories was attributable to an increase in sales volume as a result of (i) the launch of premium items in late 2008; and (ii) an increase in demand for these items from apparel brand owners in order to meet their promotional needs for their products. Items designed and supplied by us during the year were broadened in terms of variety.

Components and moulds

Revenue from sales of components and moulds decreased by approximately HK\$680,000 or 29.4% on a year-on-year basis. This decrease represented approximately 0.4% of our turnover for 2009 and was mainly due to a decrease in sales orders for continuous zipper chains.

Cost of sales

Our total cost of sales increased by approximately 41.3% on a year-on-year basis primarily as a result of:

- an increase of approximately 18.1% in raw material costs;
- an increase of approximately 45.5% in direct labour cost;
- an increase of approximately 47.0% in manufacturing overhead costs; and
- an increase of approximately 15.1 times in purchase costs of premium items.

Raw material costs represented approximately 38.3% and 32.0% of our total cost of sales for the years ended 31 December 2008 and 2009 respectively. Increase in raw material costs of approximately 18.1% on a year-on-year basis was primarily due to an increase in raw materials used to manufacture our finished zippers and other products which was partly offset by a fall in prices of raw materials since the global financial crisis in 2008.

Direct labour cost represented approximately 14.0% and 14.4% of our total cost of sales for the years ended 31 December 2008 and 2009 respectively. Increase in direct labour cost of approximately 45.5% on a year-on-year basis was primarily due to an increase in labour force to cope with the increase in sales orders.

Manufacturing overhead costs represented approximately 47.3% and 49.2% of our total cost of sales for the years ended 31 December 2008 and 2009 respectively. Increase in manufacturing overhead costs of approximately 47.0% on a year-on-year basis was primarily due to the first full year depreciation on our Zhejiang Plant and increases in administrative staff costs relevant to our production, utilities used and outsourced electroplating costs as a result of the increase in sales orders.

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Increase in purchase costs of premium items was due to an increase in demand for premium items from apparel brand owners in order to meet their promotional needs for their products. Items designed and sourced by us during the year were broadened in terms of variety.

Gross profit and gross profit margin

Our overall gross profit increased by approximately 30.8% on a year-on-year basis.

Our overall gross profit margin slightly decreased from approximately 42.4% in 2008 to 40.5% in 2009 as a result of:

- a decrease in gross profit margin of metal zippers from 42.4% to 37.4%;
- a slight decrease in gross profit margin of nylon zippers from 43.1% to 42.4%;
- an increase in gross profit margin of plastic zippers from 28.7% to 40.2%;
- a decrease in gross profit margin of sliders from 39.9% to 36.0%;
- a decrease in gross profit margin of premium items from 68.7% to 47.8%; and
- an increase in gross profit margin of components and moulds from 52.8% to 62.6%.

Finished zippers

Gross profit for our finished zippers increased by approximately 26.5% from HK\$46.5 million in 2008 to HK\$58.8 million in 2009. Gross profit margin on the other hand slightly decreased from approximately 42.1% to 40.0%, which was attributable to decreases in gross profit margin of metal and nylon zippers offset by an increase in gross profit margin of plastic zippers.

Decrease in gross profit margin of metal zippers was primarily due to market competition which drove down selling prices and an increase in costs of production to enhance the quality of zipper sliders by not recycling scrap zinc alloy.

Decrease in gross profit margin of nylon zippers was primarily due to an increase in cost of production to enhance the quality of zipper sliders by not recycling scrap zinc alloy.

Increase in gross profit margin of plastic zippers was primarily attributable to the relatively high profit margin of our product which uses “動感牙” (Vivid Teeth), a patented product of our Group.

Sliders

Gross profit for our sliders levelled at approximately HK\$1.5 million in 2009 from 2008.

Gross profit margin on the other hand decreased from approximately 39.9% to 36.0% which was primarily due to an increase in costs of production to enhance the quality of sliders sold to a European zipper producer by not recycling scrap zinc alloy.

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Premium items

Gross profit for our premium items increased from approximately HK\$0.6 million in 2008 to HK\$3.8 million in 2009 due to (i) the launch of premium items in late 2008; and (ii) an increase in demand for these items from apparel brand owners in order to meet their promotional needs for their products.

Gross profit margin on the other hand decreased from approximately 68.7% to 47.8%, which was because the only premium items sold in 2008 were “萬向輪” (key-rings — “Wangxianglun”) which had a profit margin of approximately 68.7%. The premium items offered by us in 2009 were more diverse at margins within a broader range than 2008.

Components and moulds

Gross profit for our components and moulds decreased by approximately 16.7% from HK\$1.2 million in 2008 to HK\$1.0 million in 2009.

Gross profit margin on the other hand increased from approximately 52.8% to 62.6% which was primarily due to a change in product mix that sales orders for continuous zipper chains, which profit margin is generally less than moulds, decreased during the year.

Distribution costs

Distribution costs levelled at approximately HK\$7.4 million in 2009 from 2008, representing approximately 6.3% and 4.6% of our turnover for the years ended 31 December 2008 and 2009 respectively.

Staff costs relating to sales and marketing personnel accounted for the majority of our distribution costs, representing approximately 39.1% and 43.7% of our total distribution costs for the years ended 31 December 2008 and 2009 respectively. Increase in staff costs by 12.4% on a year-on-year basis was primarily due to an increase in staff benefits accrued to our sales and marketing personnel.

Transportation costs represented approximately 18.7% and 26.7% of our total distribution costs for the years ended 31 December 2008 and 2009 respectively. Increase in transportation costs by 43.2% on a year-on-year basis was mainly due to the increase in our sales orders.

Advertising and promotion expenses represented approximately 21.0% and 10.2% of our total distribution costs for the years ended 31 December 2008 and 2009 respectively. Decrease in advertising and promotion expenses was due to a change in our marketing strategy. We adopted a “bottom-up” approach to market our products by directly accessing apparel brand owners and their designers. We ceased to advertise our products on a billboard on a highway in Zhejiang Province and we became more selective in participating in exhibitions, choosing only those most relevant to our Company and the zipper industry during the year.

Rental expenses represented approximately 3.6% and 1.9% of our total distribution costs for the years ended 31 December 2008 and 2009 respectively. Decrease in rental expenses by approximately 48.1% was due to a less expensive unit rented by our Group in Shanghai.

FINANCIAL INFORMATION

Administrative expenses

Administrative expenses increased by approximately 13.0% from HK\$16.2 million in 2008 to HK\$18.3 million in 2009, representing approximately 13.8% and 11.4% of our turnover for each of the respective years.

Staff costs relating to administrative personnel accounted for the majority of our administrative expenses, representing approximately 41.3% and 47.4% of our total administrative expenses for the years ended 31 December 2008 and 2009 respectively. Increase in staff costs by 29.6% on a year-on-year basis was primarily due to increases in headcounts and staff benefits accrued to our management and administrative personnel.

Other administrative expenses represented approximately 37.6% and 32.5% of our total administrative expenses for the years ended 31 December 2008 and 2009 respectively, which mainly included office expenses, travelling expenses and entertainment expenses.

Profit from operations

Profits from operations of approximately HK\$3.4 million for 2008 and HK\$46.1 million for 2009 were arrived at taking into account the results from investment in listed equity securities.

During the Relevant Period, our Group was involved in investing in A shares listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange. Such activity was outside the ordinary and usual course of business of our Group. Further details are set out in the section headed “Financial information — Rule 8.05(1)(a) — minimum profit requirement”.

Finance costs

Finance costs, which represented interest expenses on our bank borrowings, increased from approximately HK\$0.9 million in 2008 to HK\$1.9 million in 2009 as we had only taken out bank borrowings since May 2008. Therefore, full year interest expenses were charged on our bank borrowings in 2009 whereas less than a year interest expenses were charged on our bank borrowings in 2008.

Income tax

Income tax expenses decreased by approximately 13.0% from HK\$4.6 million in 2008 to HK\$4.0 million in 2009 primarily due to the provision for claw-back made in 2008 on tax concession enjoyed by KEE Suzhou in 2006 and 2007, which became dormant in May 2008 prior to the end of its first 10 operating years as required by the relevant PRC authorities.

Profit attributable to equity shareholder of our Company

Profits attributable to equity shareholder of our Company of approximately HK\$0.3 million for 2008 and HK\$37.4 million for 2009 were arrived at taking into account the results from investment in listed equity securities.

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During the Relevant Period, our Group was involved in investing in A shares listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange. Such activity was outside the ordinary and usual course of business of our Group and should be excluded from the computation of profit for the purposes of Rule 8.05(1)(a) of the Listing Rules. Further details are set out in the section headed “Financial information — Rule 8.05(1)(a) — minimum profit requirement”.

Year ended 31 December 2008 compared to year ended 31 December 2007

Turnover

Our total turnover increased by approximately 28.2% on a year-on-year basis primarily as a result of:

- an increase of approximately 12.8% in sales of metal zippers;
- an increase of approximately 40.3% in sales of nylon zippers;
- a decrease of approximately 0.4% in sales of plastic zippers;
- an increase of approximately 2.9 times in sales of sliders;
- the launch of offering premium items; and
- an increase of approximately 81.9% in sales of components of zippers (including continuous zipper chains and stops) and moulds.

Our turnover for each of the product categories recorded an increase in 2008 as compared to 2007 except for a minor decrease in sales of plastic zippers by 0.4%.

Finished zippers

Revenue from sales of our finished zippers increased by approximately 23.6% on a year-on-year basis primarily due to an increase in sales volume. Such increase was mainly attributable to an increase in sales amounts of metal and nylon zippers to our existing customers as a result of the growth of the apparel industry in China which increased the demand for quality zippers, and an increase in the number of apparel brand owners designating us to supply finished zippers to their OEMs. Among the three categories of our finished zippers, the growth in sales of our nylon zippers was the most significant in terms of both percentage and value, which increased by approximately 40.2% from HK\$37.6 million in 2007 to HK\$52.7 million in 2008 primarily due to an increase in sales orders from our customers who manufactured sportswear products for local apparel brand owners as a result of the Beijing 2008 Olympic Games.

Sliders

Increase in sales of our sliders was attributable to an increase in sales volume as a result of an increase in sales orders for our sliders from a European zipper producer who manufactures zippers for well known fashion brands.

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Premium items

We commenced to design and supply premium items in 2008 in order to meet the promotional needs of apparel brand owners for their products as a result of our close working relationship with apparel brand owners.

Components and moulds

Revenue from sales of components and moulds increased by approximately 81.9% on a year-on-year basis primarily due to a strong demand for our continuous zipper chains from local manufacturers and for our moulds from a European zipper producer who manufactures zippers for well known fashion brands.

Cost of sales

Our total cost of sales increased by approximately 25.8% on a year-on-year basis primarily as a result of:

- an increase of approximately 5.5% in raw material costs;
- an increase of approximately 19.4% in direct labour cost;
- an increase of approximately 50.4% in manufacturing overhead costs; and
- the sourcing of premium items for sale for the first time.

Raw material costs represented approximately 45.6% and 38.3% of our total cost of sales for the years ended 31 December 2007 and 2008 respectively. Increase in raw material costs of approximately 5.5% on a year-on-year basis was primarily due to an increase in raw materials used to manufacture our finished zippers and other products which was offset by a fall in prices of raw materials towards the end of 2008 following the global financial crisis.

Direct labour cost represented approximately 14.8% and 14.0% of our total cost of sales for the years ended 31 December 2007 and 2008 respectively. Increase in direct labour cost of approximately 19.4% on a year-on-year basis was primarily due to an increase in labour force to cope with the increase in sales orders.

Manufacturing overhead costs represented approximately 39.6% and 47.3% of our total cost of sales for the years ended 31 December 2007 and 2008 respectively. Increase in manufacturing overhead costs of 50.4% on a year-on-year basis was primarily due to (i) the commencement of operation at our Zhejiang Plant in 2008 which incurred additional depreciation expense to our Group; (ii) an increase in rental expense for our Guangdong Plant; and (iii) increases in administrative staff costs relevant to our production, utilities used and outsourced electroplating costs as a result of the increase in sales orders.

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Gross profit and gross profit margin

Our overall gross profit increased by approximately 31.6% on a year-on-year basis.

Our overall gross profit margin slightly increased from approximately 41.3% in 2007 to 42.4% in 2008 as a result of:

- an increase in gross profit margin of metal zippers from 41.2% to 42.4%;
- a slight decrease in gross profit margin of nylon zippers from 43.6% to 43.1%;
- an increase in gross profit margin of plastic zippers from 27.3% to 28.7%;
- an increase in gross profit margin of sliders from 27.1% to 39.9%;
- the gross profit margin of premium items of 68.7% in 2008; and
- an increase in gross profit margin of components and moulds from 48.8% to 52.8%.

Finished zippers

Gross profit for our finished zippers increased by approximately 25.7% from HK\$37.0 million in 2007 to HK\$46.5 million in 2008. Gross profit margin increased from approximately 41.4% to 42.1%, which was attributable to increases in gross profit margin of metal and plastic zippers offset by a slight decrease in gross profit margin of nylon zippers.

Sliders

Gross profit for our sliders increased by approximately 4.0 times from HK\$0.3 million in 2007 to HK\$1.5 million in 2008. Gross profit margin increased from approximately 27.1% to 39.9% which was primarily due to a fall in unit cost of zinc alloy following the global financial crisis in 2008.

Premium items

Gross profit margin for our premium items was approximately 68.7% in 2008. The only premium items we offered in 2008 were “萬向輪” (key-rings — “Wangxianglun”).

Components and moulds

Gross profit for our components and moulds increased by approximately 100.0% from HK\$0.6 million in 2007 to HK\$1.2 million in 2008. Gross profit margin increased from approximately 48.8% to 52.8% which was primarily due to a strong demand for our continuous zipper chains from local manufacturers and for our moulds from a European zipper producer who manufactures zippers for well known fashion brands, where profit margin for moulds is generally higher than continuous zipper chains.

Distribution costs

Distribution costs levelled at approximately HK\$7.4 million in 2008 from 2007, representing approximately 8.0% and 6.3% of our turnover for the years ended 31 December 2007 and 2008 respectively.

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Staff costs relating to sales and marketing personnel accounted for the majority of our distribution costs, representing approximately 40.1% and 39.1% of our total distribution costs for the years ended 31 December 2007 and 2008 respectively. Staff costs levelled at approximately HK\$2.9 million in 2008 from 2007.

Transportation costs represented approximately 12.7% and 18.7% of our total distribution costs for the years ended 31 December 2007 and 2008 respectively. Increase in transportation costs by approximately 49.5% on a year-on-year basis was primarily due to the increase in our sales orders.

Advertising and promotion expenses represented approximately 27.3% and 21.0% of our total distribution costs for the years ended 31 December 2007 and 2008 respectively. Decrease in advertising and promotion expenses was mainly due to our sponsorship in 2007 of the gold sliders on certain uniforms of the China team's gold medalists in a major international sports event.

Rental expenses represented approximately 8.8% and 3.6% of our total distribution costs for the years ended 31 December 2007 and 2008 respectively. Decrease in rental expenses by approximately 58.5% was due to the termination of the lease for a showroom in Guangzhou in 2007.

Administrative expenses

Administrative expenses increased by approximately 33.9% from HK\$12.1 million in 2007 to HK\$16.2 million in 2008, representing approximately 13.2% and 13.8% of our turnover for each of the respective years.

Staff costs relating to administrative personnel accounted for the majority of our administrative expenses, representing approximately 38.5% and 41.3% of our total administrative expenses for the years ended 31 December 2007 and 2008 respectively. Increase in staff costs by approximately 44.4% on a year-on-year basis was primarily due to increases in headcounts and staff benefits accrued to our management and administrative personnel.

Other administrative expenses represented approximately 44.6% and 37.6% of our total administrative expenses for the years ended 31 December 2007 and 2008 respectively, which mainly included office expenses, travelling expenses and entertainment expenses.

Profit from operations

Profits from operations of approximately HK\$28.9 million for 2007 and HK\$3.4 million for 2008 were arrived at taking into account the results from investment in listed equity securities.

FINANCIAL INFORMATION

During the Relevant Period, our Group was involved in investing in A shares listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange. Such activity was outside the ordinary and usual course of business of our Group. Further details are set out in the section headed “Financial information — Rule 8.05(1)(a) — minimum profit requirement”.

Finance costs

Finance costs represented interest expenses on our bank borrowings and our Group had only taken out bank borrowings since May 2008.

Income tax

Income tax expenses increased by approximately 2.1 times from HK\$1.5 million in 2007 to HK\$4.6 million in 2008 primarily due to the provision for claw-back made on tax concessions enjoyed by KEE Suzhou in 2006 and 2007, which became dormant in May 2008 prior to the end of its first 10 operating years as required by the relevant PRC authorities, as well as due to the end of the two-year exemption from income tax for KEE Guangdong as a wholly foreign-owned enterprise in the PRC in 2007 followed by a three-year 50% reduction in income tax rate commencing in 2008.

Profit attributable to equity shareholder of our Company

Profits attributable to equity shareholder of our Company of approximately HK\$26.0 million for 2007 and HK\$0.3 million for 2008 were arrived at taking into account the results from investment in listed equity securities.

During the Relevant Period, our Group was involved in investing in A shares listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange. Such activity was outside the ordinary and usual course of business of our Group and should be excluded from the computation of profit for the purposes of Rule 8.05(1)(a) of the Listing Rules. Further details are set out in the section headed “Financial information — Rule 8.05(1)(a) — minimum profit requirement”.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our operations primarily from cash flow from operating activities and short-term borrowings from banks. We require cash primarily for our working capital needs and capital expenditures.

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The following table is a summary of our cash flow data for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)
Net cash generated from / (used in) operating activities	32.77	23.96	34.14	(4.85)	(11.98)
Net cash (used in) / generated from investing activities	(35.98)	(45.82)	4.61	(8.98)	(10.54)
Net cash generated from / (used in) financing activities	18.50	17.39	(34.63)	10.76	7.33
Net increase / (decrease) in cash.	15.29	(4.47)	4.12	(3.07)	(15.19)
Cash and cash equivalents at 1 January .	6.51	22.76	19.35	19.35	23.49
Effect of foreign exchange rate changes. .	0.96	1.06	0.02	—	0.13
Cash and cash equivalents at the end of the year / period.	<u>22.76</u>	<u>19.35</u>	<u>23.49</u>	<u>16.28</u>	<u>8.43</u>

Cash flow from operating activities

We derive our cash inflow from operating activities principally from the receipt of payments for the sale of our products. Our cash outflow from operating activities is principally for purchases of raw materials and payments of outsourced electroplating costs, rental expenses and staff and labour costs.

Six months ended 30 June 2010

In the six months ended 30 June 2010, we had net cash used in operating activities of approximately HK\$12.0 million, which was primarily attributable to an increase in trade and other receivables of approximately HK\$34.1 million and an increase in inventories of approximately HK\$13.1 million due to the seasonality that the peak season started approximately one month later in 2010 as compared to 2009 due to a later Chinese New Year. These cash outflows were partially offset by the operating profit before changes in working capital of approximately HK\$23.8 million and the increase in trade and other payables of approximately HK\$12.3 million. The increase in trade and other payables was primarily because the peak season commenced in May 2010 and we increased the purchase of raw materials to cope with the sharp increase in sales orders for our products during May and June 2010, which in turn increased our trade payables.

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Six months ended 30 June 2009

In the six months ended 30 June 2009, we had net cash used in operating activities of approximately HK\$4.9 million, which was primarily attributable to an increase in trade and other receivables of approximately HK\$30.6 million due to the seasonality of the zipper industry and payment for income tax of approximately HK\$1.6 million. These cash outflows were partially offset by the operating profit before changes in working capital of approximately HK\$23.4 million and the increase in trade and other payables of approximately HK\$4.6 million.

Year ended 31 December 2009

In the year ended 31 December 2009, we had net cash generated from operating activities of approximately HK\$34.1 million, which was primarily contributed to by operating profit before changes in working capital of approximately HK\$48.7 million. This cash inflow was partially offset by an increase in trade and other receivables of approximately HK\$7.9 million, income tax paid of approximately HK\$5.7 million and a decrease in trade and other payables of approximately HK\$2.0 million. The increase in trade and other receivables was primarily due to our sales growth.

Year ended 31 December 2008

In the year ended 31 December 2008, we had net cash generated from operating activities of approximately HK\$24.0 million, which was primarily contributed to by operating profit before changes in working capital of approximately HK\$33.6 million. This cash inflow was partially offset by an increase in inventories of approximately HK\$3.0 million, a decrease in trade and other payables of approximately HK\$2.6 million and income tax paid of approximately HK\$2.2 million.

Year ended 31 December 2007

In the year ended 31 December 2007, we had net cash generated from operating activities of approximately HK\$32.8 million, which was primarily contributed to by operating profit before changes in our working capital of approximately HK\$23.4 million, a decrease in trade and other receivables of approximately HK\$5.9 million and an increase in trade and other payables of approximately HK\$10.6 million. These cash inflows were partially offset by an increase in inventories of approximately HK\$6.2 million.

Cash flow from investing activities

Our cash outflow for investing activities is principally for purchases of property, plant and equipment for our Guangdong Plant and Zhejiang Plant for our expansion of production capacity and quality improvement in order to sustain our growth.

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Six months ended 30 June 2010

In the six months ended 30 June 2010, net cash used in investing activities was approximately HK\$10.5 million, which was primarily due to our payment for our purchase of property, plant and equipment in the amount of approximately HK\$12.6 million. This cash outflow was partly offset by the proceeds from sale of property, plant and equipment of approximately HK\$2.9 million.

Six months ended 30 June 2009

In the six months ended 30 June 2009, net cash used in investing activities was approximately HK\$9.0 million, which was primarily due to our payment for our purchase of property, plant and equipment in the amount of approximately HK\$6.5 million and the advances given to related parties of approximately HK\$2.7 million.

Year ended 31 December 2009

In the year ended 31 December 2009, net cash generated from investing activities was approximately HK\$4.6 million, which was primarily due to proceeds from net sale of investments in listed equity securities of approximately HK\$15.8 million and proceeds from net sale of available-for-sale equity security of approximately HK\$3.4 million. These cash inflows were partially offset by the payment for the purchase of property, plant and equipment in the amount of approximately HK\$14.0 million.

Year ended 31 December 2008

In the year ended 31 December 2008, net cash used in investing activities was approximately HK\$45.8 million, which was primarily due to our payment for our purchase of property, plant and equipment in the amount of approximately HK\$31.7 million and our payment for the net purchase of investments in listed equity securities of approximately HK\$11.6 million.

Year ended 31 December 2007

In the year ended 31 December 2007, net cash used in investing activities was approximately HK\$36.0 million, which was primarily due to our payment for the net purchase of investments in listed equity securities of approximately HK\$8.9 million, and our purchase of property, plant and equipment in the amount of approximately HK\$27.5 million mainly relating to our development of our Zhejiang Plant.

Cash flow from financing activities

We derive our cash inflow from financing activities principally from short-term bank borrowings and advances from related parties. Our cash outflow from financing activities relates primarily to our repayment of principal and interest on our bank loans and repayment of advances from related parties.

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Six months ended 30 June 2010

In the six months ended 30 June 2010, net cash generated from financing activities was approximately HK\$7.3 million, which was primarily due to proceeds from new bank loans of approximately HK\$28.5 million and net advances from related parties of approximately HK\$3.5 million. These cash inflows were partially offset by the repayment of bank loans of approximately HK\$23.9 million.

Six months ended 30 June 2009

In the six months ended 30 June 2009, net cash generated from financing activities was approximately HK\$10.8 million, which was primarily due to proceeds from new bank loans of approximately HK\$28.4 million. This cash inflow was partially offset by the repayment of bank loans of approximately HK\$11.3 million, as well as the repayment of advances from related parties of approximately HK\$4.6 million.

Year ended 31 December 2009

In the year ended 31 December 2009, net cash used in financing activities was approximately HK\$34.6 million, which was primarily due to repayment of bank loans of approximately HK\$42.4 million and the net repayment of advances from related parties of approximately HK\$27.3 million. These cash outflows were partially offset by the proceeds from new bank loans of approximately HK\$39.7 million.

Year ended 31 December 2008

In the year ended 31 December 2008, net cash generated from financing activities was approximately HK\$17.4 million, which was primarily contributed to by the proceeds from new bank loans of approximately HK\$49.2 million. This cash inflow was partially offset by the repayment of bank loans of approximately HK\$23.5 million and the net repayment of advances from related parties of approximately HK\$6.5 million.

Year ended 31 December 2007

In the year ended 31 December 2007, net cash generated from financing activities was approximately HK\$18.5 million, which was contributed by the net advances from related parties of approximately HK\$18.5 million to finance our capital expenditure in connection with the construction of our Zhejiang Plant.

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Net current assets / liabilities

	As at 31 December			As at 30 June	As at 31 October
	2007	2008	2009	2010	2010
	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)
Current assets					
Investments in listed equity securities	19.80	9.00	—	—	—
Inventories	13.31	16.28	15.43	28.49	23.00
Trade and other receivables	20.53	22.10	29.69	61.76	59.37
Amounts due from related parties . .	—	—	1.03	1.16	—
Current tax recoverable	—	—	2.22	0.95	2.10
Restricted deposit	—	—	—	0.99	1.01
Cash and cash equivalents	22.76	19.35	23.49	8.43	8.78
	76.40	66.73	71.86	101.78	94.26
Current liabilities					
Trade and other payables	27.26	27.10	24.96	36.10	30.92
Amounts due to related parties . . .	53.98	47.37	11.05	14.52	1.03
Bank loans	—	26.48	23.85	28.66	27.82
Obligation under finance lease	—	1.35	—	—	—
Current tax payable	1.66	5.20	5.00	7.23	2.66
	82.90	107.50	64.86	86.51	62.43
Net current (liabilities) / assets . .	(6.50)	(40.77)	7.00	15.27	31.83

As at 31 October 2010, we had net current assets of approximately HK\$31.83 million. The key components of our current assets as at 31 October 2010 included inventories of approximately HK\$23.00 million, trade and other receivables of approximately HK\$59.37 million and cash and cash equivalents of approximately HK\$8.78 million. The key components of our current liabilities included trade and other payables of approximately HK\$30.92 million and bank loans of approximately HK\$27.82 million.

Our net current assets increased by approximately 1.2 times from HK\$7.0 million as at 31 December 2009 to HK\$15.3 million as at 30 June 2010 primarily due to the increases in inventories and trade and other receivables of approximately HK\$13.1 million and HK\$32.1 million respectively as a result of the commencement of peak season since May 2010. Such increases were partially offset by a decrease in cash and cash equivalents of approximately HK\$15.1 million and an increase in current liabilities of approximately HK\$21.7 million caused by an increase in trade and other payables as a result of increased purchase of raw materials in order to cope with the sharp increase in sales orders for our products during May and June 2010.

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The financial position recovered from a net current liability position of approximately HK\$40.8 million as at 31 December 2008 to a net current asset position of approximately HK\$7.0 million as of 31 December 2009, primarily due to the decrease in amounts due to related parties of approximately HK\$36.3 million and an increase in trade receivables of HK\$7.6 million as a result of increased turnover for the year ended 31 December 2009.

Our net current liabilities increased by approximately 5.3 times from HK\$6.5 million as at 31 December 2007 to HK\$40.8 million as at 31 December 2008 primarily due to an increase in bank loans of approximately HK\$26.5 million.

INDEBTEDNESS AND CONTINGENT LIABILITIES

At the close of business on 31 October 2010, being the latest practicable date on which such information was available to us, our Group had outstanding bank loans of HK\$27,823,000 and advances from our Founders of HK\$571,000. The bank loans were secured by our Group's interest in leasehold land held for its own use under the operating lease and buildings both at our Zhejiang Plant with carrying values of HK\$4,243,000 and HK\$30,321,000 respectively. The advances from our Founders are interest free, not secured, and have no fixed terms of repayment. Such advances were repaid by our Group in November 2010.

As at 31 October 2010, our Group had a totally un-utilised short-term bank facility of HK\$46,372,000 guaranteed by our Founders and secured by the properties of our Founders at our Guangdong Plant, which bank facility has been withdrawn.

Save as disclosed above, at the close of business on 31 October 2010, our Group did not have any other outstanding liabilities or any mortgages, charges, debentures, loan capital, bank overdrafts or loans, liabilities under acceptance or other similar indebtedness, hire purchase commitments or finance lease obligations or any guarantees or other material contingent liabilities.

Save as disclosed above, we confirm that there has been no material change in the indebtedness and contingent liabilities of our Group since 31 October 2010 up to the Latest Practicable Date.

WORKING CAPITAL

Our Directors confirm that, taking into consideration the financial resources presently available to us, including bank loans and other internal resources, and the estimated net proceeds of the Share Offer, we have sufficient working capital for our present requirements for at least the next 12 months commencing on the date of this prospectus.

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CONTRACTUAL AND CAPITAL COMMITMENTS

Capital commitments outstanding not provided for in our financial statements

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)
Contracted for	6.27	1.02	3.74	3.51
Authorised but not contracted for.	5.87	—	—	0.29
	12.14	1.02	3.74	3.80

Outstanding capital commitments mainly represented our commitments contracted for or authorised by contract but not contracted for in relation to our buildings and machinery for our Guangdong Plant and Zhejiang Plant.

Total future minimum leases payments payable under non-cancellable operating leases

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)
Within 1 year	0.56	3.78	0.54	0.54
After 1 year but within 5 years	0.52	—	0.49	0.22
	1.08	3.78	1.03	0.76

Non-cancellable operating leases primarily related to our Guangdong Plant and other leased properties.

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HISTORICAL CAPITAL EXPENDITURES

The following table sets out our historical capital expenditures during the Track Record Period:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)
Property, plant and equipment	8.52	12.18	12.37	3.69	6.76
Construction in progress	20.54	26.35	—	—	3.77
Intangible assets	—	—	—	—	4.75
	<u>29.06</u>	<u>38.53</u>	<u>12.37</u>	<u>3.69</u>	<u>15.28</u>

Our capital expenditures for the Track Record Period principally consisted of expenditures on (i) construction in progress and property, plant and equipment for the development of our Guangdong Plant and Zhejiang Plant; and (ii) intangible assets which represented the SAP system installed at our Guangdong Plant.

INVENTORY ANALYSIS

During the Track Record Period, inventories were one of the principal components of our current assets. It is essential that we manage and control our level of inventories. The value of our inventories accounted for approximately 17.4%, 24.4%, 21.5% and 28.0% of our total current assets as at 31 December 2007, 2008 and 2009 and 30 June 2010 respectively.

The following table is a summary of our balance of inventories as at the dates indicated:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)
Raw materials	10.18	9.56	7.57	12.79
Work in progress	2.30	4.37	5.81	12.29
Finished goods	0.83	2.35	2.05	3.41
	<u>13.31</u>	<u>16.28</u>	<u>15.43</u>	<u>28.49</u>

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Our inventories increased by around 22.6% from approximately HK\$13.3 million as at 31 December 2007 to HK\$16.3 million as at 31 December 2008 and decreased by around 5.5% from approximately HK\$16.3 million as at 31 December 2008 to HK\$15.4 million as at 31 December 2009. Our inventories increased by around 85.1% to approximately HK\$28.5 million as at 30 June 2010 was mainly due to the increase in raw materials and work-in-progress as a result of increased sales orders from our customers in late June 2010 which requested deliveries in July 2010. Our Directors believe that the peak season for 2010 delayed by around one month as compared to 2009 and the amount of sales orders started increasing in late June for 2010. The general upward sloping trend of our balance of inventories was due to increased production, which is in line with the increase in our turnover over the Track Record Period.

The following table sets out our average inventory turnover days for the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2007	2008	2009	2010
	Average inventory turnover days (<i>Note</i>).	70	80	61

Note: Average inventory turnover days is equal to the average inventory divided by costs of sales and multiplied by 365 days (180 days in the case of the six months ended 30 June 2010). Average inventory equals inventory at the beginning of the year/period plus inventory at the end of the year/period and divided by two.

The increase in the average inventory turnover days over the years ended 31 December 2007 and 2008 was primarily due to the increase in raw materials and supplies purchased in the year ended 31 December 2008. The decrease in the average inventory turnover days from the year ended 31 December 2008 to the year ended 31 December 2009 was primarily due to our improved inventory control system. The increase in average inventory turnover days from the year ended 31 December 2009 to the six months ended 30 June 2010 was mainly due to the increase in raw materials and work-in-progress to support increased sales orders from our customers in late June 2010 which requested deliveries in July 2010. Due to the seasonal factors, the first quarter and the last quarter of any financial year are the low seasons for the zipper industry. Therefore, the monthly turnover recorded in May, June and July 2010 was relatively higher than the turnover of any other months during the year. Accordingly, the balance of inventories as at 30 June 2010 was approximately 84.6% higher than the balance of inventories as at 31 December 2009, as a result of increased sales orders in late June 2010 during the peak season, which caused an increase in average inventory for the calculation of turnover days.

The write-down on inventories for the three years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2010 was approximately HK\$220,000, HK\$14,000, nil and nil respectively. The write-down on inventories was insignificant during the Track Record Period because we usually procure the majority of our raw materials and commence production after having confirmed sales orders with our customers. Our raw materials are not generally susceptible to obsolescence by passage of time.

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As at 31 October 2010, approximately HK\$24.0 million of our inventories as at 30 June 2010 of HK\$28.5 million had been consumed or sold.

TRADE DEBTORS ANALYSIS

Trade debtors

Our trade and other receivables primarily relate to receivables for goods sold to our customers. Details of our credit management and payment terms are set out in the section headed “Business — Sales and marketing — Credit management and payment terms”.

The following table sets out the ageing analysis of our trade debtors (net) as at the dates indicated:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)
Current	13.03	15.07	22.42	44.57
Less than 3 months past due	3.17	3.24	1.80	12.16
More than 3 months but less than 12 months past due	0.41	—	0.27	—
	16.61	18.31	24.49	56.73

Our trade debtors (net) increased by around 10.2% from approximately HK\$16.6 million as at 31 December 2007 to HK\$18.3 million as at 31 December 2008 and further increased by around 33.9% to HK\$24.5 million as at 31 December 2009, primarily due to our sales growth. Our trade debtors (net) increased from approximately HK\$24.5 million as at 31 December 2009 to HK\$56.7 million as at 30 June 2010, primarily due to our sales growth and the seasonality of the zipper industry, which caused the balance of trade receivables as at 30 June 2010 higher than the balance of trade receivables as at 31 December 2009.

As at 31 October 2010, approximately HK\$56.3 million of our trade debtors (net) as at 30 June 2010 of HK\$56.7 million have been settled. The impairment allowance for trade debtors for the three years ended 31 December 2007, 2008, 2009 and the six months ended 30 June 2010 was approximately HK\$46,000, HK\$200,000, HK\$114,000 and HK\$124,000 respectively.

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The following table sets out our average trade debtors turnover days for the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2007	2008	2009	2010
	Average trade debtors turnover days (<i>Note</i>) . . .	61	55	49

Note: Average trade debtors turnover days is equal to the average trade debtors divided by turnover and multiplied by 365 days (180 days in the case of the six months ended 30 June 2010). Average trade debtors equals trade debtors at the beginning of the year/period plus trade debtors at the end of the year/period and divided by two.

Average trade debtors turnover days decreased over the years ended 31 December 2007, 2008 and 2009, primarily due to our improved bargaining power and the fact that proportionally more customers were assigned with shorter credit terms. Average trade debtors turnover days increased from the year ended 31 December 2009 to the six months ended 30 June 2010, primarily because the sales were not equally distributed over the six-month period during the first half of 2010 due to the seasonality of the zipper industry, which caused the balance of trade receivables as at 30 June 2010 to be much higher than the balance of trade receivables as at 31 December 2009. Due to the seasonal factors, the first quarter and the last quarter of any financial year are the low seasons for the zipper industry. Therefore, the monthly turnover recorded in May, June and July 2010 were relatively higher than the turnover of any other months during the year. Accordingly, the balance of trade debtors (net) as at 30 June 2010 was approximately 1.3 times higher than the balance of trade debtors (net) as at 31 December 2009, as a result of the commencement of peak season in May 2010, which caused an increase in average trade debtors for the calculation of turnover days.

TRADE CREDITORS ANALYSIS

Our trade creditors primarily relate to the costs of outsourced electroplating and purchases of raw materials from our suppliers, with credit terms of 7 to 45 days from trade creditors.

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)
Due within 1 month or on demand	2.46	3.51	6.86	16.73
Due after 1 month but within 3 months	0.93	0.13	0.06	—
	3.39	3.64	6.92	16.73

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Our trade creditors increased by around 5.9% from approximately HK\$3.4 million as at 31 December 2007 to HK\$3.6 million as at 31 December 2008 and further increased by around 91.7% to HK\$6.9 million as at 31 December 2009, primarily due to increased purchases of raw materials in order to meet the increased demand for our products. Our trade creditors increased from approximately HK\$6.9 million as at 31 December 2009 to approximately HK\$16.7 million as at 30 June 2010, primarily because the peak season commenced in May 2010 and we increased the purchase of raw materials to cope with the sharp increase in sales orders for our products during May and June 2010.

As at 31 October 2010, approximately HK\$15.5 million of our trade creditors as at 30 June 2010 of HK\$16.7 million have been settled.

The following table sets out our average trade creditors turnover days for the Track Record Period:

	Year ended 31 December			Six months ended
	2007	2008	2009	30 June
Average trade creditors turnover days (<i>Note</i>) . . .	29	35	45	64

Note: Average trade creditors turnover days is equal to the average trade creditors divided by total purchases and multiplied by 365 days (180 days in the case of the six months ended 30 June 2010). Average trade creditors equals trade creditors at the beginning of the year/period plus trade creditors at the end of the year/period and divided by two.

Average trade creditors turnover days increased over the years ended 31 December 2007, 2008 and 2009, primarily as a result of better credit terms granted to us due to our increasing bargaining power and improved relationships with our suppliers. Due to the seasonal factors, the first quarter and the last quarter of any financial year are the low seasons for the zipper industry. Therefore, the monthly turnover recorded in May, June and July 2010 was relatively higher than the turnover of any other months during the year. Average trade creditors turnover days increased from the year ended 31 December 2009 to the six months ended 30 June 2010, primarily because the peak season commenced in May 2010 and we increased the purchase of raw materials to cope with the sharp increase in sales orders for our products during May and June 2010, which caused the balance of trade creditors as at 30 June 2010 approximately 1.4 times higher than the balance of trade creditors as at 31 December 2009.

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OTHER PAYABLES

The table below sets out the outstanding trade and other payables during the Track Record Period:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)
Trade creditors	3.39	3.64	6.92	16.73
Payroll and staff benefits payable	6.68	6.87	11.08	10.67
Accrued expenses	5.25	2.72	1.22	2.09
Payables for fixed assets	2.70	5.05	3.80	2.09
Other taxes payable	1.10	1.67	1.29	2.07
Other payables	8.14	7.15	0.65	2.45
	27.26	27.10	24.96	36.10

Payroll and staff benefits payable represents the wages and benefits payable to our staff. Wages are paid by cash to our staff in China on the 18th day of the month following the month in which the wage expense was incurred. There were no major fluctuations in the payroll and staff benefits payable from 31 December 2007 to 31 December 2008. The payroll and staff benefits payable increased by around 60.9% from approximately HK\$6.9 million as at 31 December 2008 to HK\$11.1 million as at 31 December 2009, mainly due to an increase in number of staff and bonuses payable to staff. There were no major fluctuations in the payroll and staff benefits payable from 31 December 2009 to 30 June 2010.

Accrued expenses mainly comprised of sales rebate for customers placing large orders in 2007 and 2008. Accrued expenses decreased by approximately 49.1% from HK\$5.3 million as at 31 December 2007 to HK\$2.7 million as at 31 December 2008, mainly due to sales rebate offered to OEMs of a well known brand in 2007. Accrued expenses decreased by approximately 55.6% from HK\$2.7 million as at 31 December 2008 to HK\$1.2 million as at 31 December 2009 because no such sales rebate was further offered in 2009. Accrued expenses increased by approximately 75.0% from HK\$1.2 million as at 31 December 2009 to HK\$2.1 million as at 30 June 2010 due to an increase in utilities used in May and June 2010 as a result of the commencement of the peak season.

Payables for fixed assets mainly comprise of payables in relation to the construction of our Zhejiang Plant and some machinery purchased for our Guangdong Plant. Payables for fixed assets increased by around 88.9% from approximately HK\$2.7 million at 31 December 2007 to HK\$5.1 million at 31 December 2008. After the commencement of operation at our Zhejiang Plant, payables for construction costs decreased by around 25.5% from approximately HK\$5.1 million at 31 December 2008 to HK\$3.8 million at 31 December 2009, and decreased by around 44.7% to HK\$2.1 million as at 30 June 2010.

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AMOUNT DUE FROM/TO RELATED PARTIES

As at the respective balance sheet dates, we had the following balances with related parties:

Amounts due from related parties

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)
UNA.....	—	—	1.03	—
Mr. Xu Xibin.....	—	—	—	1.16
	—	—	1.03	1.16
	—	—	1.03	1.16

The balances due from related parties as at 30 June 2010 have been fully recovered as at the Latest Practicable Date.

Amounts due to related parties

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	HK\$ (million)	HK\$ (million)	HK\$ (million)	HK\$ (million)
Controlling Shareholders.....	53.98	47.37	11.05	14.28
Foshan Nanhai Zhuyuan Hardware Store.....	—	—	—	0.24
	53.98	47.37	11.05	14.52
	53.98	47.37	11.05	14.52

The above balances were unsecured, interest free and had no fixed terms of repayment. The balances as at 30 June 2010 have been fully settled as at the Latest Practicable Date. The above amounts due to our Controlling Shareholders primarily represented the funds provided by our Controlling Shareholders to finance the operations of our Group during the Track Record Period.

RELATED PARTY TRANSACTIONS

Pursuant to a share transfer agreement dated 1 August 2009, KEE Guangdong disposed of a 15% interest in 湖北動能體育用品有限公司 (Hubei LPV Sports Co., Ltd.) to 佛山市南海今和明投資有限公司 (Foshan City Nanhai Jin He Ming Investment Co., Limited) for RMB7,500,000 with a view to streamlining our Group structure to focus on our core business i.e. zipper manufacturing. Since Foshan City Nanhai Jin He Ming Investment Co., Limited is an investment company with 50% owned by each of our Founders, such disposal is disclosed as a related party transaction in the Accountants' Report. There was no gain or loss recorded as a result of this disposal as the consideration for this disposal represented the carrying value of the investment as at the date of disposal.

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With respect to the related party transactions set out in note 29 to the financial information in the Accountants' Report, we confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to us than terms available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole. The related party transactions set out in note 29(c) to the financial information in the Accountants' Report will not continue after Listing.

CAPITAL MANAGEMENT AND FINANCIAL RISK MANAGEMENT

Capital management

Our Group actively and regularly reviews and manages our capital structure in order to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. Our Group monitors our capital structure on the basis of an adjusted net debt-to-capital ratio.

Further details on our Group's capital management are set out in note 26(e) to the financial information in the Accountants' Report.

Financial risk management

Our Group is exposed to credit, liquidity, interest rate and currency risks in the normal course of business.

Further details on our financial risk management policies and practices are set out in note 27 to the financial information in the Accountants' Report.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we have not entered into any off-balance sheet transactions.

DIVIDEND POLICY

The declaration and payment of dividends and their amount will be subject to our Directors' discretion. We currently intend to recommend that an annual dividend of not less than 25% of our net profit available for distribution be distributed to our Shareholders after the Share Offer. No dividends have been paid or declared by our Company since the date of incorporation. We are of the view that the amount of any dividends to be declared in the future will depend on, among other things, our results of operations, our cash flows and financial conditions, our operating and capital requirements, the applicable laws and regulations, and all other relevant factors. Our Company is a holding company and our ability to pay dividends is primarily dependent upon the earnings of, and distributions by, our major subsidiaries in the PRC, namely KEE Guangdong and KEE Zhejiang. For the purpose of business development, their undistributed profits of approximately HK\$20.5 million as at 30 June 2010 has been determined not to be distributed to KEE Zippers prior to 30 June 2011. In view of our Group's distributable reserves of approximately HK\$76.1 million as at 30 June 2010 albeit this amount is inclusive of the total

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undistributed profits of KEE Guangdong and KEE Zhejiang of approximately HK\$20.5 million, our Directors consider that such determination will not affect our ability to declare a dividend, if any, to our Shareholders in 2011. There is no assurance that we will be able to declare or distribute any dividend in the future.

DISTRIBUTABLE RESERVES

As at 30 June 2010, we had distributable reserves in the amount of approximately HK\$76.1 million available for distribution to our Shareholders.

PROPERTY INTERESTS AND PROPERTY VALUATION

Asset Appraisal Limited, an independent property valuer, has valued our property interests as at 30 September 2010 and is of the opinion that the value of our property interests as at such date was an aggregate amount of HK\$40.4 million. The full text of the letter, summary of valuation and valuation certificate with regard to such property interests are set out in Appendix III to this prospectus.

The statement below shows the reconciliation of aggregate amounts of certain properties and lease prepayments as reflected in the Accountants' Report as at 30 June 2010 with the valuation of these properties and lease prepayments (land use rights) as at 30 September 2010 as set out in Appendix III to this prospectus:

	HK\$ (million)	HK\$ (million)
Valuation of our property interests as at 30 September 2010 as set out in Appendix III to this prospectus		40.40
Carrying value of our property interests as at 30 June 2010 as set out in the Accountants' Report	34.76	
<i>Add:</i> Exchange difference during the period from 1 July 2010 to 30 September 2010	0.36	
<i>Less:</i> Depreciation during the period from 1 July 2010 to 30 September 2010	(0.41)	
Amortisation during the period from 1 July 2010 to 30 September 2010	(0.02)	
Carrying value of our property interests as at 30 September 2010		<u>34.69</u>
Revaluation surplus (<i>Note</i>)		<u>5.71</u>

Note: Such revaluation surplus will not be recorded in the consolidated financial statements of our Group as our property interests are stated at cost less accumulated depreciation and accumulated amortisation.

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UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted consolidated net tangible assets of our Company was prepared in accordance with Rule 4.29 of the Listing Rules and is for illustration purposes only. It may not give a true picture of the net tangible assets of our Group following the Share Offer. The following unaudited pro forma adjusted consolidated net tangible assets is set out here to illustrate the effect of the Share Offer on the net assets of our Group as at 30 June 2010 as shown in the Accountants' Report, and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets statement does not form part of the Accountants' Report.

	Consolidated net tangible assets attributable to equity shareholder of our Company as at 30 June 2010 <i>(Note 1)</i>	Estimated net proceeds from the Share Offer <i>(Note 2)</i>	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share <i>(Note 3)</i>
	HK\$'000	HK\$'000	HK\$'000	HK\$
Based on the Offer Price of HK\$1.33 per Share	111,652	112,089	223,741	0.56

Notes:

1. The consolidated net tangible assets attributable to equity shareholder of our Company as at 30 June 2010 is calculated by deducting our intangible assets of HK\$4,606,000 as at 30 June 2010 from our consolidated net assets of HK\$116,258,000 as at 30 June 2010, both have been extracted from the Accountants' Report.

2. The estimated net proceeds from the Share Offer are based on the Offer Price of HK\$1.33 per Offer Share, after deduction of the underwriting commissions and other related expenses payable by our Group. The calculation of the estimated net proceeds from the Share Offer does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options granted under the Share Option Scheme.

3. The unaudited pro forma adjusted net tangible assets per Share is arrived at after adjustment for the estimated net proceeds from the Share Offer payable to our Company as described in note 2 above and on the basis that a total of 400,000,000 Shares were in issue as at 30 June 2010 (including Shares in issue as at the date of this prospectus and those Shares to be issued pursuant to the Capitalisation Issue and Share Offer but not taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options granted under the Share Option Scheme).

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that as at the Latest Practicable Date, there were no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

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NO MATERIAL ADVERSE CHANGE

Save for the professional fees of approximately HK\$11.5 million estimated to be incurred and recorded in our consolidated income statement for the year ending 31 December 2010 in connection with the Listing, our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in the financial or trading position of our Group since 30 June 2010, being the end of the period reported on in the Accountants' Report.

FUTURE PLANS AND PROPOSED USE OF PROCEEDS

FUTURE PLANS

Please see the section headed “Business — Business strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds (assuming the Over-allotment Option is not exercised) available to us from the Share Offer (after deducting the underwriting commissions and estimated expenses payable by us in connection with the Share Offer) will be approximately HK\$112 million. We intend to apply these net proceeds in the following manner:

- approximately 60% or HK\$67.2 million for the establishment of a new manufacturing plant including electroplating facilities in Hubei Province to cope with the anticipated growth in the demand for our products. Further details in this regard are set out in the section headed “Business — Business strategies — Investing in a new production plant in Hubei Province”;
- approximately 5% or HK\$5.6 million for the recruitment of approximately 18 additional sales executives by the end of 2011 with relevant experience in the industry (nine of them will be responsible for the Southern China region, six of them will be responsible for the Eastern China region and the remaining three will be responsible for the overseas regions) with a view to increasing targeted marketing to apparel brand owners to strengthen our brand awareness in the market;
- approximately 5% or HK\$5.6 million for the enhancement of our office administration facilities including (i) the upgrade of our computer hardware and wireless network; and (ii) the implementation and operation of the SAP system at our Zhejiang Plant;
- approximately 10% or HK\$11.2 million for the acquisition or development of machinery and equipment, mainly for upgrade or replacement of our existing machines. We plan to utilise approximately 6% (or HK\$6.7 million) and 4% (or HK\$4.5 million) of the net proceeds for the machinery upgrade at our Guangdong Plant and Zhejiang Plant respectively to enhance the automation of our production process in order to further reduce production costs and to increase production efficiency;
- approximately 5% or HK\$5.6 million for the research and development of the functionalities, quality and designs for our products so that our product offerings may be broadened and diversified into local and international sports labels with a view to increasing our market share for quality zippers for both local and international sportswear. We plan to utilise (i) approximately 1% (or HK\$1.1 million) of the net proceeds for acquiring new laboratory equipment for our research on surface treatment of zippers; (ii) approximately 1% (or HK\$1.1 million) of the net proceeds for acquiring new graphic design software to enhance our product design capability; (iii) approximately 2% (or HK\$2.3 million) of the net proceeds for our research on new materials used for zippers and production process improvement; and (iv) approximately 1% (or HK\$1.1 million) of the net proceeds for sending our designers and

FUTURE PLANS AND PROPOSED USE OF PROCEEDS

technical personnel on overseas visits, conferences and seminars in order to enhance their international exposure to the apparel industry, and conducting more in-house trainings with our designers to improve their knowledge in zipper designs, the use of new materials and production processes in order to better serve our customers;

- approximately 5% or HK\$5.6 million for the expansion of our work force by recruiting approximately 50 designers, engineers, technical personnel and other supporting staff with appropriate qualifications by the end of 2011; and
- approximately 10% or HK\$11.2 million to be used as our general working capital.

If the Over-allotment Option is exercised in full, we estimate that the net proceeds to be received from the Share Offer will be approximately HK\$131.5 million, after deducting the underwriting commissions and estimated expenses payable by us in relation to the Share Offer. The additional net proceeds of approximately HK\$19.5 million will be applied by us in the same proportions as set out above.

To the extent, if any, that the net proceeds available to us from the Share Offer are not immediately applied for the above purposes, we intend to deposit the net proceeds into interest-bearing bank accounts or to purchase money market instruments e.g. capital preservation instruments excluding listed equity securities.

None of the net proceeds will be applied towards the acquisition of any property or company to which paragraph 12 of the Third Schedule of the Hong Kong Companies Ordinance applies.

We will issue an announcement in Hong Kong if there is any material change to the above proposed use of proceeds.

UNDERWRITING

UNDERWRITERS

Placing Underwriter

Shenyin Wanguo Capital (H.K.) Limited

Public Offer Underwriter

Shenyin Wanguo Capital (H.K.) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer Underwriting Agreement

Pursuant to the Public Offer, the Company is offering the Public Offer Shares for subscription by way of the Public Offer on the terms and subject to the conditions set out in this prospectus and the related Application Forms.

Pursuant to the Underwriting Agreements, and conditional upon the Listing Committee granting or agreeing to grant (subject to allotment) listing 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 certain other conditions (including but not limited to the Placing Underwriting Agreement being executed and delivered by the Placing Underwriter and the parties thereto and the Placing Underwriting Agreement having become unconditional prior to 8:00 a.m. on the Listing Date), the Public Offer Underwriter has agreed to subscribe or procure subscribers to subscribe for, on the terms and conditions of this prospectus, the Public Offer Underwriting Agreement and the Application Forms, the Public Offer Shares which are not taken up under the Public Offer.

Grounds for termination

The Lead Manager (for itself and on behalf of the Public Offer Underwriter) is entitled to terminate the Public Offer Underwriting Agreement by giving written notice before 8:00 a.m. (Hong Kong time) on the Listing Date ("**Termination Time**") to our Company if certain events, including the following events, shall occur prior to the Termination Time:

- (a) there comes to the notice of any of the Sponsor, the Lead Manager or the Public Offer Underwriter of any matter or event showing any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement to be untrue, inaccurate or misleading in any material 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 (other than those undertaken by the Public Offer Underwriter, the Sponsor and/or the Lead Manager) of the Public Offer Underwriting Agreement which, in any such cases, is considered, in the sole and absolute opinion of the Lead Manager (on behalf of the Public Offer Underwriter), to be material in the context of the Share Offer; or

UNDERWRITING

- (b) any statement contained in this prospectus or the Application Forms has become or been discovered to be untrue, incorrect or misleading in any respect or any matters arises or is discovered which would, if this prospectus were to be issued at that time, constitute an omission therefrom as determined by the Lead Manager in its sole and absolute opinion; or
- (c) any event, series of events, matters or circumstances occurs or arises on or after the date of the Public Offer Underwriting Agreement and before the Termination Time, being events, matters or circumstances which, if it had occurred before the date of the Public Offer Underwriting Agreement would have rendered any of the warranties contained in the Public Offer Underwriting Agreement untrue, incorrect or misleading in any respect, and comes to the knowledge of any of the Sponsor, the Lead Manager or the Public Offer Underwriter and which is considered, in the sole and absolute opinion of the Lead Manager (for itself and on behalf of the Public Offer Underwriter), 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 Lead Manager (for itself and on behalf of the Public Offer Underwriter), an omission in the context of the Share Offer; or
- (e) any event, act or omission which gives or is likely to give rise to any material liability of our Company or any of our Controlling Shareholders and the executive Directors arising out of or in connection with any representations, warranties or undertakings contained in the Public Offer Underwriting Agreement; or
- (f) there comes to the notice of the Sponsor, the Lead Manager or the Public Offer Underwriter any breach by any party to the Public Offer Underwriting Agreement (other than the Sponsor, the Lead Manager or the Public Offer Underwriter) of any provision thereof which, in the sole and absolute opinion of the Lead Manager (for itself and on behalf of the Public Offer Underwriter), is material; or
- (g) there shall have developed, occurred, existed or come into effect any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Public Offer Underwriting Agreement 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 or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the Cayman Islands, the British Virgin Islands, the PRC, any of the jurisdictions in which our 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 our Group; or

UNDERWRITING

- (ii) any change in, or any event or series of events or development resulting or likely to result in any change in Hong Kong, the Cayman Islands, the British Virgin Islands, the PRC, any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to our Group, the local, national, regional or international financial, currency, political, military, industrial, economic, stock market, conflict-related, legal, fiscal, exchange control, regulatory, equity or other financial market or other market conditions or prospects, circumstances or matters (including without limitation any moratorium on suspension or material restriction of commercial banking activities in Hong Kong, the U.S., the European Union (or any member thereof), the PRC or elsewhere or trading in securities on the Stock Exchange shall have occurred, happened or come into effect); or
- (iii) any change in the conditions of Hong Kong, the U.S., the PRC or international equity securities or other financial markets (including, without limitation, stock and bond markets, money and foreign exchange markets and inter-bank 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) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) or foreign investments regulations in Hong Kong, the Cayman Islands, the British Virgin Islands, the PRC, any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to our Group; or
- (vi) any change or prospective change in the business or in the financial or trading position or prospects of any member of our Group; or
- (vii) the imposition of economic or other sanctions or withdrawal of trading privileges, in whatever form, directly or indirectly, by the U.S. or by the European Union (or any member thereof) or any other country or organization in Hong Kong, the PRC, or any other jurisdiction relevant to our Company; or
- (viii) a general moratorium on commercial banking activities in the PRC or Hong Kong declared by the relevant authorities; or
- (ix) any event, or series of events of force majeure including, without limiting the generality thereof, any act of God, acts of government, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, outbreak of an infectious disease (including but not limited to the severe acute respiratory syndrome, the swine flu), calamity, crisis, terrorism, strike or lock-out (whether or not covered by insurance) shall have occurred, happened or come into effect; or

UNDERWRITING

- (x) any outbreak or escalation of hostilities involving Hong Kong, the PRC, the U.S., the European Union (or any member thereof), or any other jurisdiction relevant to our Company; or
- (xi) there is, in the sole and absolute opinion of the Lead Manager, a change in the system under which the value of the HK dollar is linked to that of the US dollar; or
- (xii) there is, in the sole and absolute opinion of the Lead Manager, a material change in the exchange rate between the US dollar and the Renminbi, or between the HK dollar and the Renminbi; or
- (xiii) a demand by any creditor for repayment or payment of any indebtedness of our Company or in respect of which our Company is liable prior to its stated maturity which demand has or could be expected to have a material adverse effect on our Company; or
- (xiv) any loss or damage sustained by our Company (however caused and whether or not the subject of any insurance or claim against any person) which has or could be expected to have a material adverse effect on our Company; or
- (xv) a petition is presented for the winding-up or liquidation of our Company or our Company makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of our Company or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or anything analogous thereto occurs in respect of our Company; or
- (xvi) 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 Lead Manager (for itself and on behalf of the Public Offer Underwriter):

- (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 our Group taken as a whole or, in the case of sub-paragraph (v) above, on any present or prospective shareholder in his/its capacity as such shareholder of our Company; or
- (bb) has or will have or is likely to have a material adverse effect on the success of the Share Offer as a whole or the level of the Offer Shares being demanded, applied for or accepted, the distribution of the Offer Shares; or

UNDERWRITING

- (cc) for any reason makes it impracticable, inadvisable or inexpedient for the Public Offer Underwriter to proceed with the Share Offer as a whole. 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 U.S. or any change of Hong Kong currency 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 therefore, may be considered a change of market conditions.

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company, our executive Directors, our Controlling Shareholders, the Sponsor and the Placing Underwriter will enter into the Placing Underwriting Agreement and subject to the conditions set out therein, the Placing Underwriter would agree to procure the subscribers to subscribe for, or failing which, to subscribe as principal for, the Placing Shares being offered pursuant to the Placing. It is also expected that the Placing Underwriting Agreement may be terminated upon similar grounds as the Public Offer Underwriting Agreement as described in the section headed “Underwriting — Underwriting arrangements and expenses — Grounds for termination”. **Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.**

Undertakings

Each of the Controlling Shareholders has undertaken to our Company, the Sponsor (on behalf of the Public Offer Underwriter) not to (except pursuant to or in connection with the Stock Borrowing Agreement) dispose of his/its interest in our Company during certain period. Details of such non-disposal undertaking are set out in the section headed “Substantial Shareholders — Non-disposal undertaking”.

Our Company has undertaken to and covenanted with the Sponsor, the Lead Manager and the Public Offer Underwriter that, and each of the Controlling Shareholders and the executive Directors jointly and severally undertakes and covenants with the Sponsor, the Lead Manager and the Public Offer Underwriter to procure that, without the prior written consent of the Sponsor (for itself and on behalf of the Public Offer Underwriter), 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 Lead Manager, the Shares to be issued pursuant to the Capitalisation Issue, the grant of any options under the Share Option Scheme, and any Shares which may fall to be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme, or by way of scrip dividend schemes or similar arrangements in accordance with the Articles), neither our Company nor any of its subsidiaries shall:

- (a) allot and issue or agree to allot and issue any Shares or securities in our Company or any subsidiaries of our Company or grant or agree to grant any options, warrants or other rights carrying any rights to subscribe for or otherwise convert into or exchange for, any securities of our Company or any subsidiaries of our Company within the First Lock-up Period; and
- (b) during the First Lock-up Period purchase any Shares or securities of our Company.

UNDERWRITING

Further, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to our Company and the Sponsor (on behalf of the Public Offer Underwriter) that within the First Lock-up Period and the Second Lock-up Period, he/it shall:

- (i) when he/it pledges or charges any of the securities of our Company beneficially owned by him/it 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, immediately inform our Company of such pledge or charge together with the number of securities of our Company so pledged or charged; and
- (ii) when he/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform our Company in writing of such indications.

Our Company must inform the Stock Exchange as soon as we have been informed of the above matters by any of our Controlling Shareholders and disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

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 Sponsor will receive advisory and documentation fees for acting as the Sponsor to the Share Offer. Assuming the Over-allotment Option is not exercised, based on the Offer Price, 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\$21 million in total and will be borne by our Company.

Underwriters' interests in our Company

Save for their respective obligations and interests under the Underwriting Agreements as disclosed above and the proposed appointment of Shenyin Wanguo as compliance adviser of our Company, none of the Underwriters has any shareholding interest in our Company or any member of our Group or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

PRICE PAYABLE ON APPLICATION

Based on the Offer Price of HK\$1.33 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy, one board lot of 2,000 Shares will amount to a total of HK\$2,686.81 payable on application.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon the satisfaction of all of the following conditions:

1. Listing

The Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer, the Capitalisation Issue and Shares which fall to be allotted and issued upon the exercise of the Over-allotment Option and upon the exercise of any options which may be granted under the Share Option Scheme (and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange).

2. Underwriting agreements

The obligations of the Underwriters under the Underwriting Agreements becoming unconditional. Details of the Underwriting Agreements and grounds for termination are set out in the section headed "Underwriting". If these conditions are not fulfilled on or before the time and date specified in the Underwriting Agreements or such later date as the Sponsor (for itself and on behalf of the Lead Manager and the Underwriters) may in its absolute discretion determine, the Share Offer will lapse and your application money will be refunded to you, without interest, and by post at your own risk. The terms on which your application money will be returned to you are set out under the paragraph headed "Refund of your money" in the relevant Application Forms.

In the meantime, your application money will be held in one or more separate bank accounts with the receiving banker or other bank(s) licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of 100,000,000 Shares will initially be made available under the Share Offer, of which 90,000,000 Shares, representing 90% of the total number of Shares initially being offered under the Share Offer, will initially be offered for subscription under the Placing. The remaining 10,000,000 Shares, representing 10% of the total number of Shares initially being offered under the Share Offer, will initially be offered for subscription under the Public Offer. The number of Shares offered for subscription under the Placing and the Public Offer will be subject to re-allocation on the basis described below and the number of Shares offered for subscription under the Placing will be subject to the exercise of the Over-allotment Option below. No pre-emption right or right to subscribe for the Offer Shares has been granted.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE PLACING

Our Company is initially offering, at the Offer Price, 90,000,000 Shares (subject to re-allocation as mentioned in the section headed “Structure and conditions of the Share Offer — Re-allocation of Offer Shares between the Public Offer and the Placing”), representing 90% of the total number of Shares being initially offered under the Share Offer (before any exercise of the Over-allotment Option), for subscription by way of Placing. The Placing is managed and fully underwritten by the Lead Manager. Pursuant to the Placing, it is expected that the Placing Underwriter or any selling agents which it nominates will, on behalf of our Company, conditionally place the Placing Shares at the Offer Price plus 1% brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee with selected professional, institutional and other investors interested in subscribing for the Placing Shares in Hong Kong. Professional and institutional investors generally include brokers, dealers, companies and fund managers, whose ordinary businesses involve dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation of the Placing Shares to professional, institutional and other investors interested in subscribing for the Placing Shares in Hong Kong pursuant to the Placing will be based on a number of factors, including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the investor is likely to purchase further Shares, or hold or sell the Shares placed, after Listing. Such allocation is intended to result in a distribution of the Placing Shares on the basis which would lead to the establishment of a solid broad shareholder base to the benefit of our Company and our Shareholders taken as a whole. Investors to whom Placing Shares are offered are required to undertake not to apply for the Public Offer Shares under the Public Offer. The level of indication of interests in the Placing are expected to be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) on Tuesday, 11 January 2011. The Placing is subject to the conditions stated in the section headed “Structure and conditions of the Share Offer — Conditions of the Share Offer”.

OVER-ALLOTMENT OPTION

Our Company has granted the Over-allotment Option, exercisable by the Lead Manager to require our Company at any time prior to 4:00 p.m. on the date falling 30 days after the last day for the lodging of applications under the Public Offer, to allot and issue up to an aggregate of 15,000,000 additional Shares, representing 15% of the Offer Shares initially being offered under the Share Offer, on the same terms as those applicable to the Share Offer, to cover over-allocations in the Placing. The additional Shares allotted and issued pursuant to the exercise of the Over-allotment Option will be allocated to the Placing and/or to satisfy the Lead Manager’s obligation to return Shares borrowed under the Stock Borrowing Agreement to be entered into between Nicco and the Lead Manager. The Lead Manager may also cover any over-allocations under the Placing through the purchase of Shares in the secondary market or otherwise as may be permitted under applicable laws. Any purchases of Shares in the market to cover the over-allocations will be made at prices not exceeding the Offer Price. The number of Shares that may be over-allocated may not be greater than the number of Shares that may be allotted and issued under the Over-allotment Option. Assuming the Over-allotment Option is not exercised, the Offer Shares will represent 25% of our Company’s enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue. If the Over-allotment Option is exercised in full, the Offer Shares (including the Shares allotted and issued pursuant to the exercise of the Over-allotment Option)

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

will represent approximately 27.71% of the enlarged issued share capital of our Company immediately after completion of the Share Offer, the Capitalisation Issue and the exercise of the Over-allotment Option in full.

Based on the Offer Price of HK\$1.33 per Offer Share, the net proceeds of the Share Offer, assuming that the Over-allotment Option is not exercised and after deducting related expenses, are estimated to be approximately HK\$112 million. If the Over-allotment Option is exercised in full, our Company will receive additional net proceeds of approximately HK\$19.5 million, after deducting underwriting commissions and any expenses payable by us in relation to the exercise of the Over-allotment Option.

The Public Offer is open to the public as well as to institutional, professional and other investors interested in subscribing for the Placing Shares in Hong Kong. The Placing involves selective marketing of the Placing Shares by the Placing Underwriter to professional, institutional and other investors interested in subscribing for the Placing Shares in Hong Kong. Investors may either apply for the Shares under the Public Offer or indicate interests for the Shares under the Placing, and may only receive an allocation of Shares under the Public Offer or the Placing but not both. The Offer Shares are not available for subscription by our Directors, chief executive of our Company, existing beneficial owners of the Shares or their respective associates.

DISCLOSURE MADE PURSUANT TO RULE 10.07(3)

In order to facilitate settlement of over-allocations (if any) in connection with the Placing, the Stock Borrowing Agreement is expected to be entered into between Nicco and the Lead Manager whereby, if requested by the Lead Manager, Nicco will, subject to the terms of the Stock Borrowing Agreement, make available to the Lead Manager up to 15,000,000 Shares held by it by way of stock lending in order to cover over-allocations in connection with the Placing, if any.

The Stock Borrowing Agreement will be in compliance with Rule 10.07(3) of the Listing Rules. Its terms and conditions are as follows:

- (a) such securities lending arrangement with the Controlling Shareholders will only be effected by the Lead Manager (on behalf of the Placing Underwriter) for the sole purpose of covering any short position, if any, prior to the exercise of the Over-allotment Option in connection with the Placing;
- (b) the maximum number of Shares to be borrowed from the Controlling Shareholders by the Lead Manager (on behalf of the Placing Underwriter) must not exceed the maximum number of Shares which may be issued upon the full exercise of the Over-allotment Option (i.e. 15,000,000 Shares);
- (c) the same number of Shares borrowed must be returned to the Controlling Shareholders or its nominees, (as the case may be), within three Business Days after the last day on which Shares may be issued by the Company pursuant to the exercise of the Over-allotment Option; or if earlier, the date on which the Over-allotment Option is exercised and entertained in full;

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (d) the securities lending arrangement will be effected in compliance with all applicable laws, listing rules and other regulatory requirements; and
- (e) no payments will be made to the Controlling Shareholders and/or its shareholders by the Lead Manager or the Placing Underwriter under the securities lending arrangement.

THE PUBLIC OFFER

Our Company is initially offering, at the Offer Price, 10,000,000 Shares (subject to re-allocation as mentioned in the section headed “Structure and conditions of the Share Offer — Re-allocation of Offer Shares between the Public Offer and the Placing”), representing 10% of the total number of Shares being initially offered under the Share Offer, for subscription under the Public Offer (before any exercise of the Over-allotment Option). The Public Offer is fully underwritten by the Public Offer Underwriter subject to the terms and conditions of the Public Offer Underwriting Agreement. Applicants for the Public Offer Shares are required on application to pay the Offer Price plus 1% brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee.

The Public Offer is open to all members of the public in Hong Kong. An applicant for Public Offer Shares will be required to give an undertaking and confirmation in the Application Form submitted by him/her that he/she has not applied for nor taken up any Placing Shares nor participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by the applicant is breached and/or is untrue (as the case may be), such applicant’s application under the Public Offer is liable to be rejected.

The total number of the Offer Shares available under the Public Offer is to be divided into two pools of 5,000,000 Public Offer Shares for each of pool A and pool B, respectively, for allocation purposes:

- Pool A: The Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable thereon) or less; and
- Pool B: The Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable thereon) and up to the value of pool B.

Investors should be aware that the 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. Multiple applications or suspected multiple applications and any application made for more than 50% of the 10,000,000 Shares initially comprised in the Public Offer (i.e. 5,000,000 Public Offer Shares) are liable to be rejected.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation of the Public Offer Shares to investors under the Public Offer 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 each applicant. When there is over subscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares 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 the Public Offer and basis of allotment of the Public Offer Shares are expected to be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) on Tuesday, 11 January 2011.

Applications under the Public Offer from investors receiving the Placing Shares under the Placing will be identified and rejected and investors receiving the Public Offer Shares under the Public Offer will not be offered the Placing Shares under the Placing.

The Public Offer is subject to the conditions as stated in the section headed “Structure and conditions of the Share Offer — Conditions of the Share Offer”.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, agree to purchase or actually purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, to prevent a decline in the initial public offer prices of the securities. In Hong Kong, the stabilisation price will not exceed the initial public offer price.

In connection with the Share Offer, the Lead Manager, as Stabilising Manager, or any person acting for it, may on behalf of the Placing Underwriter over-allocate Shares 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 in the open market for a limited period after the Listing Date. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it, to conduct any such stabilising action. Such stabilising action, if commenced, may be discontinued at any time at the absolute discretion of the Stabilising Manager, or any person acting for it, and may be discontinued at any time, and must be brought to an end after a limited period. The number of Shares that may be over-allocated will not be greater than the maximum number of Shares which may be issued upon exercise of the Over-allotment Option, being 15,000,000 Shares, which is 15% of the Offer Shares initially available under the Share Offer. Stabilisation action cannot be taken to support the price of the Offer Shares for longer than the stabilisation period which begins on the Listing Date and ends on the 30th day after the last day for the lodging of applications under the Public Offer (the “**Stabilisation Period**”). The Stabilisation Period is expected to expire on Friday, 4 February 2011, and that after this date, when no further stabilising action may be taken, demand for the Shares, and therefore its price, could fall.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

During the Stabilisation Period, the Lead Manager as the Stabilising Manager or any person acting for it, may purchase or agree to purchase, or offer, the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares, which will be effected in compliance with all applicable laws and regulatory requirements, including the Securities and Futures (Price Stabilising) Rules made under the SFO. In connection with any such stabilisation actions as described above, the Lead Manager as the Stabilising Manager, or any person acting for it, may allocate a greater number of Shares than the number that is initially offered, or sell or agree to sell Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares. It may close out any such short position by exercising the Over-allotment Option, as described above. It may also agree to sell or sell any Shares acquired by it in the course of any stabilisation transactions in order to liquidate any position that has been established by such action.

The Lead Manager may, in connection with the stabilising action, maintain a long position in the Shares. The size of the long position, and the time period for which the Lead Manager will maintain such a position during the Stabilisation Period, are at the sole discretion of the Lead Manager and is uncertain. In the event that the Lead Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Investors should be aware that the price of the Shares cannot be assured to stay at or above its Offer Price by the taking of any stabilising action. Stabilisation 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 Offer Shares.

RE-ALLOCATION OF OFFER SHARES BETWEEN THE PUBLIC OFFER AND THE PLACING

The allocation of Offer Shares between the Placing and the Public Offer is subject to re-allocation. If the number of Shares validly applied for under the Public Offer:

- (a) represents 15 times or more but less than 50 times of the number of Shares initially available for subscription under the Public Offer, then 20,000,000 Shares will be re-allocated to the Public Offer from the Placing, so that an aggregate of 30,000,000 Shares will be available for subscription under the Public Offer, representing 30% of the Offer Shares initially available under the Share Offer (assuming the Over-allotment Option is not exercised);
- (b) represents 50 times or more but less than 100 times of the number of Shares initially available for subscription under the Public Offer, then 30,000,000 Shares will be re-allocated to the Public Offer from the Placing, so that an aggregate of 40,000,000 Shares will be available for subscription under the Public Offer, representing 40% of the Offer Shares initially available under the Share Offer (assuming the Over-allotment Option is not exercised);
- (c) represents 100 times or more of the number of Shares initially available for subscription under the Public Offer, then 40,000,000 Shares will be re-allocated to the Public Offer from the Placing, so that an aggregate of 50,000,000 Shares will be available for subscription under the Public Offer, representing 50% of the Offer Shares initially available under the Share Offer (assuming the Over-allotment Option is not exercised); and

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (d) in each of the above cases, the additional Shares re-allocated to the Public Offer will be allocated, if applicable, equally between pool A and pool B, the number of Shares allocated to the Placing will be correspondingly reduced, subject to the exercise of the Over-allotment Option.

If the Public Offer is not fully subscribed, the Lead Manager (for itself and on behalf of the Underwriters) has the absolute discretion to re-allocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such number as it deems appropriate to satisfy the demand under the Placing. If the Placing is not fully subscribed, the Lead Manager, for itself and on behalf of the Underwriters, has the authority to re-allocate all or any unsubscribed Placing Shares originally included in the Placing to the Public Offer, in such number as it deems appropriate provided that there is sufficient demand under the Public Offer to take up such unsubscribed Placing Shares. Details of any re-allocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement, which is expected to be made on Tuesday, 11 January 2011.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. METHODS TO APPLY FOR THE PUBLIC OFFER SHARES

You may apply for the Public Offer Shares by using one of the following methods:

- using a **WHITE** or **YELLOW** Application Form;
- applying online through the designated website of the **HK eIPO White Form** Service Provider, referred to in this prospectus as the **HK eIPO White Form** service (www.hkeipo.hk); or
- electronically instructing HKSCC to cause HKSCC Nominees to apply for Public Offer Shares on your behalf.

Except where you are a nominee and provide the required information in your application, you or your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or applying online through **HK eIPO White Form** service or by giving **electronic application instructions** to HKSCC via CCASS.

2. WHO CAN APPLY FOR THE PUBLIC OFFER SHARES

You can apply for the Public Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form if you, or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are not inside the United States (as defined in Regulation S under the U.S. Securities Act) when completing and submitting the Application Form and are not either (a) a person described in paragraph (h)(3) of Rule 902 of Regulation S under the U.S. Securities Act or (b) a qualified institutional buyer; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you wish to apply for the Public 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.

You may only apply by means of the **HK eIPO White Form** service by submitting an electronic application instruction through the designated website at www.hkeipo.hk if you are an individual applicant. Corporations or joint applicants may not apply by means of the **HK eIPO White Form** service.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If the applicant is a firm, the application must be in the names of the individual members, not in the name of the firm. If the applicant is 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.

If an application is made by a person duly authorised under a valid power of attorney, the Lead Manager (as agent of the Company, for itself and on behalf of the Public Offer Underwriter), or their respective agents or nominees, may accept it at their discretion, and subject to any conditions as they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

We, the Lead Manager or the **HK eIPO White Form** Service Provider (where applicable) in its capacity as our agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The Public Offer Shares are not available to existing beneficial owners of Shares or shares in any of our subsidiaries, the Directors or chief executive of our Company or any of our subsidiaries or their respective associates or any other Connected Persons of our Company or persons who will become our Connected Persons immediately upon completion of the Share Offer.

You may apply for Public Offer Shares under the Hong Kong Public Offer or indicate an interest for Placing Shares under the Placing, but may not do both.

3. WHICH APPLICATION METHOD YOU SHOULD USE

(a) **WHITE Application Forms**

Use a **WHITE** Application Form if you want the Public Offer Shares to be registered in your own name.

(b) **Use HK eIPO White Form service**

Instead of using a **WHITE** Application Form, you may apply for the Public Offer Shares by means of **HK eIPO White Form** service by submitting applications online through the designated website at www.hkeipo.hk. Use **HK eIPO White Form** service if you want the Public Offer Shares to be registered in your own name.

(c) **YELLOW Application Forms**

Use a **YELLOW** Application Form if you want the Public Offer Shares to be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(d) **Instruct HKSCC to make an electronic application on your behalf**

Instead of using a **YELLOW** Application Form, you may electronically instruct 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 Participant stock account or your designated CCASS Participant's stock account.

4. WHERE TO COLLECT THE APPLICATION FORMS

You can collect a **WHITE** Application Form and this prospectus during normal business hours from 9:00 a.m. on Friday, 31 December 2010 until 12:00 noon on Wednesday, 5 January 2011 from:

- The following office of the Public Offer Underwriter:

Shenyin Wanguo Capital (H.K.) Limited

28th Floor, Citibank Tower

Citibank Plaza

3 Garden Road

Central

Hong Kong

- Any one of the following branches of The Bank of East Asia, Limited:

Hong Kong Island	Main Branch	10 Des Voeux Road Central, HK
	Wanchai Branch	Shop A-C, G/F, Easey Commercial Building, 253-261 Hennessy Road, Wanchai
	Shauiwan Branch	G/F, Ka Fook Building, 289-293 Shau Kei Wan Road
	Kennedy Town Centre Branch	Shop D, G/F, Kennedy Town Centre, 23 Belcher's Street
Kowloon	Admiralty Branch	Shop 1007-1008, 1/F, United Centre, 95 Queensway
	Mongkok North Branch	G/F, Kalok Building, 720-722 Nathan Road, Mongkok
	Ma Tau Wei Road Branch East Tsim Sha Tsui Branch	23-27 Ma Tau Wei Road Shop G3-G5, G/F, East Ocean Centre, 98 Granville Road, Tsim Sha Tsui
New Territories	Tai Wai Branch	16-18 Tai Wai Road, Cheung Fung Mansion, Shatin
	Tai Po Plaza Branch	Units 49-52, Level 1, Tai Po Plaza

HOW TO APPLY FOR PUBLIC OFFER SHARES

You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on Friday, 31 December 2010 until 12:00 noon on Wednesday, 5 January 2011 from:

- (i) the **depository counter of HKSCC** at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or
- (ii) your stockbroker, who may have such Application Forms and this prospectus available.

5. WHEN TO APPLY FOR THE PUBLIC OFFER SHARES

(a) WHITE or YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, with a cheque or banker's cashier order attached, must be lodged by 12:00 noon on Wednesday, 5 January 2011, or, if the application lists are not open on that day, by the time and date stated in the section headed "How to apply for Public Offer Shares — When to apply for Public Offer Shares — Effect of bad weather conditions on the opening of the application lists".

Your completed **WHITE** or **YELLOW** Application Form, with payment attached, should be deposited in the special collection boxes provided at any of the branches of The Bank of East Asia, Limited listed in the section headed "How to apply for Public Offer Shares — Where to collect the Application Forms" at the following times:

Friday, 31 December 2010 — 9:00 a.m. to 5:00 p.m.
Monday, 3 January 2011 — 9:00 a.m. to 5:00 p.m.
Tuesday, 4 January 2011 — 9:00 a.m. to 5:00 p.m.
Wednesday, 5 January 2011 — 9:00 a.m. to 12:00 noon.

(b) 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, 31 December, 2010 until 11:30 a.m. on Wednesday, 5 January 2011 or such later time as described under the paragraph below headed "How to apply through the **HK eIPO White Form** service — Effect of bad weather conditions on the last application day" (24 hours daily, except on the last application day) in this section. The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 5 January 2011, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the section headed "How to apply for Public Offer Shares — How to apply through the **HK eIPO White Form** service — Effect of bad weather conditions on the last application day".

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 a 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(c) Electronic applications instructions to HKSCC

CCASS Clearing Participants and CCASS Custodian Participants should input **electronic application instructions** via CCASS at the following times:

Friday, 31 December 2010 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
Monday, 3 January 2011 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, 4 January 2011 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 5 January 2011 — 8:00 a.m.⁽¹⁾ to 12:00 noon

Note (1): These times are subject to such changes 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, 31 December 2010 until 12:00 noon on Wednesday, 5 January 2011 (24 hours daily, except the last application day).

The latest time for inputting your **electronic application instructions** via CCASS (if you are a CCASS Participant) is 12:00 noon on Wednesday, 5 January 2011 or if the application lists are not opened on that day, by the time and date stated in the section headed “How to apply for Public Offer Shares — When to apply for Public Offer Shares – Effect of bad weather conditions on the opening of the application lists”.

(d) Application lists

The application lists will be opened from 11:45 a.m. to 12:00 noon on Wednesday, 5 January 2011, except as provided in the section headed “How to apply for Public Offer Shares — When to apply for Public Offer Shares — Effect of bad weather conditions on the opening of the application lists”. No proceedings will be taken on applications for the Public Offer Shares and no allocation of any such Shares will be made until after the closing of the application lists.

(e) Effect of bad weather conditions on the opening of the application lists

The application lists will be opened between 11:45 a.m. and 12:00 noon on Wednesday, 5 January 2011, subject to weather conditions. The application lists will not be opened in relation to the Public Offer if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 5 January 2011, or if there are similar extraneous factors as are acceptable to the Stock Exchange. Instead, they will be opened between 11:45 a.m. and 12:00 noon on the next Business Day which does not fall within the above circumstances at any time between 9:00 a.m. and 12:00 noon in Hong Kong.

HOW TO APPLY FOR PUBLIC OFFER SHARES

6. HOW TO APPLY USING A WHITE OR YELLOW APPLICATION FORM

- (a) Obtain a **WHITE** or **YELLOW** Application Form.
- (b) You should read the instructions in this prospectus and the relevant Application Form carefully. If you do not follow the instructions, your application is liable to be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated on your Application Form.
- (c) Decide how many Public Offer Shares you want to purchase. Calculate the amount you must pay on the basis of the Offer Price of HK\$1.33 per Share, plus brokerage fee of 1%, the Stock Exchange trading fee of 0.005%, and the SFC transaction levy of 0.003%. The table in the Application Forms sets out the total amount payable for the specified number of the Public Offer Shares.

Your application must be for a minimum of 2,000 Public Offer Shares. Application for more than 2,000 Public Offer Shares must be in one of the number of Public Offer Shares set out in the table in the respective Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

- (d) Complete the Application Form in English (save as otherwise indicated) and sign it. Only written signatures will be accepted. Applications made by corporations, whether on their own behalf, or on behalf of other persons, must be stamped with the company chop (bearing the company name) and signed by a duly authorised officer, whose representative capacity must be stated. If you are applying for the benefit of someone else, you, rather than that person, must sign the Application Form. If it is a joint application, all applicants must sign it. If your application is made through a duly authorised attorney, the Company and the Sponsor (or their respective agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of your attorney.
- (e) Each 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:

- be in Hong Kong dollars;
- not be post-dated;
- be drawn on your Hong Kong dollar bank account in Hong Kong;
- show your account name, which must either be pre-printed on the cheque, or be endorsed on the back by a person authorised by the bank. This account name must be the same as the name on the Application Form. If it is a joint application, the account name must be the same as the name of the first-named applicant;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- be made payable to “The Bank of East Asia (Nominees) Limited — KEE Public Offer”; and
- be crossed “Account Payee Only”.

Your application may be rejected if your cheque does not meet all these requirements or is dishonoured on its first presentation.

If you pay by banker’s cashier order, the banker’s cashier order must:

- be in Hong Kong dollars;
- not be post-dated;
- be issued by a licensed bank in Hong Kong and have your name certified on the back by a person authorised by the bank. The name on the back of the banker’s cashier order and the name on the Application Form must be the same. If it 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 joint applicant;
- be made payable to “The Bank of East Asia (Nominees) Limited — KEE Public Offer”; and
- be crossed “Account Payee Only”.

Your application is liable to be rejected if your banker’s cashier order does not meet all these requirements.

- (f) If you are applying for Public Offer Shares using a **WHITE** or **YELLOW** Application Form, you should lodge your Application Form in one of the collection boxes provided at any of the branches of The Bank of East Asia, Limited listed under the section headed “How to apply for Public Offer Shares — Where to collect the Application Forms” above by the time referred to in paragraph 5(a) above.
- (g) Multiple or suspected multiple applications are liable to be rejected. Further information in this regard is set forth in the section headed “How to apply for Public Offer Shares — How many applications you may make for the Public Offer Shares”.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (h) In order for the **YELLOW** Application Forms to be valid:
- If you are applying 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 CCASS Participant I.D. in the appropriate box.
 - If you are applying as an individual CCASS Investor Participant:
 - you must fill in your full name and your Hong Kong Identity Card number; and
 - you must insert your CCASS Participant I.D. in the appropriate box.
 - If you are applying as a joint individual CCASS Investor Participant:
 - you must insert all joint CCASS Investor Participants' names and the Hong Kong Identity Card numbers of all joint CCASS Investor Participants; and
 - you must insert your CCASS Participant I.D. in the appropriate box.
 - If you are applying as a corporate CCASS Investor Participant:
 - you must insert your company name and your company's Hong Kong business registration number; and
 - you must fill in your CCASS Participant I.D. and stamp your company chop (bearing your company's name) in the appropriate box.

Incorrect or incomplete details of the CCASS Participant or CCASS Participant I.D. or other similar matters may render the application invalid.

- (i) 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" an identification number for each beneficial owner.
- (j) You should note that by completing and submitting an Application Form, among other things:
- (a) you agree with our Company and each of the Shareholders, and our Company agrees with each of the Shareholders, to observe and comply with the Cayman Islands Companies Law, the Companies Ordinance, the Memorandum and Articles;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (b) you confirm that you have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations save as set out in any supplement to this prospectus;
- (c) you agree that none of our Company, the Lead Manager, the Public Offer Underwriter, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Share Offer is or will be liable for any information and representations not contained in this prospectus (and any supplement thereto);
- (d) you undertake and confirm that you (if the application is made for your benefit) or the person(s) or whose benefit you have made the 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 Placing Shares nor otherwise participated in the Placing; and
- (e) you agree to disclose to our Company, and/or the share registrars, receiving bankers, the Lead Manager, the Public Offer Underwriter and their respective advisers and agents any personal data which they require about you and the person(s) for whose benefit you have made the application.

7. HOW TO APPLY THROUGH THE HK eIPO WHITE FORM SERVICE

- (a) If you are an individual and meet the criteria set out above in relation to applying for Public Offer Shares through the **HK eIPO White Form** service in the paragraph above headed “Who can apply for the Public Offer Shares”, you may apply through the **HK eIPO White Form** service by submitting an application through the designated website at www.hkeipo.hk. If you apply through the **HK eIPO White Form** service, the Shares will be issued in your own name.
- (b) 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.
- (c) 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.
- (d) By submitting an application to the designated **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service (www.hkeipo.hk), you are deemed to have authorized the designated **HK eIPO White Form** Service Provider to transfer the details of your application to the Company and the Company’s registrars.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (e) You may submit an application through the **HK eIPO White Form** service in respect of a minimum of 2,000 Public Offer Shares. Each **electronic application instruction** in respect of more than 2,000 Public 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.
- (f) 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, 31 December 2010 until 11:30 a.m. on Wednesday, 5 January 2011 or such later time as described under the paragraph below headed “Effect of bad weather conditions on the last application day” (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, 5 January 2011, 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 below headed “Effect of bad weather conditions on the last application day”.
- (g) 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 a 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. You should make payment for your application made through the **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, 5 January 2011, or such later time as described under the paragraph below headed “Effect of bad weather conditions on the last application day” in this prospectus, 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.

Effect of bad weather conditions on the last application day

The latest time for submitting an application to the designated **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service will be 11:30 a.m., and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 5 January 2011, the last application day. If there is:

- a tropical cyclone warning signal number 8 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, 5 January 2011, the last application day will be postponed to the next business day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on such day.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Conditions of the HK eIPO White Form service

In using the **HK eIPO White Form** service to apply for the Public Offer Shares, the applicant shall be deemed to have accepted the following conditions:

That the applicant:

- **applies** for the desired number of Public Offer Shares on the terms and conditions of this prospectus and **HK eIPO White Form** Application Form subject to the Articles;
- **undertakes** and agrees to accept the Public Offer Shares applied for, or any lesser number allotted to the applicant on such application;
- **declares** that such application 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 instructions** to HKSCC via CCASS 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 or the person for whose benefit the applicant is applying has not applied for or taken up, or indicated interests for, or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up, or indicate interests for, any Placing Shares, nor otherwise participate in the Placing;
- **understands** that this declaration and representation will be relied upon by the Company in deciding whether or not to make any allotment of Public Offer Shares in response to such application;
- **authorises** the Company to place the applicant's name on the register of members of the Company as the holder of any Public 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 by ordinary post at the applicant's own risk to the address in the electronic application instruction given by the applicant to the **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service (except where the applicant has applied for 1,000,000 or more Public Offer Shares and collects any Share certificate(s) in person in accordance with the procedures prescribed in the designated website of the **HK eIPO White Form** Service Provider and this prospectus);
- **requests** 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) authorises the Company to send any refund cheques by ordinary post and at the applicant's own risk to the address given in the electronic application instruction given by the applicant to the **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service (except where the applicant has applied for 1,000,000 or more Public Offer Shares and collects any refund cheque(s) in person in accordance with the procedures prescribed in the designated website of the **HK eIPO White Form** and this prospectus);

HOW TO APPLY FOR PUBLIC OFFER SHARES

- **has read** the terms and conditions and application procedures set out in the designated website of the **HK eIPO White Form** Service Provider (www.hkeipo.hk) and this prospectus and **agrees** to be bound by them;
- **represents, warrants and undertakes** that (i) the applicant or any persons for whose benefit the applicant is applying is outside the United States when completing and submitting the electronic application instructions through the **HK eIPO White Form** service and is not a U.S. person (as defined in Regulation S under the U.S. Securities Act, as amended), or is a person described in paragraph (h)(3) of Rule 902 of Regulation S under the U.S. Securities Act as amended, and (ii) the allotment of or application for the Public Offer Shares to or by the applicant or the persons for whose benefit the application is made would not require the Company, the Sponsor, the Lead Manager or the Public Offer Underwriter to comply with any requirements under any law or regulation (whether or 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.

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 for and on behalf of any person for whom you act as agent or nominee shall be deemed to:

- **instruct and authorise** the Company, the Lead Manager (or their respective agents or nominees) as agent for the Company to do on your behalf all things necessary to register any Public 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 such 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 the **HK eIPO White Form** service;

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- (if you are an agent or nominee for another person) **warrant** reasonable enquiries have been made of that other person that such 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 giving **electronic application instructions** to HKSCC via CCASS or to the **HK eIPO White Form** Service Provider via the **HK eIPO White Form** service, and that you are duly authorised to submit such application as that other person's agent or nominee;
- **undertake and confirm** that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made the 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 Placing Shares;
- **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 banker, the Sponsor, the Lead Manager 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 the application;
- **agree** with the Company and each Shareholder, and the Company agrees with each of its Shareholders, to observe and comply with the Companies Ordinance, the Memorandum and Articles;
- **agree** with the Company and each Shareholder that the Shares are freely transferable by the holders thereof;
- **authorise** the Company to enter into a contract on your behalf with each Director and officer of the Company whereby each such Director and officer undertakes to observe and comply with his or her obligations to the Shareholders as stipulated in the Memorandum and Articles;
- **represent, warrant and undertake** that you are not, and none of the other person(s) (if any) for whose benefit you are applying, are 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 designated website of the **HK eIPO White Form** Service Provider (www.hkeipo.hk) 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

HOW TO APPLY FOR PUBLIC OFFER SHARES

- 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 Sponsor, the Lead Manager and the Public Offer Underwriter 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 designated website of the **HK eIPO White Form** Service Provider (www.hkeipo.hk).

The Company, the Sponsor, the Lead Manager, the Public Offer Underwriter 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.

Additional information

For the purposes of allocating Public Offer Shares, each applicant giving **electronic application instructions** through the **HK eIPO White Form** service to the **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Public Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **HK eIPO White Form** Service Provider, the designated **HK eIPO White Form** Service Provider may adopt alternative arrangements for the refund of application monies to you. Please refer to the additional information provided by the designated **HK eIPO White Form** Service Provider on the designated website at www.hkeipo.hk.

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 (www.hkeipo.hk), 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 (www.hkeipo.hk), 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** Application Form. Further information in this regard is set forth in the section headed “How to apply for Public Offer Shares — How many applications you may make for the Public Offer Shares”.

Warning

The application for Public Offer Shares through the **HK eIPO White Form** service (www.hkeipo.hk) is only a facility provided by the designated **HK eIPO White Form** Service Provider to public investors. The Company, the Directors, the Sponsor, the Lead Manager and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the **HK eIPO White Form** service (www.hkeipo.hk) will be submitted to the Company or that you will be allotted any Public Offer Shares.

HOW TO APPLY FOR PUBLIC OFFER SHARES

8. 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 application 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
2nd Floor, Infinitus 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 our Company and the Hong Kong Share Registrar.

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 that person's CCASS Investor Participant stock account or the stock account of the CCASS Participant who has inputted electronic application instructions on that person's behalf;

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- **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 our Company, the Directors and the Lead Manager 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** our Company to place the name of HKSCC Nominees on the register of members of our 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 our 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 our Company, the Lead Manager, the Public Offer Underwriter, 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 our Company, its registrars, receiving banker, advisor and 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 misrepresentations;

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- **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 Business Day after the opening of the application lists or such later date as the application lists may open as described under the section headed “How to apply for Public Offer Shares — When to apply for Public Offer Shares — Effect of bad weather conditions on the opening of the application lists”, such agreement to take effect as a collateral contract with our Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the expiration of the fifth Business 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 Business 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;
- **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 our 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 our Company, for itself and for the benefit of each of the Shareholders (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for our Company and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Cayman Islands Companies Law, the Memorandum and Articles;
- **agrees** with our Company (for itself and for the benefit of each of the Shareholders) that the Shares are freely transferable by the holders thereof;
- **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; and
- **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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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, each of you jointly and severally) are deemed to have done the following things and neither HKSCC nor HKSCC Nominees will be liable to our 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 CCASS Participants) to apply for Public Offer Shares on your behalf;
- **instructed and authorised** HKSCC to arrange payment of the 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, 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 2,000 Public Offer Shares. Such instructions in respect of more than 2,000 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 in the section headed “How to apply for Public Offer Shares — How many applications you may make for the Public Offer Shares”.

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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company and the registrars 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, our 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 subscription of Public Offer Share by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Our Company, the Directors, the Sponsor, the Lead Manager and the Public Offer Underwriter 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 (as appropriate), or (ii) go to HKSCC’s Customer Service Centre to complete an application instruction input request form before 12:00 noon on Wednesday, 5 January 2011 or such later time as described under the section headed “How to apply for Public Offer Shares — When to apply for Public Offer Shares — Effect of bad weather conditions on the opening of the application lists”.

9. HOW MANY APPLICATIONS YOU MAY MAKE FOR THE PUBLIC OFFER SHARES

- (a) There is only one situation where you may make more than one application for the Public Offer Shares. You may make more than one application for the Public Offer Shares if you are a nominee, in which case you may make an application by using a **WHITE** or **YELLOW** Application Form or by way of giving electronic application instructions to HKSCC via CCASS (if you are CCASS participant), and lodge more than one Application Form in your own name on behalf of different beneficial owners. In the box on the relevant Application Form marked “For nominee(s)” you must include:
- an account number; or
 - some other identification code, for each beneficial owner or, in the case of joint beneficial owners, for each such joint beneficial owner. If you do not include this information, the application will be treated as being for your own benefit.

Otherwise, multiple applications are not allowed.

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It will be a term and condition of all applications that by completing and delivering an Application Form or by giving electronic application instructions to HKSCC via CCASS (if you are CCASS participant) or to the designated **HK eIPO White Form** Service Provider, you:

- 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 through giving electronic application instructions to HKSCC via CCASS (if you are CCASS participant) or to the designated **HK eIPO White Form** Service Provider;
 - if you are an agent for another person, warrant that 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 through giving electronic application instructions to HKSCC via CCASS (if you are CCASS participant) or to the designated **HK eIPO White Form** Service Provider, and that you are duly authorised to sign the relevant Application Form or give electronic application instructions as that other person's agent.
- (b) Multiple applications or suspected multiple applications are liable to be rejected. Save as referred to (a) above, all of your applications are liable to be rejected as multiple applications if you, or you and your joint applicant(s) together:
- make more than one application (whether individually or jointly with others) on a **WHITE** or **YELLOW** Application Form or by way of giving electronic application instructions to HKSCC via CCASS (if you are CCASS participant) or to the designated **HK eIPO White Form** Service Provider;
 - apply (whether individually or jointly with others) on one **WHITE** Application Form and one **YELLOW** Application Form or one **WHITE** or **YELLOW** Application Form and by way of giving electronic application instructions to HKSCC via CCASS (if you are CCASS participant) or to the designated **HK eIPO White Form** Service Provider;
 - apply (whether individually or jointly with others) on one **WHITE** or **YELLOW** Application Form or by way of giving electronic application instructions to HKSCC via CCASS (if you are CCASS participant) or to the designated **HK eIPO White Form** Service Provider for more than 50% of the 10,000,000 Shares initially comprised in the Public Offer (i.e. 5,000,000 Public Offer Shares); or
 - have applied for or taken up, or indicated interests for or have been or will be placed Offer Shares under the Placing and make application on **WHITE** or **YELLOW** Application Form or by way of giving electronic application instructions to HKSCC via CCASS (if you are CCASS participant) or to the designated **HK eIPO White Form** Service Provider.

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- (c) 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) or you have applied for or taken up or otherwise indicated interests for Offer Shares under the Placing. 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.

An 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 that company; and/or
 - control more than half of the voting power of that company; and/or
 - hold more than one-half of the issued share capital of that 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).
- (d) If you apply by means of **HK eIPO White Form** service, once you complete 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 Public 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** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service by giving **electronic application instructions** through the designated website at www.hkeipo.hk and completing payment in respect of such **electronic application instructions**, or of submitting one application through the **HK eIPO White Form** service and one or more applications by any other means, all of your applications are liable to be rejected.

10. HOW MUCH ARE THE PUBLIC OFFER SHARES

The Offer Price is HK\$1.33 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 2,000 Public Offer Shares, you will pay HK\$2,686.81. Each Application Form has a table showing the exact amount payable for certain multiples of the Public Offer Shares. You must pay the Offer Price, the brokerage of 1%, the Stock Exchange trading fee of 0.005% and the SFC transaction levy of 0.003% in full when you apply for the Public Offer Shares.

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Your payment must be made by one cheque or one banker's cashier order and must comply with the terms of the related Application Forms (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, 5 January 2011. If your application is successful, the brokerage of 1% is paid to participants of the Stock Exchange, the SFC transaction levy of 0.003% is paid to the Stock Exchange collecting on behalf of the SFC, and the Stock Exchange trading fee of 0.005% is paid to the Stock Exchange. Details of the procedures for refund are contained below in the section headed "How to apply for Public Offer Shares — Despatch/collection of share certificates and refund cheques/e-Auto Refund payment instructions".

Our Company will not issue temporary documents of title, evidence of title or receipt for payment.

11. 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 related 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 depositing the **WHITE** or **YELLOW** Application Form or submitting electronic application instructions to HKSCC via CCASS (if you are CCASS participant) or to the designated **HK eIPO White Form** Service Provider, 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 Business Day after the time of the opening of the application lists.

This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or submit your electronic application instructions to HKSCC via CCASS (if you are CCASS participant) or to the designated **HK eIPO White Form** Service Provider and an application has been made by HKSCC Nominees or the **HK eIPO White Form** Service Provider on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the end of the fifth Business 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 Business 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.

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

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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 our Company or its agents to reject or accept you application

Our Company and its 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 for whose benefit you are applying have applied for or taken up, or indicated interests for, or have been or will be placed or allocated (including conditionally and/or provisionally) the 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 interests in the Placing from investors who have received Public Offer Shares in the Public Offer; or

- your Application Form is not completed correctly in accordance with the instructions printed thereon (if you apply by an Application Form); or
- your payment is not made correctly; 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
- our Company or any of its agents believes that by accepting your application, our Company would violate the applicable laws, rules or regulations of the jurisdiction in which your application is, or is suspected to have been, completed and/or signed or of any other jurisdiction; or
- your application is for more than 50% of the 10,000,000 Shares initially comprised in the Public Offer (i.e. 5,000,000 Public Offer Shares).

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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; 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 to HKSCC via CCASS or apply by a **YELLOW** Application Form) will be void if the Listing Committee does not grant the approval of the listing of, and permission to deal in, the Shares either:

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies our Company of that longer period within three weeks of the closing of the application lists.

12. RESULTS OF ALLOCATIONS

Our Company expects to announce the level of indication of interests under the Placing and the basis of allotment of the Public Offer Shares under the Public Offer on or before Tuesday, 11 January 2011 in The Standard (in English) and the Hong Kong Economic Times (in Chinese) and on our Company's website at www.kee.com.cn and the website of the Stock Exchange at www.hkexnews.hk.

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** or **YELLOW** Application Forms or by giving electronic application instructions to HKSCC via CCASS (if you are CCASS participant) or to the designated **HK eIPO White Form** Service Provider will be made available at the times and dates and in the manner specified below:

- on our Company's website at www.kee.com.cn and the website of the Stock Exchange at www.hkexnews.hk on Tuesday, 11 January 2011 onwards;
- on the Public Offer results of allocations website at www.tricor.com.hk/ipo/result on a 24-hour basis from 8:00 a.m. on Tuesday, 11 January 2011 to 12:00 midnight on Monday, 17 January 2011. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its Application Form to search for his/her/its own allocation result;

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- from our Company's Public Offer allocation results telephone enquiry hotline. Applicants may find out whether or not their applications have been successful and the number of Public Offer Shares allocated to them, if any, by calling 852-3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 11 January 2011 to Friday, 14 January 2011; and
- from special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of designated branches of the receiving bank of the Public Offer from Tuesday, 11 January 2011 to Thursday, 13 January 2011 at the addresses set out in the section headed "How to apply for Public Offer Shares — Where to collect the Application Forms".

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND CHEQUES/e-AUTO REFUND PAYMENT INSTRUCTIONS

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the Offer Price of HK\$1.33 per Public Offer Share (excluding brokerage of 1%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005% thereon) initially paid on application, or if the conditions of the Public Offer are not fulfilled in accordance with the section headed "Structure and conditions of the Share Offer — Conditions of the Share Offer" 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 of 1%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%, 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.

You will receive one share certificate for all the Public Offer Shares issued to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary documents of title will be issued in respect of the 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 the Application Forms:

- (a) for applications on **WHITE** Application Forms or 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

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (b) for applications on **WHITE** or **YELLOW** Application Forms or applications made to the designated **HK eIPO White Form** Service Provider where payment of relevant application monies are made through multiple bank accounts, 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; and/or (ii) all the application monies, if the application is wholly unsuccessful, in each case including brokerage of 1%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of, or may invalidate, your refund cheque; or
- (c) for applications made to the designated **HK eIPO White Form** Service Provider where payment of relevant application monies are made through a single bank account, e-Auto Refund payment instructions for (i) the surplus application monies for the Public Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; and/or (ii) all the application monies, if the application is wholly unsuccessful, in each case including brokerage of 1%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest.

Subject to personal collection as mentioned below, refund cheques/e-Auto Refund payment instructions 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 **HK eIPO White Form** service; and share certificates for wholly and partially successful applicants under **WHITE** Application Form or **HK eIPO White Form** service are expected to be posted on or around Tuesday, 11 January 2011. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s).

Share certificates will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that the Public Offer has become unconditional in all respects and the right of termination described in the section headed "Underwriting — Grounds for termination" has not been exercised.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(a) if you apply using a WHITE Application Form:

If you apply for 1,000,000 or more Public Offer Shares and have indicated your intention in your **WHITE** Application Form to collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) in person and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and share certificate(s) (where applicable) from the Hong Kong Share Registrar, Tricor Investor Services Limited from 9:00 a.m. to 1:00 p.m. on Tuesday, 11 January 2011 or such other date as notified by us in the newspapers as the date of despatch/collection of share certificates/refund cheques/e-Auto Refund payment instructions. 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 produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited. If you do not collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares or you apply for 1,000,000 Public Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) in person, your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) will be sent to the address on your Application Form on Tuesday, 11 January 2011, by ordinary post and at your own risk.

(b) If you apply using a 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(s) (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 Public Offer Shares or above and have not indicated on your Application Form that you will collect your refund cheque(s) (if any) in person, or if you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) (if any) will be sent to the address on your Application Form on the date of despatch, which is expected to be on Tuesday, 11 January 2011, by ordinary post and at your own risk.

If you apply for Public Offer Shares using a **YELLOW** Application Form and 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 credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Tuesday, 11 January 2011, (or in the event of contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees).

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

- for 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 Public Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant:

- the Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner as described in the section headed "How to apply for Public Offer Shares — Results of allocations" on Tuesday, 11 January 2011. You should check the results made available by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 11 January 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees. 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 the 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.

(c) If you apply by giving electronic application instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating 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 instructions is given will be treated as an applicant.

Deposit of share certificates into CCASS and Refund of application monies

- No temporary prospectus of title will be issued. No receipt will be issued for application monies received.
- 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 stock account on Tuesday, 11 January 2011, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.
- It is expected to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, information relating to the relevant beneficial owner will be included, if supplied), your Hong Kong identity card number/passport number or other identification number (Hong Kong business registration number for corporations) and the

HOW TO APPLY FOR PUBLIC OFFER SHARES

basis of allotment of the Public Offer in the newspapers on Tuesday, 11 January 2011. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 11 January 2011 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 cheques (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 (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 Tuesday, 11 January 2011. Immediately after the credit of the Public Offer Shares to your CCASS Investor Participant stock account and the credit of refund to your designated bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications, in each case including brokerage of 1%, SFC transaction levy of 0.003% and the 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 Tuesday, 11 January 2011. No interest will be paid thereon.

(d) If you apply through HK eIPO White Form service

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 at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 11 January 2011, or such other date as notified by the Company in the newspapers as the date of despatch/collection of share certificates/refund cheques/e-Auto Refund payment instructions.

If you do not collect your share certificate(s) and/or refund cheque(s) (where applicable) 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 Tuesday, 11 January 2011, by ordinary post and at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you apply through **HK eIPO White Form** service by paying the application monies through a single bank account and your application is wholly or partially unsuccessful and/or the final Offer Price is less than the Offer Price initially paid by you, e-Auto Refund payment instructions (if any) will be despatched to your application payment bank account on or around Tuesday, 11 January 2011.

If you apply through **HK eIPO White Form** service by paying the application monies through multiple bank accounts and your application is wholly or partially unsuccessful and/or the final Offer Price is less than the Offer Price initially paid by you, refund cheque(s) (if any) will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider on or around Tuesday, 11 January 2011, by ordinary post and at your own risk.

Please also note the additional information relating to the refund of application monies overpaid, application money underpaid or applications rejected by the designated **HK eIPO White Form** Service Provider set forth above in the section headed “How to apply for Public Offer Shares — How to apply through the **HK eIPO White Form** Service — Additional Information”.

14. COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, 12 January 2011. Shares will be traded in board lots of 2,000 Shares.

15. 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 incorporation in this prospectus, received from our Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong:



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

31 December 2010

The Directors
KEE Holdings Company Limited

Shenyin Wanguo Capital (H.K.) Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to KEE Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") including the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 (the "Track Record Period"), and the consolidated balance sheets of the Group as at 31 December 2007, 2008 and 2009 and 30 June 2010, together with the notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated 31 December 2010 (the "Prospectus").

The Company was incorporated in the Cayman Islands on 6 July 2010 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation completed on 25 November 2010 (the "Reorganisation") as detailed in the section headed "Reorganisation" in Appendix V to the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in Section A below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

All companies comprising the Group have adopted 31 December as their financial year end date. As at the date of this report, no audited financial statements have been prepared for KEE International (BVI) Limited ("KEE International BVI") and the Company, as they either have not carried on any business since the date of incorporation or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

The statutory financial statements of other subsidiaries of the Company listed below, which were either prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) or the relevant accounting rules and regulations applicable to enterprises in the People’s Republic of China (the “PRC”) as appropriate, were audited during the Track Record Period by their respective statutory auditors as indicated below:

Name of company	Financial period	Statutory auditors
KEE Zippers Corporation Limited 開易拉鏈有限公司 (“KEE Zippers”)	Years ended 31 December 2007 and 2008 Year ended 31 December 2009	Katon CPA Limited KPMG
KEE International Investment Co., Limited 開易國際投資 有限公司 (“KEE Investment”)	Years ended 31 December 2007 and 2008 Year ended 31 December 2009	Katon CPA Limited KPMG
KEE (Guangdong) Garment Accessories Limited 開易 (廣東) 服裝配件有限公司 (Formerly known as 凱銳 (佛山) 服裝配件有限公司) (“KEE Guangdong”) (note i)	Years ended 31 December 2007, 2008 and 2009	Foshan Zhuoxin Certified Public Accountants (note ii) 佛山市卓信會計師 事務所有限公司
Easyzip (Suzhou) Co., Limited 開易拉鏈(蘇州)有限公司 (“KEE Suzhou”) (note i)	Years ended 31 December 2007 and 2008 (note iii)	Su Zhou Times Certified Public Accountants (note ii) 蘇州天安會計師事務所
KEE (Zhejiang) Garment Accessories Limited 開易 (浙江) 服裝配件有限公司 (Formerly known as 開易拉鏈(浙江) 有限公司) (“KEE Zhejiang”) (note i)	Year ended 31 December 2007 Years ended 31 December 2008 and 2009	Zhejiang Wide World Certified Public Accountants Co., Ltd. (note ii) 浙江萬邦會計師事務所 有限公司 Su Zhou Times Certified Public Accountants (note ii) 蘇州天安會計師事務所

Notes:

- (i) The official names of these companies are in Chinese. The English translation is for reference only.
- (ii) The official names of these auditors are in Chinese. The English translation is for reference only.
- (iii) No audited financial statements have been prepared for KEE Suzhou for the year ended 31 December 2009 as it became dormant since May 2008. We have, however, reviewed all significant transactions undertaken by KEE Suzhou during the year ended 31 December 2009 for the purpose of this report.

The directors of the Company have prepared the consolidated financial statements of the Group for the Track Record Period in accordance with the basis of preparation set out in Section A below and the accounting policies set out in Section C below (the "Underlying Financial Statements"). The Underlying Financial Statements for each of the two years ended 31 December 2007 and 2008 were audited by Katon CPA Limited and the Underlying Financial Statements for the year ended 31 December 2009 and the six months ended 30 June 2010 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements, after making such adjustments as are appropriate and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation and true and fair presentation of the Financial Information in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to form an opinion on the Financial Information based on our procedures.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA.

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 30 June 2010.

OPINION

In our opinion, for the purpose of this report, all adjustments considered necessary have been made and the Financial Information, on the basis of preparation set out in Section A below and in accordance with the accounting policies set out in Section C below, gives a true and fair view of the Group's consolidated results and cash flows for the Track Record Period, and the state of affairs of the Group as at 31 December 2007, 2008 and 2009 and 30 June 2010.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2009, together with the notes thereon (the "Corresponding Financial Information"), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, 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 Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A BASIS OF PREPARATION

At the date of this report, the Company has direct or indirect interests in the following subsidiaries, which are private companies or, if established / incorporated outside Hong Kong, have substantially the same characteristics as a Hong Kong private company. The particulars of these subsidiaries are set out below:

Name of company	Place and date of incorporation / establishment	Issued and fully paid up / registered capital	Attributable equity interest		Principal activities
			Direct	Indirect	
KEE International BVI	The British Virgin Islands ("BVI") 13 August 2010	USD2	100%	—	Investment holding
KEE Zippers	Hong Kong 1 March 2002	HKD1,000,000	—	100%	Trading of zipper products

Name of company	Place and date of incorporation / establishment	Issued and fully paid up / registered capital	Attributable equity interest		Principal activities
			Direct	Indirect	
KEE Investment	Hong Kong 24 February 2003	HKD10,000	—	100%	Investment holding
KEE Guangdong	The PRC 21 March 2005	HKD18,500,000	—	100%	Manufacture and sale of zipper products
KEE Zhejiang	The PRC 9 September 2005	USD7,500,000	—	100%	Manufacture and sale of zipper products
KEE Suzhou	The PRC 8 October 2003	USD1,000,000	—	100%	Dormant
Foshan City UNA Garment Accessories Co., Limited ("UNA")	The PRC 10 June 2009	RMB100,000	—	100%	Design and sale of garment accessories

Note (i) The non-controlling interests in the Financial Information as at 31 December 2009 represent 15% equity interest in these entities. As disclosed in note 30, the Group acquired such non-controlling interests on 11 June 2010 and these entities became 100% owned subsidiaries of the Group since then.

Note (ii) The Group acquired the 100% equity interest in UNA on 12 June 2010.

The Reorganisation has been accounted for in accordance with paragraph 5 of *Accounting Guideline 5, Merger accounting for common control combinations*, issued by the HKICPA, which requires the use of a principle similar to that for a reverse acquisition as set out in *Hong Kong Financial Reporting Standard 3, Business combinations*. The issue of shares of the Company in exchange for the entire interest in KEE International BVI and the issue of shares of KEE International BVI in exchange for the entire interest in KEE Zippers resulted in the Company becoming the holding company of KEE Zippers. The Financial Information has been prepared as a continuation of KEE Zippers and the assets and liabilities of KEE Zippers are recognised and measured at their historical carrying values prior to the Reorganisation.

B FINANCIAL INFORMATION

1 Consolidated income statements

	Section C Note	For the year ended 31 December			Six months ended 30 June	
		2007 HKD'000	2008 HKD'000	2009 HKD'000	2009 HKD'000 (unaudited)	2010 HKD'000
Turnover	2	91,577	117,399	160,714	75,896	81,635
Cost of sales		(53,735)	(67,624)	(95,582)	(45,571)	(46,661)
Gross profit		37,842	49,775	65,132	30,325	34,974
Other revenue		146	176	305	22	53
Net realised and unrealised gain / (loss) on investments in listed equity securities	3	10,910	(22,370)	6,841	6,335	—
Other net loss		(629)	(490)	(370)	(184)	(254)
Distribution costs		(7,360)	(7,417)	(7,446)	(3,278)	(4,191)
Administrative expenses		(12,048)	(16,230)	(18,323)	(7,752)	(12,481)
Profit from operations		28,861	3,444	46,139	25,468	18,101
Finance costs	4(a)	—	(913)	(1,885)	(1,004)	(746)
Profit before taxation	4	28,861	2,531	44,254	24,464	17,355
Income tax	5	(1,481)	(4,601)	(3,979)	(2,274)	(2,790)
Profit / (loss) for the year / period .		<u>27,380</u>	<u>(2,070)</u>	<u>40,275</u>	<u>22,190</u>	<u>14,565</u>
Attributable to:						
Equity shareholder of the Company		25,990	312	37,350	20,936	13,863
Non-controlling interests		1,390	(2,382)	2,925	1,254	702
Profit / (loss) for the year / period .		<u>27,380</u>	<u>(2,070)</u>	<u>40,275</u>	<u>22,190</u>	<u>14,565</u>
Basic and diluted earnings per share (HKD)	8	<u>0.09</u>	<u>—*</u>	<u>0.12</u>	<u>0.07</u>	<u>0.05</u>

* represents amount less than HKD0.01

The accompanying notes form part of this Financial Information.

2 Consolidated statements of comprehensive income

Section C Note	For the year ended 31 December			Six months ended 30 June	
	2007 HKD'000	2008 HKD'000	2009 HKD'000	2009 HKD'000 (unaudited)	2010 HKD'000
Profit / (loss) for the year / period .	27,380	(2,070)	40,275	22,190	14,565
Other comprehensive income for the year / period					
Exchange differences on translation of financial statements of subsidiaries	<u>5,814</u>	<u>6,546</u>	<u>141</u>	<u>102</u>	<u>1,224</u>
Total comprehensive income for the year / period	<u>33,194</u>	<u>4,476</u>	<u>40,416</u>	<u>22,292</u>	<u>15,789</u>
Attributable to:					
Equity shareholder of the Company	<u>31,310</u>	<u>6,389</u>	<u>37,474</u>	<u>21,034</u>	<u>15,035</u>
Non-controlling interests	<u>1,884</u>	<u>(1,913)</u>	<u>2,942</u>	<u>1,258</u>	<u>754</u>
Total comprehensive income for the year / period	<u>33,194</u>	<u>4,476</u>	<u>40,416</u>	<u>22,292</u>	<u>15,789</u>

The accompanying notes form part of this Financial Information.

3 Consolidated balance sheets

	Section C Note	At 31 December			At 30 June
		2007	2008	2009	2010
		HKD'000	HKD'000	HKD'000	HKD'000
Non-current assets					
Fixed assets	10				
- Property, plant and equipment		46,777	83,076	87,199	90,785
- Interest in leasehold land held for own use under operating lease		4,151	4,316	4,232	4,226
		<u>50,928</u>	<u>87,392</u>	<u>91,431</u>	<u>95,011</u>
Intangible assets	11	—	—	—	4,606
Other financial assets	12	—	3,402	—	—
Long-term receivables	13	918	1,055	847	—
Prepayments for fixed and intangible assets	14	1,111	474	875	376
Deferred tax assets	18(b)	122	1,544	944	988
		<u>53,079</u>	<u>93,867</u>	<u>94,097</u>	<u>100,981</u>
Current assets					
Investments in listed equity securities	15	19,797	8,996	—	—
Inventories	16	13,306	16,283	15,432	28,491
Trade and other receivables	17	20,530	22,099	29,688	61,760
Amounts due from related parties	29(d)	—	—	1,034	1,160
Current tax recoverable	18(a)	—	—	2,219	945
Restricted deposit	19	—	—	—	997
Cash and cash equivalents	20	22,764	19,349	23,493	8,431
		<u>76,397</u>	<u>66,727</u>	<u>71,866</u>	<u>101,784</u>
Current liabilities					
Trade and other payables	21	27,261	27,101	24,964	36,104
Amounts due to related parties	29(d)	53,984	47,367	11,051	14,519
Bank loans	22	—	26,477	23,850	28,658
Obligation under finance lease	23	—	1,354	—	—
Current tax payable	18(a)	1,654	5,202	4,998	7,226
		<u>82,899</u>	<u>107,501</u>	<u>64,863</u>	<u>86,507</u>

	Section C Note	At 31 December			At 30 June
		2007	2008	2009	2010
		HKD'000	HKD'000	HKD'000	HKD'000
Net current (liabilities) / assets		<u>(6,502)</u>	<u>(40,774)</u>	<u>7,003</u>	<u>15,277</u>
Total assets less current liabilities		<u>46,577</u>	<u>53,093</u>	<u>101,100</u>	<u>116,258</u>
Non-current liabilities					
Obligation under finance lease	23	—	1,566	—	—
Deferred tax liabilities	18(c)	—	474	631	—
		<u>—</u>	<u>2,040</u>	<u>631</u>	<u>—</u>
Net assets		<u>46,577</u>	<u>51,053</u>	<u>100,469</u>	<u>116,258</u>
Capital and reserves					
Share capital	25	1,000	1,000	1,000	1,000
Reserves	26	<u>43,192</u>	<u>49,581</u>	<u>96,055</u>	<u>115,258</u>
Total equity attributable to equity shareholder of the Company		44,192	50,581	97,055	116,258
Non-controlling interests		<u>2,385</u>	<u>472</u>	<u>3,414</u>	<u>—</u>
Total equity		<u>46,577</u>	<u>51,053</u>	<u>100,469</u>	<u>116,258</u>

The accompanying notes form part of this Financial Information.

4 Consolidated statements of changes in equity

	Attributable to the equity shareholder of the Company							Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory reserve	Exchange reserve	Retained earnings	Total			
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000		
At 1 January 2007.	1,000	1,264	719	1,549	8,350	12,882	501	13,383	
Total comprehensive income for the year	—	—	—	5,320	25,990	31,310	1,884	33,194	
Appropriation to statutory reserve	—	—	3,510	—	(3,510)	—	—	—	
At 31 December 2007 and 1 January 2008	1,000	1,264	4,229	6,869	30,830	44,192	2,385	46,577	
Total comprehensive income for the year	—	—	—	6,077	312	6,389	(1,913)	4,476	
Appropriation to statutory reserve	—	—	2,781	—	(2,781)	—	—	—	
At 31 December 2008 and 1 January 2009	1,000	1,264	7,010	12,946	28,361	50,581	472	51,053	
Total comprehensive income for the year	—	—	—	124	37,350	37,474	2,942	40,416	
Appropriation to statutory reserve	—	—	3,449	—	(3,449)	—	—	—	
Dividends declared by subsidiaries to non-controlling interests	—	—	—	—	—	—	(1,095)	(1,095)	
Contribution from non-controlling interests	—	—	—	—	—	—	1,095	1,095	
Contribution from the ultimate controlling parties.	—	9,000	—	—	—	9,000	—	9,000	
At 31 December 2009 and 1 January 2010	1,000	10,264	10,459	13,070	62,262	97,055	3,414	100,469	
Total comprehensive income for the period	—	—	—	1,172	13,863	15,035	754	15,789	
Acquisition of non-controlling interests by contribution from the equity shareholder of the Company	—	4,168	—	—	—	4,168	(4,168)	—	
At 30 June 2010	<u>1,000</u>	<u>14,432</u>	<u>10,459</u>	<u>14,242</u>	<u>76,125</u>	<u>116,258</u>	<u>—</u>	<u>116,258</u>	
(Unaudited)									
At 1 January 2009.	1,000	1,264	7,010	12,946	28,361	50,581	472	51,053	
Total comprehensive income for the period	—	—	—	98	20,936	21,034	1,258	22,292	
At 30 June 2009	<u>1,000</u>	<u>1,264</u>	<u>7,010</u>	<u>13,044</u>	<u>49,297</u>	<u>71,615</u>	<u>1,730</u>	<u>73,345</u>	

The accompanying notes form part of this Financial Information.

5 Consolidated cash flow statements

	Section C Note	For the year ended 31 December			Six months ended 30 June	
		2007	2008	2009	2009	2010
		HKD'000	HKD'000	HKD'000	HKD'000 (unaudited)	HKD'000
Operating activities						
Profit before taxation		28,861	2,531	44,254	24,464	17,355
Adjustments for:						
Depreciation and amortisation	4(c)	3,063	5,510	8,188	3,900	4,916
Impairment loss on doubtful debts . .	4(c)	32	147	276	110	72
Write down of inventories	16	220	14	—	—	—
Finance costs	4(a)	—	913	1,885	1,004	746
Interest income	4(c)	(146)	(176)	(305)	(22)	(53)
Net (gain) / loss on disposal of fixed assets	4(c)	(10)	138	171	78	146
Net realised and unrealised (gain) / loss on investments in listed equity securities		(10,910)	22,370	(6,841)	(6,335)	—
Foreign exchange loss		2,294	2,123	1,044	245	646
		<u>23,404</u>	<u>33,570</u>	<u>48,672</u>	<u>23,444</u>	<u>23,828</u>
Changes in working capital:						
(Increase) / decrease in inventories . .		(6,172)	(2,991)	851	(885)	(13,059)
Increase in restricted deposit		—	—	—	—	(997)
Decrease / (increase) in trade and other receivables		5,889	(1,723)	(7,865)	(30,555)	(34,055)
Increase / (decrease) in trade and other payables		10,571	(2,589)	(2,043)	4,618	12,301
(Increase) / decrease in long-term receivables		(918)	(137)	208	143	—
Cash generated from / (used in) operations						
Income tax paid	18(a)	—	(2,172)	(5,686)	(1,619)	—
Net cash generated from / (used in) operating activities . . .						
		<u>32,774</u>	<u>23,958</u>	<u>34,137</u>	<u>(4,854)</u>	<u>(11,982)</u>
Investing activities						
Payment for the purchase of property, plant and equipment		(27,506)	(31,688)	(14,023)	(6,477)	(12,613)
Proceeds from sale of property, plant and equipment		265	561	119	63	2,927
Payment for purchase of intangible assets		—	—	—	—	(3,878)

Section C Note	For the year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HKD'000	HKD'000	HKD'000	HKD'000 (unaudited)	HKD'000
Payment for purchase of investments in listed equity securities	(133,310)	(16,693)	(7,327)	(7,327)	—
Proceeds from sale of investments in listed equity securities	124,423	5,124	23,164	12,576	—
Payment for purchase of available-for-sale equity security . .	—	(3,300)	(5,107)	(5,107)	—
Proceeds from sale of available-for-sale equity security . .	—	—	8,511	—	—
Advances to related parties	—	—	(1,034)	(2,727)	—
Repayment of advances to related parties	—	—	—	—	2,965
Interest received	146	176	305	22	53
Acquisition of a subsidiary, net of cash acquired	—	—	—	—	8
Net cash (used in) / generated from investing activities	(35,982)	(45,820)	4,608	(8,977)	(10,538)
Financing activities					
Proceeds from new bank loans	—	49,166	39,718	28,363	28,490
Repayment of bank loans	—	(23,483)	(42,385)	(11,345)	(23,932)
Advances from related parties	19,608	20,911	7,680	—	5,818
Repayment of advances from related parties	(1,107)	(27,431)	(34,993)	(4,573)	(2,363)
Interest paid	—	(659)	(1,540)	(975)	(686)
Capital element of finance lease rentals paid	—	(937)	(2,920)	(593)	—
Interest element of finance lease rentals paid	—	(178)	(188)	(118)	—
Net cash generated from / (used in) financing activities	18,501	17,389	(34,628)	10,759	7,327

	For the year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HKD'000	HKD'000	HKD'000	HKD'000 (unaudited)	HKD'000
Net increase / (decrease) in cash and cash equivalents	15,293	(4,473)	4,117	(3,072)	(15,193)
Cash and cash equivalents at 1 January	6,507	22,764	19,349	19,349	23,493
Effect of foreign exchange rate changes	964	1,058	27	6	131
Cash and cash equivalents at 31 December / 30 June	<u>22,764</u>	<u>19,349</u>	<u>23,493</u>	<u>16,283</u>	<u>8,431</u>

The accompanying notes form part of this Financial Information.

C NOTES TO THE FINANCIAL INFORMATION**1 Significant accounting policies****(a) Statement of compliance**

The Financial Information set out in this report has been prepared in accordance with HKFRSs, which collective term includes Hong Kong Accounting Standards and related interpretations, promulgated by the HKICPA. Further details of the significant accounting policies adopted are set out in the remainder of this Section C.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised HKFRSs to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning 1 January 2010. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning 1 January 2010 are set out in note 33.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the six months ended 30 June 2009 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(b) Basis of consolidation

The Financial Information comprises the Company and its subsidiaries and has been prepared as if the Group had always been in existence, as further explained in Section A.

(c) Basis of measurement

The Financial Information is presented in Hong Kong dollar ("HKD"), rounded to the nearest thousand. It is prepared on the historical cost basis except for the investments in listed equity securities (see note 15) that are stated at their fair value.

(d) Use of estimates and judgements

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 estimates and associated assumptions are based on historical experience and various other factors that are 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 that are 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 major sources of estimation uncertainty are discussed in note 32.

(e) Subsidiaries and non-controlling interests

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.

An investment in a subsidiary is consolidated into the Financial Information from the date that control commences until the date that control ceases. 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.

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholder of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholder of the Company.

(f) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only

data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in equity securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(j)(i)) as available-for-sale financial assets.

Investments are recognised / derecognised on the date the Group commits to purchase / sell the investments or they expire.

(g) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (note 1(j)(ii)).

Cost includes expenditures that are directly attributable to the acquisition of an asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use.

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 disposal proceeds 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:

- Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 years after the date of completion.
- Leasehold improvement is depreciated over the shorter of the unexpired term of lease and their estimated useful lives of 1 to 10 years.
- Machinery 10 years
- Vehicles and other equipment 5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress ("CIP") represents property, plant and equipment under construction and pending installation, and is stated at cost less any impairment losses (note 1(j)(ii)).

Cost comprises direct costs of construction during the construction period. Capitalisation of these costs ceases and the CIP is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

(h) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads. Capitalised development costs are stated at cost less accumulated amortization and impairment loss (see note 1(j)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(j)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible asset with finite useful life is amortised from the date it is available for use and its estimated useful life is:

— Software 5 years

Both the period and method of amortisation are reviewed annually.

(i) 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 that are 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.

(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 property, plant and equipment 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, as set out in note 1(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(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. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(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 charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(j) Impairment of assets

(i) *Impairment of investments in equity securities and trade and other receivables*

Investments in equity securities and other current and non-current 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 current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of 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 collective 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;
- intangible assets; and
- pre-paid interests in leasehold land classified as being held under an operating lease.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing 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 profit or loss if 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 to reduce the carrying amount of the 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

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss 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) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first in first out formula and comprises all costs of purchase, costs 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.

(l) 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 1(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 (see note 1(j)(i)).

(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.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in 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.

(q) 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 business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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 difference 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.

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.

(r) 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.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided 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:

Sale of goods

Revenue is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(t) Translation of foreign currencies

For the purpose of presenting the Financial Information, the Group adopted HKD as its presentation currency. The functional currencies of the KEE Zippers and the subsidiaries incorporated in Hong Kong are HKD and the functional currencies of the subsidiaries established in the PRC are Renminbi ("RMB").

Foreign currency transactions during the year 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.

Non-monetary assets and liabilities that are 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 that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into HKD at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into HKD at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(u) Borrowing costs

Borrowing costs that are 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 are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

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 ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) Related parties

For the purposes of the Financial Information, a party is 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.

(w) 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 the financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, 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.

2 Turnover

The principal activities of the Group are manufacture and sale of zippers and other related products such as sliders, tapes and other products.

Turnover represents the sales value of goods supplied to customers. The amount of each significant category of revenue recognised in turnover during the Track Record Period is as follows:

	For the year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
Metal zippers	46,562	52,530	63,116	34,535	33,880
Nylon zippers	37,551	52,683	67,559	30,292	33,336
Plastic zippers	5,234	5,214	16,265	6,902	7,378
Sliders	956	3,831	4,137	2,191	3,343
Premium items *	—	827	8,001	874	1,547
Others	1,274	2,314	1,636	1,102	2,151
	<u>91,577</u>	<u>117,399</u>	<u>160,714</u>	<u>75,896</u>	<u>81,635</u>

* The Group has started to design and supply premium items such as toy figures and key-rings to apparel brand owners to meet the promotional needs of their products since late 2008.

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2007. In 2007, sales of zippers to this customer amounted to HKD9,219,000. No individual customer had transactions exceeded 10% of the Group's revenue for the years ended 31 December 2008 and 2009 and for the six months ended 30 June 2009 and 2010. Details of concentrations of credit risk arising from this customer are set out in note 27(a).

3 Net realised and unrealised gain / (loss) on investments in listed equity securities

The Group invested certain cash in equity securities listed in the PRC A share stock market from 2007 to 2009 and disposed of all such listed equity securities in July 2009. The Group recorded realised and unrealised gain / (loss) of HKD10,910,000, HKD(22,370,000), HKD6,841,000, HKD6,335,000 (unaudited) and nil on investments in listed equity securities for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, respectively and the related tax (charge) / benefit amounted to HKD(1,702,000), HKD1,135,000, HKD(286,000), HKD(249,000) (unaudited) and nil, respectively. The after tax unrealised gain / (loss) on investments in listed equity securities attributable to non-controlling interests amounted to HKD766,000, HKD(1,993,000), HKD683,000, HKD652,000 (unaudited) and nil for the years ended 2007, 2008 and 2009 and for the six months ended 30 June 2009 and 2010, respectively.

4 Profit before taxation

Profit before taxation is arrived at after charging / (crediting):

(a) Finance costs

	For the year ended 31 December			Six months ended	
	2007	2008	2009	2009	2010
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
Interest on bank borrowings wholly repayable within five years	—	913	1,885	1,004	746

(b) Staff costs*

	For the year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
Salaries, wages and other benefits	18,014	23,171	34,400	15,190	17,217
Contributions to defined contribution retirement plans	1,846	1,285	2,038	1,064	1,130
	<u>19,860</u>	<u>24,456</u>	<u>36,438</u>	<u>16,254</u>	<u>18,347</u>

(c) Other items

	For the year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
Depreciation and amortisation*					
- land lease premium (note 10)	82	88	91	46	46
- other assets (note 10, 11)	2,981	5,422	8,097	3,854	4,870
Impairment losses					
- trade and other receivables (note 17(b)).	32	147	276	110	72
Operating lease charges	2,592	4,171	3,717	1,752	2,098
Net foreign exchange (gain) / loss	(4)	91	45	16	(20)
Net (gain) / loss on disposal of fixed assets	(10)	138	171	78	146
Interest income	(146)	(176)	(305)	(22)	(53)
Auditors' remuneration	244	236	239	76	705
Research and development costs	501	582	815	408	480
Cost of inventories*	<u>53,735</u>	<u>67,624</u>	<u>95,582</u>	<u>45,571</u>	<u>46,661</u>

* Cost of inventories includes HKD16,319,000, HKD20,546,000, HKD30,593,000, HKD14,603,000 (unaudited) and HKD18,158,000 for the years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2009 and 2010 respectively relating to staff costs, depreciation and amortisation expenses, which amounts are also included in the respective total amounts disclosed separately above or in note 4(b) for each of these types of expenses.

5 Income tax in the consolidated income statements

(a) Income tax in the consolidated income statements represents:

	For the year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
Current tax — PRC corporate income tax					
Provision for the year / period	1,595	5,514	2,948	1,605	2,821
Current tax — Hong Kong Profits Tax					
Provision for the year / period	—	—	308	138	642
Deferred tax					
Origination and reversal of temporary differences	(114)	(913)	723	531	(673)
	<u>1,481</u>	<u>4,601</u>	<u>3,979</u>	<u>2,274</u>	<u>2,790</u>

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	For the year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
Profit before taxation	<u>28,861</u>	<u>2,531</u>	<u>44,254</u>	<u>24,464</u>	<u>17,355</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdiction concerned (note i)	8,969	385	11,824	5,879	4,224
Non-deductible expenses	—	162	71	34	619
Effect of unused tax losses not recognised	396	3,271	41	31	—
Effect of previously unrecognised tax losses utilised	—	(716)	(2,552)	(2,121)	—
Effect of tax concessions (note ii)	(7,884)	(1,814)	(5,562)	(1,678)	(2,053)
Effect of claw-back on tax concession (note iii)	—	2,839	—	—	—
PRC dividend withholding tax (note iv) . . .	—	474	157	129	—
Actual tax expense	<u>1,481</u>	<u>4,601</u>	<u>3,979</u>	<u>2,274</u>	<u>2,790</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands or the BVI.

KEE Zippers is subject to Hong Kong Profits Tax at 17.5% for 2007 and 16.5% for 2008, 2009 and 2010. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

Prior to 1 January 2008, the PRC statutory income tax rate applicable to foreign invested enterprises ("FIEs") was 33%. On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("CIT law") which reduced the statutory income tax rate to 25% effective from 1 January 2008.

- (ii) KEE Suzhou, KEE Guangdong and KEE Zhejiang, being production-oriented FIEs with operating periods of 10 years or more, were each entitled to two-year exemption from income tax followed by three-year 50% reduction in income tax rate commencing from the first profit-making year from PRC income tax perspective ("2+3 tax holiday"). KEE Suzhou and KEE Guangdong commenced their 2+3 tax holidays in 2006.

The new CIT law and its relevant regulations provide grandfathering on the 2+3 tax holidays. Based on the grandfathering rules, KEE Zhejiang is deemed to have started its 2+3 tax holiday in 2008.

PRC corporate income tax recognised in the consolidated income statements for 2007 was attributable to KEE Zhejiang's realised gain on investments in listed equity securities. Pursuant to the then effective relevant PRC tax rules and regulations, income generated from sources other than the entity's principal activities in its pre-operating period was subject to corporate income tax.

- (iii) KEE Suzhou became dormant in 2008. Given its operating period is eventually less than 10 years, the 2+3 tax holiday that it enjoyed before is subject to claw-back.
- (iv) Pursuant to the new CIT law and its relevant regulations, PRC-resident enterprises are levied withholding income tax at 10% on dividends to their non-PRC-resident corporate investors for earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. Under the Sino-Hong Kong Double Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of the equity interest of a PRC-resident enterprise is entitled to a reduced withholding tax rate of 5%.

6 Directors' remuneration

Details of directors' remuneration of the Group are as follows:

For the year ended 31 December 2007				
	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Total
	HKD'000	HKD'000	HKD'000	HKD'000
Executive directors				
Xu Xipeng	—	293	16	309
Xu Xinan	—	237	16	253
Yang Shaolin	—	—	—	—
Non-executive director				
Chow Hoi Kwang, Albert	275	—	—	275
Independent non-executive directors				
Lin Bin	—	—	—	—
Kong Hing Ki	—	—	—	—
Tan Yuk Sang, Sammy	—	—	—	—
	<u>275</u>	<u>530</u>	<u>32</u>	<u>837</u>
For the year ended 31 December 2008				
	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Total
	HKD'000	HKD'000	HKD'000	HKD'000
Executive directors				
Xu Xipeng	—	317	19	336
Xu Xinan	—	264	19	283
Yang Shaolin	—	19	2	21
Non-executive director				
Chow Hoi Kwang, Albert	300	—	—	300
Independent non-executive directors				
Lin Bin	—	—	—	—
Kong Hing Ki	—	—	—	—
Tan Yuk Sang, Sammy	—	—	—	—
	<u>300</u>	<u>600</u>	<u>40</u>	<u>940</u>

For the year ended 31 December 2009

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Total
	HKD'000	HKD'000	HKD'000	HKD'000
Executive directors				
Xu Xipeng	—	327	21	348
Xu Xinan	—	272	21	293
Yang Shaolin	—	311	21	332
Non-executive director				
Chow Hoi Kwang, Albert	300	—	—	300
Independent non-executive directors				
Lin Bin	—	—	—	—
Kong Hing Ki	—	—	—	—
Tan Yuk Sang, Summy	—	—	—	—
	<u>300</u>	<u>910</u>	<u>63</u>	<u>1,273</u>

Six months ended 30 June 2009 (unaudited)

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Total
	HKD'000	HKD'000	HKD'000	HKD'000
Executive directors				
Xu Xipeng	—	163	11	174
Xu Xinan	—	136	11	147
Yang Shaolin	—	127	11	138
Non-executive director				
Chow Hoi Kwang, Albert	150	—	—	150
Independent non-executive directors				
Lin Bin	—	—	—	—
Kong Hing Ki	—	—	—	—
Tan Yuk Sang, Sammy	—	—	—	—
	<u>150</u>	<u>426</u>	<u>33</u>	<u>609</u>

	Sixed months ended 30 June 2010			
	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Total
	HKD'000	HKD'000	HKD'000	HKD'000
Executive directors				
Xu Xipeng	—	156	11	167
Xu Xinan	—	130	11	141
Yang Shaolin	—	144	11	155
Non-executive director				
Chow Hoi Kwang, Albert	150	—	—	150
Independent non-executive directors				
Lin Bin	—	—	—	—
Kong Hing Ki	—	—	—	—
Tan Yuk Sang, Sammy	—	—	—	—
	<u>150</u>	<u>430</u>	<u>33</u>	<u>613</u>

During the Track Record Period, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in note 7 below as an inducement to join or upon joining the Group or as a compensation for loss of office. There was no arrangement under which a director has waived or agreed to waive any emoluments during the Track Record Period.

7 Individuals with highest emoluments

Of the five individuals with the highest emoluments, 2, 3, 1, 2 and 2 for the years ended 31 December 2007, 2008 and 2009, and for the six months ended 30 June 2009 and 2010, respectively, are directors, whose emoluments are disclosed in note 6. The aggregate of the emoluments in respect of the other 3, 2, 4, 3 and 3 individuals for the years ended 31 December 2007, 2008 and 2009, and for the six months ended 30 June 2009 and 2010, respectively, are as follows:

	For the year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Salaries and other emoluments	1,595	738	1,506	545	597
Discretionary bonuses	44	33	88	—	—
Retirement scheme contributions	76	31	45	26	28
	<u>1,715</u>	<u>802</u>	<u>1,639</u>	<u>571</u>	<u>625</u>

The emoluments of the 3, 2, 4, 3 and 3 individuals with the highest emoluments for the years ended 31 December 2007, 2008 and 2009, and for the six months ended 30 June 2009 and 2010, respectively, are within the following bands:

	For the year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	Number of individuals	Number of individuals	Number of individuals	Number of individuals (unaudited)	Number of individuals
Nil to HKD1,000,000	2	2	4	3	3
HKD1,000,001 to 1,500,000	1	—	—	—	—
	<u>3</u>	<u>2</u>	<u>4</u>	<u>3</u>	<u>3</u>

8 Earnings per share

The calculation of basic earnings per share during the Track Record Period is based on the profit attributable to equity holders of the Company for the respective years / periods and on the assumption that 300,000,000 ordinary shares of the Company were in issue throughout the Track Record Period comprising 200 ordinary shares in issue as at the date of the Prospectus, 299,999,800 ordinary shares to be issued pursuant to the capitalisation issue as detailed in the paragraph headed "Written resolutions of the sole shareholder" under the section headed "Statutory and general information" in Appendix V to the Prospectus.

There were no dilutive potential ordinary shares during the Track Record Period, and therefore, diluted earnings per share are the same as the basic earnings per share.

9 Segment reporting

The Group manages its businesses by geographical areas. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Southern China and overseas: this segment manufactures zipper products and mainly sells to customers in Southern China and overseas market. Currently its activities are mainly carried out in Guangdong province and Hong Kong.
- Eastern China: this segment manufactures zipper products and mainly sells to customers in Eastern China. Currently its activities are mainly carried out in Zhejiang province.

(a) *Segment results and segment assets*

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results and assets attributable to each reportable segment on the following bases:

Segment assets include all assets with the exception of investments in financial assets and deferred tax assets.

The measure used for reporting segment profit is "adjusted profit before taxation" i.e. "turnover less cost of sales, distribution costs, administrative expenses and finance costs". Items not specifically attributed to individual segment such as gain or loss from investments in listed equity securities are excluded from the calculation of segment profit. The Group's senior executive management is provided with segment information concerning segment revenue, profit and assets. Segment liabilities are not reported to the Group's senior executive management regularly.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010 respectively is set out below:

Year ended 31 December 2007

	Southern China and overseas	Eastern China	Total
	HKD'000	HKD'000	HKD'000
Revenue from external customers	71,725	19,852	91,577
Inter-segment revenue	<u>6,358</u>	<u>1,951</u>	<u>8,309</u>
Reportable segment revenue	<u><u>78,083</u></u>	<u><u>21,803</u></u>	<u><u>99,886</u></u>
Reportable segment profit	<u><u>14,730</u></u>	<u><u>4,084</u></u>	<u><u>18,814</u></u>
Interest expense	—	—	—
Depreciation and amortisation for the year	(2,526)	(537)	(3,063)
Reportable segment assets	<u><u>68,438</u></u>	<u><u>41,499</u></u>	<u><u>109,937</u></u>

Year ended 31 December 2008

	Southern China and overseas	Eastern China	Total
	HKD'000	HKD'000	HKD'000
Revenue from external customers	91,909	25,490	117,399
Inter-segment revenue	<u>8,805</u>	<u>1,325</u>	<u>10,130</u>
Reportable segment revenue	<u>100,714</u>	<u>26,815</u>	<u>127,529</u>
Reportable segment profit	<u>24,794</u>	<u>477</u>	<u>25,271</u>
Interest expense	(552)	(361)	(913)
Depreciation and amortisation for the year	(3,632)	(1,878)	(5,510)
Reportable segment assets	<u>79,013</u>	<u>68,283</u>	<u>147,296</u>

Year ended 31 December 2009

	Southern China and overseas	Eastern China	Total
	HKD'000	HKD'000	HKD'000
Revenue from external customers	111,784	48,930	160,714
Inter-segment revenue	<u>16,952</u>	<u>5,195</u>	<u>22,147</u>
Reportable segment revenue	<u>128,736</u>	<u>54,125</u>	<u>182,861</u>
Reportable segment profit	<u>23,015</u>	<u>15,730</u>	<u>38,745</u>
Interest expense	(1,744)	(141)	(1,885)
Depreciation and amortisation for the year	(4,906)	(3,282)	(8,188)
Reportable segment assets	<u>90,932</u>	<u>77,235</u>	<u>168,167</u>

Six months ended 30 June 2009

	Southern China		Total
	and overseas	Eastern China	
	HKD'000	HKD'000	HKD'000
	(unaudited)	(unaudited)	(unaudited)
Revenue from external customers	53,753	22,143	75,896
Inter-segment revenue	7,908	—	7,908
Reportable segment revenue	<u>61,661</u>	<u>22,143</u>	<u>83,804</u>
Reportable segment profit	<u>14,871</u>	<u>4,047</u>	<u>18,918</u>
Interest expense	(894)	(110)	(1,004)
Depreciation and amortisation for the period	(2,453)	(1,641)	(4,094)
Reportable segment assets	<u>94,388</u>	<u>84,223</u>	<u>178,611</u>

Six months ended 30 June 2010

	Southern China		Total
	and overseas	Eastern China	
	HKD'000	HKD'000	HKD'000
Revenue from external customers	52,614	29,021	81,635
Inter-segment revenue	11,193	—	11,193
Reportable segment revenue	<u>63,807</u>	<u>29,021</u>	<u>92,828</u>
Reportable segment profit	<u>12,157</u>	<u>5,860</u>	<u>18,017</u>
Interest expense	(487)	(259)	(746)
Depreciation and amortisation for the period	(2,953)	(1,963)	(4,916)
Reportable segment assets	<u>117,037</u>	<u>88,348</u>	<u>205,385</u>

(b) *Reconciliations of reportable segment revenues, profit or loss and assets*

	For the year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
Revenue					
Reportable segment revenue	99,886	127,529	182,861	83,804	92,828
Elimination of inter-segment revenue	(8,309)	(10,130)	(22,147)	(7,908)	(11,193)
Consolidated turnover	<u>91,577</u>	<u>117,399</u>	<u>160,714</u>	<u>75,896</u>	<u>81,635</u>

	For the year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HKD'000	HKD'000	HKD'000	HKD'000 (unaudited)	HKD'000
Profit					
Reportable segment profit	18,814	25,271	38,745	18,918	18,017
Elimination of unrealised profit of inter-segment purchase of inventories and fixed assets	(380)	(56)	(1,267)	(627)	(461)
Reportable segment profit derived from Group's external customers . . .	18,434	25,215	37,478	18,291	17,556
Other revenue, net realised and unrealised gain / (loss) on investments in listed equity securities and other net loss	10,427	(22,684)	6,776	6,173	(201)
Consolidated profit before taxation. . . .	<u>28,861</u>	<u>2,531</u>	<u>44,254</u>	<u>24,464</u>	<u>17,355</u>

	At 31 December			At 30 June
	2007	2008	2009	2010
	HKD'000	HKD'000	HKD'000	HKD'000
Assets				
Reportable segment assets.	109,937	147,296	168,167	205,385
Elimination of unrealised profit of inter-segment purchase of inventories	(380)	(435)	(329)	(2,308)
Elimination of unrealised profit of inter-segment purchase of fixed assets	—	(209)	(2,819)	(1,300)
	109,557	146,652	165,019	201,777
Investments in listed equity securities	19,797	8,996	—	—
Other financial assets	—	3,402	—	—
Deferred tax assets	122	1,544	944	988
Consolidated assets.	<u>129,476</u>	<u>160,594</u>	<u>165,963</u>	<u>202,765</u>

10 Fixed assets

	Buildings	Machinery	Vehicles and other equipment	Leasehold improvement	Construction in progress	Sub-total	Interest in leasehold land held for own use under operating lease	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Cost:								
At 1 January 2007	70	17,660	3,424	—	349	21,503	3,982	25,485
Exchange adjustments	8	1,579	266	46	695	2,594	289	2,883
Additions	79	7,372	1,071	—	20,542	29,064	—	29,064
Disposals	—	(224)	(92)	—	—	(316)	—	(316)
Transfer from CIP.	—	889	—	1,268	(2,157)	—	—	—
At 31 December 2007 and 1 January 2008	157	27,276	4,669	1,314	19,429	52,845	4,271	57,116
Exchange adjustments	1,005	2,191	319	173	679	4,367	263	4,630
Additions	—	10,513	1,669	—	26,349	38,531	—	38,531
Disposals	(84)	(841)	(132)	—	—	(1,057)	—	(1,057)
Transfer from CIP.	32,268	7,642	332	2,980	(43,222)	—	—	—
At 31 December 2008 and 1 January 2009	33,346	46,781	6,857	4,467	3,235	94,686	4,534	99,220
Exchange adjustments	53	85	11	8	3	160	7	167
Additions	125	10,648	525	1,074	—	12,372	—	12,372
Disposals	(79)	(354)	(252)	—	—	(685)	—	(685)
Transfer from CIP.	—	3,238	—	—	(3,238)	—	—	—
At 31 December 2009 and 1 January 2010	33,445	60,398	7,141	5,549	—	106,533	4,541	111,074
Exchange adjustments	312	594	63	56	22	1,047	42	1,089
Acquisition of a subsidiary	—	—	32	—	—	32	—	32
Additions	—	5,468	524	771	3,770	10,533	—	10,533
Disposals	—	(3,366)	(31)	—	—	(3,397)	—	(3,397)
Transfer from CIP.	—	48	—	—	(48)	—	—	—
At 30 June 2010	33,757	63,142	7,729	6,376	3,744	114,748	4,583	119,331
Accumulated depreciation:								
At 1 January 2007	(22)	(2,042)	(777)	—	—	(2,841)	(33)	(2,874)
Exchange adjustments	(2)	(225)	(77)	(3)	—	(307)	(5)	(312)
Charge for the year.	(25)	(2,120)	(756)	(80)	—	(2,981)	(82)	(3,063)
Written back on disposals	—	25	36	—	—	61	—	61
At 31 December 2007 and 1 January 2008	(49)	(4,362)	(1,574)	(83)	—	(6,068)	(120)	(6,188)
Exchange adjustments	(30)	(323)	(109)	(16)	—	(478)	(10)	(488)
Charge for the year.	(871)	(3,176)	(1,020)	(355)	—	(5,422)	(88)	(5,510)
Written back on disposals	5	266	87	—	—	358	—	358

	Buildings	Machinery	Vehicles and other equipment	Leasehold improvement	Construction in progress	Sub-total	Interest in leasehold land held for own use under operating lease	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
At 31 December 2008 and 1 January 2009	(945)	(7,595)	(2,616)	(454)	—	(11,610)	(218)	(11,828)
Exchange adjustments	(3)	(14)	(4)	(1)	—	(22)	—	(22)
Charge for the year	(1,508)	(4,793)	(1,225)	(571)	—	(8,097)	(91)	(8,188)
Written back on disposals	79	241	75	—	—	395	—	395
At 31 December 2009 and 1 January 2010	(2,377)	(12,161)	(3,770)	(1,026)	—	(19,334)	(309)	(19,643)
Exchange adjustments	(27)	(119)	(99)	(11)	—	(256)	(2)	(258)
Charge for the period	(815)	(2,919)	(662)	(301)	—	(4,697)	(46)	(4,743)
Written back on disposals	—	296	28	—	—	324	—	324
At 30 June 2010	(3,219)	(14,903)	(4,503)	(1,338)	—	(23,963)	(357)	(24,320)
Carrying amount:								
At 31 December 2007	108	22,914	3,095	1,231	19,429	46,777	4,151	50,928
At 31 December 2008	32,401	39,186	4,241	4,013	3,235	83,076	4,316	87,392
At 31 December 2009	31,068	48,237	3,371	4,523	—	87,199	4,232	91,431
At 30 June 2010	30,538	48,239	3,226	5,038	3,744	90,785	4,226	95,011

- (a) The interest in leasehold land held for own use under operating lease is held on a medium-term lease of 50 years in the PRC.
- (b) Certain interest in leasehold land held for own use under operating lease and buildings with an aggregate carrying value of HKD36,717,000 and HKD34,764,000 were pledged as securities for bank loans of the Group as at 31 December 2008 and 30 June 2010, respectively (see note 22).
- (c) During the year ended 31 December 2008, the Group leased machinery under finance leases expiring in three years. At the end of the lease term the Group has the option to purchase the leased equipment at a price deemed to be a bargain purchase option. None of the leases includes contingent rentals.

During the year ended 31 December 2008, additions to machinery of the Group financed by new finance leases were HKD4,821,000 (31 December 2007 and 2009 and the six months ended 30 June 2010: nil). At 31 December 2008, the net book value of machinery held under finance leases was HKD4,748,000 (at 31 December 2007 and 2009 and 30 June 2010: nil). The Group repaid all the obligation under finance lease in 2009.

11 Intangible assets

	<u>Software</u>
	HKD'000
Cost:	
At 1 January 2007, 31 December 2007, 31 December 2008, 31 December 2009 and 1 January 2010	—
Exchange adjustments	28
Additions	<u>4,752</u>
At 30 June 2010	<u>4,780</u>
Accumulated amortisation:	
At 1 January 2007, 31 December 2007, 31 December 2008, 31 December 2009 and 1 January 2010	—
Exchange adjustments	(1)
Amortisation for the period	<u>(173)</u>
At 30 June 2010	<u>(174)</u>
Carrying amount:	
At 31 December 2009	<u>—</u>
At 30 June 2010	<u>4,606</u>

12 Other financial assets

	<u>At 31 December</u>			<u>At 30 June</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
	HKD'000	HKD'000	HKD'000	HKD'000
Available-for-sale equity security, at cost				
- Unlisted	<u>—</u>	<u>3,402</u>	<u>—</u>	<u>—</u>

Investment in unlisted equity security does not have a quoted market price in an active market. Quoted prices in active market for similar financial assets or observable market data as significant inputs for valuation techniques are also not available. Therefore, the unlisted equity security is stated at cost less impairment loss, if any, in the Financial Information.

In 2009, the Group sold the available-for-sale financial assets to Foshan City Nanhai Jin He Ming Investment Co., Limited ("Jin He Ming"), a company controlled by Xu Xipeng and Xu Xinan, the ultimate controlling parties of the Company, at a consideration equal to its carrying value at the disposal date.

13 Long-term receivables

The balances represent the advances to employees of the Group, which were interest free, unsecured and repayable after 31 December 2010. In April 2010, the Group entered into an agreement with Xu Xibin, a close family member of key management personnel of the Group and the related employees stipulating that the advances from the Group to the related employees would be repaid by Xu Xibin before the listing of the Company's shares on The Stock Exchange of Hong Kong Limited ("HKSE"), and that the employees should pay back the amounts to Xu Xibin. Therefore, the balance was reclassified to amount due from related parties at 30 June 2010.

The directors have consulted the PRC legal counsel who is in the opinion that the advances made by the Group to its employees were legal and did not contravene any PRC laws, rules and regulations. The directors confirm that the Group will not make such advances to employees after listing.

14 Prepayments for fixed and intangible assets

The balances represent the prepayments for the purchase of property, plant and equipment and intangible asset respectively.

15 Investments in listed equity securities

	At 31 December			At 30 June
	2007	2008	2009	2010
	HKD'000	HKD'000	HKD'000	HKD'000
Listed equity securities held for trading, at fair value				
- Listed in the PRC	<u>19,797</u>	<u>8,996</u>	<u>—</u>	<u>—</u>

16 Inventories

	At 31 December			At 30 June
	2007	2008	2009	2010
	HKD'000	HKD'000	HKD'000	HKD'000
Raw materials	10,179	9,561	7,572	12,786
Work in progress	2,300	4,369	5,808	12,291
Finished goods.	<u>827</u>	<u>2,353</u>	<u>2,052</u>	<u>3,414</u>
	<u>13,306</u>	<u>16,283</u>	<u>15,432</u>	<u>28,491</u>

An analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	For the year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
				(unaudited)	
Carrying amount of inventories sold	53,515	67,610	95,582	45,571	46,661
Write down of inventories.	<u>220</u>	<u>14</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>53,735</u>	<u>67,624</u>	<u>95,582</u>	<u>45,571</u>	<u>46,661</u>

17 Trade and other receivables

	At 31 December			At 30 June
	2007	2008	2009	2010
	HKD'000	HKD'000	HKD'000	HKD'000
Trade debtors	16,651	18,511	24,602	56,853
Less: allowance for doubtful debts	<u>(46)</u>	<u>(200)</u>	<u>(114)</u>	<u>(124)</u>
	16,605	18,311	24,488	56,729
Prepayments	1,391	1,200	1,305	3,660
Deposits and other debtors.	<u>2,534</u>	<u>2,588</u>	<u>3,895</u>	<u>1,371</u>
	<u>20,530</u>	<u>22,099</u>	<u>29,688</u>	<u>61,760</u>

(a) Ageing analysis

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	At 31 December			At 30 June
	2007	2008	2009	2010
	HKD'000	HKD'000	HKD'000	HKD'000
Current	13,027	15,072	22,419	44,571
Less than 3 months past due	<u>3,170</u>	<u>3,239</u>	<u>1,796</u>	<u>12,158</u>
More than 3 months but less than 12 months past due	<u>408</u>	<u>—</u>	<u>273</u>	<u>—</u>
Amount past due	<u>3,578</u>	<u>3,239</u>	<u>2,069</u>	<u>12,158</u>
	<u>16,605</u>	<u>18,311</u>	<u>24,488</u>	<u>56,729</u>

Trade debtors are due within 30-60 days from the date of billing. Further details on the Group's credit policy are set out in note 27(a).

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors 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 debtors directly (see note 1(j)(i)).

	At 31 December			At 30 June
	2007	2008	2009	2010
	HKD'000	HKD'000	HKD'000	HKD'000
At 1 January	12	46	200	114
Exchange adjustments	2	7	—	2
Impairment loss recognised	32	147	276	72
Uncollectible amounts written off	—	—	(362)	(64)
	<u>46</u>	<u>200</u>	<u>114</u>	<u>124</u>

At 31 December 2007, 2008 and 2009 and 30 June 2010, the Group's trade debtors of HKD46,000, HKD200,000, HKD114,000 and HKD124,000 respectively, were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that the receivables are not expected to be recovered. Consequently, specific allowances for doubtful debts were recognised in full. The Group does not hold any collateral over these balances.

(c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired is as follows:

	At 31 December			At 30 June
	2007	2008	2009	2010
	HKD'000	HKD'000	HKD'000	HKD'000
Neither past due nor impaired	13,027	15,072	22,419	44,571
Less than 3 months past due	3,170	3,239	1,796	12,158
More than 3 months but less than 12 months past due	408	—	273	—
	<u>3,578</u>	<u>3,239</u>	<u>2,069</u>	<u>12,158</u>
	<u>16,605</u>	<u>18,311</u>	<u>24,488</u>	<u>56,729</u>

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent 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.

18 Income tax in the consolidated balance sheets

(a) Current tax payable in the consolidated balance sheets represent:

	At 31 December			At 30 June
	2007	2008	2009	2010
	HKD'000	HKD'000	HKD'000	HKD'000
At 1 January	—	1,654	5,202	2,779
Exchange adjustments	59	206	7	39
Provision for PRC corporate income tax (note 5(a)).	1,595	5,514	2,948	2,821
Provision for Hong Kong Profits Tax (note 5(a)) .	—	—	308	642
Income tax paid	—	(2,172)	(5,686)	—
	<u>1,654</u>	<u>5,202</u>	<u>2,779</u>	<u>6,281</u>

Represented by:

	At 31 December			At 30 June
	2007	2008	2009	2010
	HKD'000	HKD'000	HKD'000	HKD'000
Current tax payable	1,654	5,202	4,998	7,226
Current tax recoverable	—	—	(2,219)	(945)
	<u>1,654</u>	<u>5,202</u>	<u>2,779</u>	<u>6,281</u>

(b) Deferred tax assets recognised:

The components of deferred tax assets recognised in the consolidated balance sheets and the movements during the year/period are as follows:

	Loss on investments in listed equity securities	Cumulative tax loss	Unrealised profit arising from intra-group transactions elimination	Pre-operating expenses and accruals	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Deferred tax arising from:					
At 1 January 2007	—	—	—	3	3
Exchange adjustments	—	—	—	5	5
Credited to profit or loss	—	—	—	114	114
At 31 December 2007 and 1 January 2008	—	—	—	122	122
Exchange adjustments	26	—	1	8	35
Credited to profit or loss	997	321	51	18	1,387
At 31 December 2008 and 1 January 2009	1,023	321	52	148	1,544
Exchange adjustments	—	—	(34)	—	(34)
(Charged) / credited to profit or loss	(1,023)	(321)	728	50	(566)
At 31 December 2009 and 1 January 2010	—	—	746	198	944
Exchange adjustments	—	—	—	2	2
Credited / (charged) to profit or loss	—	—	156	(114)	42
At 30 June 2010	—	—	902	86	988

(c) Deferred tax liabilities recognised:

The component of deferred tax liabilities recognised in the consolidated balance sheets and the movements during the year/period are as follows:

	PRC dividend withholding tax
	HKD'000
Deferred tax arising from:	
At 1 January 2007, 31 December 2007 and 1 January 2008	—
Charged to profit or loss	474
At 31 December 2008 and 1 January 2009	474
Charged to profit or loss	157
At 31 December 2009 and 1 January 2010	631
Credited to profit or loss	(631)
At 30 June 2010	—

(d) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 1(q), the Group has not recognised deferred tax assets in respect of deductible temporary differences and cumulative tax losses of HKD4,536,000, HKD13,140,000, HKD3,114,000 and HKD3,115,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010 respectively, which are mainly related to KEE Zippers, KEE Investment, KEE Zhejiang and KEE Suzhou. KEE Zippers and KEE Investment mainly act as investment holding companies within the Group and KEE Zippers also handles overseas sales of the Group. KEE Zhejiang and KEE Suzhou are manufacturing entities within the Group, and KEE Suzhou became dormant in 2008. KEE Zhejiang commenced operations in 2008 and had accumulated losses of HKD10.2 million as of 31 December 2008 which mainly arose from unrealized losses on investments in listed equity securities. No deferred tax asset was recognised in respect of the above deductible temporary differences and accumulated tax losses because there was no convincing evidence existed on the respective balance sheet dates that sufficient taxable profits in the relevant jurisdictions and entities will be available against which the tax losses can be utilised.

Of the tax losses as of 30 June 2010, HKD2,628,000, HKD118,000 and HKD1,000 will expire at 31 December 2013, 2014 and 2015 respectively, and the remaining amount does not expire under current tax legislation.

(e) Deferred tax liabilities not recognised:

As at 31 December 2009 and 30 June 2010, temporary differences related to the undistributed profits of the Group's PRC subsidiaries amounted to HKD8,981,000 and HKD20,520,000, respectively, of which deferred tax liabilities were not recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

19 Restricted deposit

At 30 June 2010, a restricted deposit of HKD997,000 was placed with the court in relation to a claim lodged by a construction contractor.

The Group withheld a portion of a contract price in connection with a renovation work done on the Group's plant due to a dispute with the contractor on the total cost of the work. The contractor lodged a claim against the Group's subsidiary in Zhejiang Province. In June 2010, a judgement ("the Judgement") was issued by Jiashan People's Court of Zhejiang Province in favour of the contractor and the Company was required to place the amount of HKD997,000 with the court as deposit. In response, the Company filed an appeal against the Judgement. The case was heard on 28 June 2010 and the People's Court ordered that a professional valuer be engaged to carry out a valuation of the work performed by the contractor before the People's Court make a decision on the case. The Group has already accrued the liabilities and included the cost in the fixed assets.

20 Cash and cash equivalents

	At 31 December			At 30 June
	2007	2008	2009	2010
	HKD'000	HKD'000	HKD'000	HKD'000
Cash at bank and in hand	8,900	19,349	23,493	8,431
Other cash equivalents	13,864	—	—	—
	<u>22,764</u>	<u>19,349</u>	<u>23,493</u>	<u>8,431</u>

As at 31 December 2007, 2008 and 2009 and 30 June 2010, cash and cash equivalents in the amount of HKD21,670,000, HKD11,286,000, HKD20,383,000 and HKD7,688,000 respectively are denominated in RMB and are deposited in the PRC in the ordinary course of business. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

At 31 December 2007, other cash equivalents represented the cash balance in the securities investment account. There was no restriction on the use of such cash balance.

21 Trade and other payables

	At 31 December			At 30 June
	2007	2008	2009	2010
	HKD'000	HKD'000	HKD'000	HKD'000
Trade creditors	3,388	3,644	6,915	16,726
Payroll and staff benefits payable	6,683	6,873	11,077	10,667
Accrued expenses	5,246	2,718	1,221	2,095
Payables for fixed assets	2,699	5,048	3,798	2,093
Other taxes payable	1,096	1,666	1,290	2,069
Other payables	8,149	7,152	663	2,454
	<u>27,261</u>	<u>27,101</u>	<u>24,964</u>	<u>36,104</u>

Included in trade and other payables are trade creditors with the following ageing analysis as of the balance sheet date:

	At 31 December			At 30 June
	2007	2008	2009	2010
	HKD'000	HKD'000	HKD'000	HKD'000
Due within 1 month or on demand	2,462	3,510	6,859	16,726
Due after 1 month but within 3 months	926	134	56	—
	<u>3,388</u>	<u>3,644</u>	<u>6,915</u>	<u>16,726</u>

22 Bank loans

	At 31 December			At 30 June
	2007	2008	2009	2010
	HKD'000	HKD'000	HKD'000	HKD'000
Secured bank loans	—	26,477	23,850	28,658

At 31 December 2008 and 2009 and 30 June 2010, all the bank loans were repayable within 1 year.

Of the bank loans as at 31 December 2008, HKD11,339,000 was secured by the Group's interest in a leasehold land held for own use under operating lease and buildings with an aggregate carrying value of HKD36,717,000 (see note 10); HKD15,138,000 was secured by interest in leasehold land and a building owned by the ultimate controlling parties of the Company and leased to the Group under operating lease.

At 31 December 2009, the bank loans of the Group were secured by personal guarantee from and interest in leasehold land owned by the ultimate controlling parties of the Company and leased to the Group under operating lease.

At 30 June 2010, the bank loan of HKD5,731,000 was guaranteed by the ultimate controlling parties of the Company and secured by the buildings and interest in a leasehold land owned by the ultimate controlling parties and leased to the Group under operating lease. Bank loans of HKD22,927,000 were secured by the Group's interest in leasehold land held for own use under operating lease and buildings with carrying value of HKD34,764,000 (see note 10).

As of 30 June 2010, the Group had unused bank facilities of HKD11,463,000, which were guaranteed by the ultimate controlling parties of the Company and secured by the buildings and interest in the leasehold land owned by the ultimate controlling parties and leased to the Group under operating lease.

The directors confirm that the personal guarantees and mortgages of properties provided by the ultimate controlling parties as of 30 June 2010 will be replaced by the Company's corporate guarantee upon listing if the relevant bank loans are not then settled.

All of the Group's banking facilities are subject to the fulfilment of certain covenants which are commonly included in bank loan agreements, including the requirement of the lender's consent for any merger, acquisition, or significant transfer of assets to be carried out by the borrowing entities, and no dividend should be declared if it would affect the borrowing entities' ability to settle the bank loans. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 27(b). As at 31 December 2008, and 2009 and 30 June 2010 none of the covenants relating to drawn down facilities had been breached.

23 Obligation under finance lease

At 31 December 2008, the Group had obligation under finance lease repayable as follows:

	<u>At 31 December 2008</u>	
	<u>Present value of the minimum lease payments</u>	<u>Total minimum lease payments</u>
	HKD'000	HKD'000
Within 1 year	1,354	1,441
After 1 year but within 2 years	1,258	1,441
After 2 years but within 5 years	308	373
	<u>1,566</u>	<u>1,814</u>
	<u>2,920</u>	3,255
Less: total future interest expenses		<u>(335)</u>
Present value of lease obligation		<u>2,920</u>

The Group repaid all the obligation under finance lease in 2009.

24 Employees retirement benefits

The Group operates a Mandatory Provident Fund Scheme (“the MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employee’s relevant income, subject to a cap of monthly relevant income of HKD20,000.

Employees in the Group’s PRC subsidiaries are members of the state-managed retirement scheme. The PRC subsidiaries are required to contribute a specified percentage of the payroll to the scheme. The only obligation of the Group with respect to the retirement scheme is to make the specified contributions.

The Group has no other material obligation for payment of retirement benefits beyond the annual contributions as described above.

25 Share capital

	At 31 December			At 30 June
	2007	2008	2009	2010
	HKD'000	HKD'000	HKD'000	HKD'000
Authorised, issued and fully paid:				
1,000,000 ordinary shares of HKD1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

For the purpose of this report, share capital at 31 December 2007, 2008 and 2009 and 30 June 2010 represents that of KEE Zippers.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of KEE Zippers. All ordinary shares rank equally with regard to KEE Zippers’ residual assets.

26 Reserves

(a) Statutory reserve

Statutory reserve was established in accordance with the relevant PRC rules and regulations and the articles of association of the Company’s subsidiaries incorporated in the PRC. Transfers to the reserve were approved by the respective board of directors.

KEE Guangdong, UNA, KEE Zhejiang and KEE Suzhou, which are wholly foreign owned enterprises incorporated in the PRC, are required to transfer at least 10% of its net profit (after offsetting prior year's losses), as determined under the PRC accounting rules and regulations, to statutory general reserve until the reserve balance reaches 50% of the registered capital under the PRC Company Law and the articles of association of these entities. The transfer to this reserve must be made before distribution of dividends to the equity shareholder.

Statutory general reserve can be used to make good prior years' losses, if any, and may be converted into paid-up capital provided that the balance after such conversion is not less than 25% of the registered capital.

(b) Capital reserve

The capital reserve comprises the following:

- the fair value of inventories contributed by the ultimate controlling parties of the Company prior to 1 January 2007, amounting to HKD1,264,000;
- contribution made by the ultimate controlling parties of the Company by waiving the right to receive an amount payable by the Group, amounting to HKD9,000,000; and
- contribution made by the Company's shareholder by acquiring the non-controlling interests and injecting to the Group at nil consideration, amounting to HKD4,168,000.

(c) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of subsidiaries with functional currencies other than HKD. The reserve is dealt with in accordance with the accounting policy set out in note 1(t).

(d) Distributability of reserves

At 30 June 2010, the aggregate amount of reserves available for distribution to the equity shareholder of the Group was HKD76,125,000.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholder and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings, and obligation under finance lease, less cash and cash equivalents). Adjusted capital comprises all components of equity.

For the six months ended 30 June 2010, the Group's strategy, which was unchanged from 2007, 2008, and 2009 was to maintain the adjusted net debt-to-capital ratio below 20%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholder, issue new shares, return capital to shareholder, raise new debt financing or sell assets to reduce debt.

The adjusted net debt-to-capital ratio at 31 December 2007, 2008 and 2009 and at 30 June 2010 was as follows:

	At 31 December			At 30 June
	2007	2008	2009	2010
	HKD'000	HKD'000	HKD'000	HKD'000
Current liabilities:				
Bank loans	—	26,477	23,850	28,658
Obligation under finance lease.	—	1,354	—	—
	—	27,831	23,850	28,658
Non-current liabilities:				
Obligation under finance lease.	—	1,566	—	—
Total debt.	—	29,397	23,850	28,658
Less: cash and cash equivalents.	(22,764)	(19,349)	(23,493)	(8,431)
Adjusted net debt.	<u>(22,764)</u>	<u>10,048</u>	<u>357</u>	<u>20,227</u>
Total equity.	46,577	51,053	100,469	116,258
Adjusted net debt-to-equity ratio	<u>N/A</u>	<u>20%</u>	<u>0%</u>	<u>17%</u>

Except for the bank facilities which require the fulfillment of certain covenants as disclosed in note 22, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

27 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. 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. Trade receivables are due within 30-60 days from the date of billing. Debtors with balances that are past due are usually requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Investments are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long term strategic purposes.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2007, 2008 and 2009 and 30 June 2010, 1%, 1%, 4% and 11%, respectively, of the total trade receivables was due from the Group's largest customer and 6%, 8%, 17% and 28%, respectively, was due from the five largest customers.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 17.

(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 approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

At 31 December 2007

	Contractual undiscounted cash outflow				Balance sheet carrying amount
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	Total	
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Trade and other payables	27,261	—	—	27,261	27,261
Amounts due to related parties.	53,984	—	—	53,984	53,984
Total	<u>81,245</u>	<u>—</u>	<u>—</u>	<u>81,245</u>	<u>81,245</u>

At 31 December 2008

	Contractual undiscounted cash outflow				Balance sheet carrying amount
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	Total	
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Trade and other payables	27,101	—	—	27,101	27,101
Amounts due to related parties.	47,367	—	—	47,367	47,367
Bank loans	26,637	—	—	26,637	26,477
Obligation under finance lease.	1,441	1,441	373	3,255	2,920
Total	<u>102,546</u>	<u>1,441</u>	<u>373</u>	<u>104,360</u>	<u>103,865</u>

At 31 December 2009

	Contractual undiscounted cash outflow				Balance sheet carrying amount
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	Total	
	HKD'000	HKD'000	HKD'000	HKD'000	
Trade and other payables	24,964	—	—	24,964	24,964
Amounts due to related parties.	11,051	—	—	11,051	11,051
Bank loans	<u>24,342</u>	—	—	<u>24,342</u>	<u>23,850</u>
Total	<u>60,357</u>	—	—	<u>60,357</u>	<u>59,865</u>

At 30 June 2010

	Contractual undiscounted cash outflow				Balance sheet carrying amount
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	Total	
	HKD'000	HKD'000	HKD'000	HKD'000	
Trade and other payables	36,104	—	—	36,104	36,104
Amounts due to related parties.	14,519	—	—	14,519	14,519
Bank loans	<u>28,927</u>	—	—	<u>28,927</u>	<u>28,658</u>
Total	<u>79,550</u>	—	—	<u>79,550</u>	<u>79,281</u>

As shown in the above analysis, bank loans of the Group amounting to HKD28,658,000 were due to be repaid by 30 June 2011. The short-term liquidity risk inherent in this contractual maturity date has been addressed after the balance sheet date by the cash generated from operating activities.

(c) Interest rate risk

The Group's interest rate risk arises primarily from its borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) *Interest rate profile*

The following table details the interest rate profile of the Group's interest-bearing financial liabilities at the balance sheet date.

	2008		2009		30 June 2010	
	Effective interest rate	HKD'000	Effective interest rate	HKD'000	Effective interest rate	HKD'000
	%		%		%	
Fixed rate						
 borrowings:						
Finance lease liabilities	9.573-9.675	2,920	—	—	—	—
Bank loans		—		—	5.310-5.469	22,926
Variable rate						
 borrowings:						
Bank loans	5.346-7.623	<u>26,477</u>	5.310	<u>23,850</u>	5.576	<u>5,732</u>
Interest-bearing financial liabilities		<u>29,397</u>		<u>23,850</u>		<u>28,658</u>

(ii) *Sensitivity analysis*

At 30 June 2010, it is estimated that a general increase of 50 basis points in interest rates, with all other variables held constant, would have decreased the Group's profit after tax and retained profits by approximately HKD25,000 (2007: nil; 2008: HKD132,000; 2009: HKD104,000). Other components of equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2008 and 2009.

(d) **Currency risk**

Individual companies within the Group has limited foreign currency risk as most of the transactions are denominated in the same currency as the functional currency of the operations in which they relate. However, as the principal subsidiaries, KEE Guangdong, KEE Zhejiang, KEE Suzhou and UNA, mainly carried out transactions in RMB, therefore any appreciation or depreciation of HKD against RMB will affect the Group's financial position and be reflected in the exchange reserve.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as investments in listed equity securities (see note 15). All of these investments are listed.

The Group's listed investments are listed on the PRC A share stock market. Decisions to buy or sell listed equity securities are based on daily monitoring of the performance of individual securities compared to that of the A share stock market index and other industry indicators, as well as the Group's liquidity needs. The portfolio is diversified in terms of industry distribution, in accordance with the limits set by the Group.

At 31 December 2007 and 2008, it is estimated that an increase / (decrease) of 10% in the relevant stock market index (for listed investments), with all other variables held constant, would have increased / (decreased) the Group's profit after tax (and retained profits) as follows:

		2007	2008
		HKD'000	HKD'000
Change in the relevant equity price risk variable:			
Increase	10%	1,980	858
Decrease	(10%)	(1,980)	(858)

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the balance sheet date. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables and that all other variables remain constant.

(f) Fair values

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured 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 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

<u>2007</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	HKD'000	HKD'000	HKD'000	HKD'000
Investments in listed equity securities	<u>19,797</u>	<u>—</u>	<u>—</u>	<u>19,797</u>
<u>2008</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	HKD'000	HKD'000	HKD'000	HKD'000
Investments in listed equity securities	<u>8,996</u>	<u>—</u>	<u>—</u>	<u>8,996</u>

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values.

(g) Estimation of fair value

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) *Securities*

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

(ii) *Interest-bearing loans and borrowings and finance lease liabilities*

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(iii) *Interest rates used for determining fair value*

The Group uses the effective interest rate to discount financial instruments. The interest rates used are as follows:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Bank loans	—	5.346% 7.623%	5.310%	5.310% 5.576%
Leases	—	9.573% 9.675%	—	—

28 Commitments

(a) Capital commitments outstanding at 31 December 2007, 2008 and 2009 and 30 June 2010 not provided for in the Financial Information were as follows:

	At 31 December			At 30 June
	2007	2008	2009	2010
	HKD'000	HKD'000	HKD'000	HKD'000
Contracted for	6,271	1,017	3,739	3,509
Authorised but not contracted for.	5,865	—	—	292
	<u>12,136</u>	<u>1,017</u>	<u>3,739</u>	<u>3,801</u>

(b) At the balance sheet date, the total future minimum leases payments under non-cancellable operating leases are payable as follows:

	At 31 December			At 30 June
	2007	2008	2009	2010
	HKD'000	HKD'000	HKD'000	HKD'000
Within 1 year	565	3,784	539	539
After 1 year but within 5 years	518	—	494	225
	<u>1,083</u>	<u>3,784</u>	<u>1,033</u>	<u>764</u>

29 Material related party transactions

During the Track Record Period, the directors are of the view that related parties of the Group include the following individuals / companies:

Name of related party	Relationship with the Group
Xu Xipeng and Xu Xinan	Ultimate controlling parties and key management personnel
Nicco Worldwide Inc. ("Nicco")	Immediate holding company
Xu Xibin	Close family member of the key management personnel
Xu Lixiong	Close family member of the key management personnel
Jin He Ming	A company controlled by the key management personnel
UNA*	A company controlled by a close family member of the key management personnel
Foshan Nanhai Zhuyuan Hardware Store ("Zhuyuan")	A company controlled by a close family member of the key management personnel

* On 12 June 2010, UNA was acquired by the Group and became a wholly-owned subsidiary.

(a) Key management personnel compensation

Remuneration for key management personnel, including the amounts paid to the Group's directors as disclosed in note 6, is as follows:

	For the year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HKD'000	HKD'000	HKD'000	HKD'000 (unaudited)	HKD'000
Short-term employee benefits.	1,361	1,330	2,222	847	927
Contributions to defined contribution retirement plans	47	75	106	63	68
	<u>1,408</u>	<u>1,405</u>	<u>2,328</u>	<u>910</u>	<u>995</u>

Total remuneration is included in "staff costs" (Note 4(b)).

(b) Recurring transactions with other related parties

	For the year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HKD'000	HKD'000	HKD'000	HKD'000 (unaudited)	HKD'000
Rentals paid to					
- Ultimate controlling parties.	<u>1,134</u>	<u>3,168</u>	<u>3,268</u>	<u>1,571</u>	<u>1,778</u>

The directors have confirmed that the above transactions will continue in the future after the listing of the Company's shares on the HKSE.

The directors are of the opinion that the above transactions with related parties were conducted on normal commercial terms in the ordinary course of business.

(c) Non-recurring transactions with other related parties

	For the year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	HKD'000	HKD'000	HKD'000	HKD'000 (unaudited)	HKD'000
Merchandise purchased from					
- UNA	—	—	2,164	—	1,298
- Zhuyuan	724	2,003	993	563	607
	<u>724</u>	<u>2,003</u>	<u>3,157</u>	<u>563</u>	<u>1,905</u>

The directors are of the opinion that the above transactions with related parties were conducted on normal commercial terms in the ordinary course of business.

In 2009, the Group sold its available-for-sale unlisted equity security to Jin He Ming at a consideration equal to its carrying value at the disposal date (see note 12).

At 31 December 2008, the ultimate controlling parties used their interest in leasehold land and buildings at nil fee to secure the Group's bank loans of HKD15,138,000 (see note 22).

At 31 December 2009 and 30 June 2010, the ultimate controlling parties provided personal guarantee and their interest in leasehold land and buildings as collateral at nil fee to secure the Group's bank loans of HKD23,850,000 and HKD5,731,000, respectively (see note 22). They also provided personal guarantee and their interest in leasehold land and buildings as collateral at nil fee to secure un-utilised short-term bank facilities of HKD11,463,000 granted to the group as of 30 June 2010 (see note 22) .

In December 2009, amount of HKD9,000,000 due to the ultimate controlling parties was waived by the ultimate controlling parties.

In June 2010, the Group acquired UNA from Xu Lixiong and a third party individual at a consideration of RMB100,000 which approximated the fair value of UNA's identifiable net assets at the acquisition date.

The directors have confirmed that the above transactions will not continue in the future after the listing of the Company's shares on the HKSE.

(d) Balances with other related parties

At the balance sheet date, the Group had the following balances with related parties:

Amounts due from related parties

	At 31 December			At 30 June
	2007	2008	2009	2010
	HKD'000	HKD'000	HKD'000	HKD'000
- UNA	—	—	1,034	—
- Xu Xibin.....	—	—	—	1,160
	<u>—</u>	<u>—</u>	<u>1,034</u>	<u>1,160</u>

Amounts due to related parties

	At 31 December			At 30 June
	2007	2008	2009	2010
	HKD'000	HKD'000	HKD'000	HKD'000
- Ultimate controlling parties	53,984	47,367	11,051	14,280
- Zhuyuan	—	—	—	239
	<u>53,984</u>	<u>47,367</u>	<u>11,051</u>	<u>14,519</u>

The above balances are unsecured, interest free and have no fixed terms of repayment. The directors confirm that these balances will be fully recovered / settled before the Company gets listed.

30 Acquisition of a subsidiary and non-controlling interests**(a) Acquisition of a subsidiary**

Pursuant to an equity transfer agreement dated 24 May 2010, the Group acquired the 100% equity interest in UNA at a consideration of RMB100,000 on 12 June 2010, which approximated the fair value of UNA's identifiable net assets on the acquisition date. UNA is principally engaged in designing and trading of premium items in the PRC.

(b) Acquisition of non-controlling interests and capital contribution

On 11 June 2010, Nicco issued 978 shares of its own shares to the holder of the 15% equity interests of KEE Investment as consideration for the transfer of the 15% equity interest in KEE Investment to KEE Zippers. The Group recognised a decrease in non-controlling interests and an increase in capital reserve of HKD4,168,000.

31 Immediate and ultimate controlling parties

The directors consider the immediate controlling party as at 30 June 2010 to be Nicco, while the ultimate controlling parties of the Company as at 30 June 2010 to be Mr. Xu Xipeng and Mr. Xu Xinan.

32 Significant accounting estimates and judgements

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the Financial Information. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group 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 1. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the Financial Information.

(a) Impairment**(i) *Non-financial long-term assets***

If circumstances indicate that the net book value of property, plant and equipment and interest in leasehold land held for own use under operating lease may not be recoverable, these assets may be considered "impaired", and an impairment loss may be recognised in accordance with HKAS 36, Impairment of assets. The carrying amounts of these 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 net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's assets are not readily available. 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, selling price, material costs 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 sales volume, expected changes to selling prices and operating costs, and discount rate.

(ii) *Receivables*

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the debtors to make the required payments. The Group bases the estimates on the ageing of the trade and other receivables balance, credit-worthiness of the debtors and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

(b) Depreciation and amortisation

Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value, if any. 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 upgrading and improvement work performed, anticipated technological changes, and legal or similar limits on the use of assets. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

(c) Inventories

The Group determines the write-down for obsolescence of inventories. These estimates are based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of change in market condition.

33 Possible impact of amendments, new standards and interpretations issued but not yet effective for the Track Record Period

Up to the date of issue of this report, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the Track Record Period and which have not been adopted in this report.

Of these developments, the following relate to matters that may be relevant to the Group's operations and the Financial Information:

	Effective for accounting periods beginning on or after
Amendments to HKAS 24 Related Party Disclosures	1 January 2011
HKFRS 9. Financial Instruments	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application but is not yet in a position to state whether these amendments, new standards and interpretations would have a significant impact on the Group's results of operations and financial position.

D SUBSEQUENT EVENTS**1 Disposal of subsidiaries**

Pursuant to an equity transfer agreement dated 22 September 2010, the Group disposed of the 100% equity interest in KEE Investment, which holds the 100% equity interest of KEE Suzhou, to Nicco, at a consideration of HKD13,872,000. The consideration approximated the fair value of KEE Investment and KEE Suzhou's identifiable net assets on the date of disposal.

2 Corporate reorganisation

On 25 November 2010, the Group completed the Reorganisation to rationalise the Group's structure in preparation for the listing of the Company's shares on the HKSE. Further details of the Reorganisation are set out in the section headed "Reorganisation" in Appendix V to the Prospectus and Section A above. As a result of the Reorganisation, the Company became the holding company of the Group.

E SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 30 June 2010.

Yours faithfully,

KPMG

Certified Public Accountants

Hong Kong

The information set forth in this appendix does not form part of the Accountants' Report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set forth below to provide the prospective investors with further information about how the financial information of our Group might be affected by the completion of the Share Offer as if the Share Offer had been completed on 30 June 2010.

The unaudited pro forma financial information has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of our Group's financial condition on the completion of the Share Offer.

(A) UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of the Group is based on the net assets attributable to equity shareholder of the Company at 30 June 2010, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus and adjusted as follows:

	Consolidated net tangible assets attributable to equity shareholder of the Company as at 30 June 2010 <i>(Note 1)</i>	Estimated net proceeds from the Share Offer <i>(Note 2)</i>	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share <i>(Note 3)</i>
	HK\$'000	HK\$'000	HK\$'000	HK\$
Based on the Offer Price of HK\$1.33 per Share	111,652	112,089	223,741	0.56

Notes:

1. The consolidated net tangible assets attributable to equity shareholder of the Company as at 30 June 2010 is arrived from the Group's consolidated net assets of HK\$116,258,000 as at 30 June 2010 after deducting the intangible assets of HK\$4,606,000 as at 30 June 2010, both have been extracted from the Accountants' Report set out in Appendix I to this Prospectus.
2. The estimated net proceeds from the Share Offer are based on the Offer Price of HK\$1.33 per Offer Share, after deduction of the underwriting fees and other related expenses payable by the Group. The calculation of the estimated net proceeds from the Share Offer does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option, or any options granted under the Share Option Scheme.

3. The unaudited pro forma adjusted net tangible assets per Share is arrived at after adjustment for the estimated net proceeds from the Share Offer payable to the Company as described in note (2) and on the basis that a total of 400,000,000 Shares were in issue as at 30 June 2010 (including Shares in issue as at the date of this prospectus and those Shares to be issued pursuant to the Capitalisation Issue and Share Offer).

4. The Group's property interests as at 30 September 2010 have been valued by Asset Appraisal Limited, an independent property valuer. The details of such valuation are set out in Appendix III to this Prospectus. The Group will not incorporate the revaluation surplus of HKD5.7 million in the consolidated financial statements. It is the Group's accounting policy to state the land and buildings held for own use at cost less accumulated depreciation and any impairment loss in accordance with HKFRS, rather than at revalued amounts. With reference to the valuation of our property interests as set forth in Appendix III to this Prospectus, if such revaluation surplus was incorporated in the consolidated financial statements, an additional depreciation charge of approximately HKD0.1 million per annum would have been incurred.

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants of our Company, KPMG, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus, in respect of the unaudited pro forma financial information of our Group:



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

31 December 2010

The Directors
KEE Holdings Company Limited

Dear Sirs,

We report on the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of KEE Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as set out on page II-1 of Appendix II to the prospectus dated 31 December 2010 (the "Prospectus"), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the proposed offering of the Company's shares might have affected the financial information presented. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on page II-1 of Appendix II to the Prospectus.

RESPONSIBILITIES

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 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 ("HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) 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 work 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. The 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 Rule 4.29 (1) 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, it 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 any future date.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described under "Use of Proceeds" set out in the section headed "Future plans and proposed use of proceeds" in the Prospectus.

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 4.29(1) of the Listing Rules.

Yours faithfully,

KPMG

Certified Public Accountant

Hong Kong

The following is the text of a letter, summary of valuation and valuation certificate, prepared for the purpose of incorporation in this prospectus received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 30 September 2010 of the property interests held by our Group:



Asset Appraisal Limited

資產評值顧問有限公司

Rm 802 8/F On Hong Commercial Building
No. 145 Hennessy Road Wanchai HK
香港灣仔軒尼詩道145號
安康商業大廈8樓802室
Tel: (852) 2529 9448
Fax: (852) 3521 9591

31 December 2010

The Board of Directors

KEE Holdings Company Limited

Xiahengtian Industrial Zone

Shachong

Lishui Town

Foshan City

Guangdong Province

The PRC

Dear Sirs,

Re: Valuation of Property Interests situated in the People's Republic of China (the "PRC") and in Hong Kong

In accordance with the instructions from **KEE Holdings Company Limited** (the "Company") to value the property interests (the "Properties") held by the Company or its subsidiaries (altogether referred to as the "Group") situated in the PRC and in Hong Kong, we confirm that we have carried out inspections of the Properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at **30 September 2010** (the "date of valuation").

BASIS OF VALUATION

Our valuation of the Properties represents the market value which we would define 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".

TITLESHIP

We have been provided with copies of legal documents regarding the Properties. However, we have not verified ownership of the Properties and the existence of any encumbrances that would affect ownership of them.

We have also relied upon the legal opinion provided by the PRC legal advisers, namely Dacheng Law Offices (the “PRC Legal Opinion”), to the Company on the relevant laws and regulations in the PRC, on the nature of land use rights in the properties situated in the PRC.

All disclosure herein in relation to legal ownership of the Properties are for reference purpose only.

VALUATION METHODOLOGY

The Properties have been valued by the comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

The properties rented by the Group have no commercial value due either to the non-assignable nature of the leasehold interest held by the Group or the lack of substantial profit rent.

ASSUMPTIONS

Our valuation has been made on the assumption that the owners sell the Properties on the market in their existing states without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the Properties.

As the properties in Group I are held by the owners by means of long term Land Use Rights granted by the Government, we have assumed that the owner has free and uninterrupted rights to use the properties for the whole of the unexpired term of the respective land use rights.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on the Properties nor for any expenses or taxation which may be incurred in effecting a sale.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the Properties but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have inspected the exterior and, where possible, the interior of the buildings and structures of the Properties. However, no structural survey has been made for them. In the course of our inspection, we did not note any apparent defects. We are not, however, able to report whether the buildings and structures inspected by us are free of rot, infestation or any structural defect. No test was carried out on any of the building services and equipment.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the Properties, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1 January 2005.

Our opinions of market values of the Properties are denominated in Hong Kong Dollars (HK\$). An exchange rate of HK\$1 to RMB0.863 has been adopted for currency translation.

Our summary of valuation and valuation certificate are attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited
Tse Wai Leung
MFin BSc MRICS MHKIS RPS(GP)
Director

Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors, a Registered Professional Surveyor in General Practice and a qualified real estate appraiser in the PRC. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.

SUMMARY OF VALUATION

Property	Market value in existing state as at 30 September 2010
Group I — Property held by the Group	
1. An industrial complex situated at No. 116 Jin Jia Boulevard Wei Tang Zhen Jiashan County Zhejiang Province The PRC	HK\$40,400,000
Group II — Properties rented by the Group	
2. An industrial complex situated at Xiahengtian Industrial Zone Shachong Lishui Town Foshan City Guangdong Province The PRC	No commercial value
3. Unit No. 3, Block 79-80 Ai Qin Hai An Mingya Garden Huangqi Bei Cun Boulevard Nanhai District Foshan City Guangdong Province The PRC	No commercial value
4. Unit 06B19 Shanghaimart No. 2299 Yanan Xi Road Shanghai City The PRC	No commercial value
5. Suite Nos. 1A, 2A & 3A on 21st Floor Tower 2 China Hong Kong City No. 33 Canton Road Tsimshatsui Kowloon Hong Kong	No commercial value
Total:	<u><u>HK\$40,400,000</u></u>

VALUATION CERTIFICATE

Group I — Property held by the Group

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
1. An industrial complex situated at No. 116 Jin Jia Boulevard Wei Tang Zhen Jiashan County Zhejiang Province The PRC Lot No. 101-33-0-112	<p>The property comprises a parcel of industrial land with an area of 32,241.3 square metres.</p> <p>The subject land parcel has been developed with 7 single to 4-storey industrial buildings with a total gross floor area of 23,183.43 square metres. In addition, such ancillary structures as guard house and machine rooms with a total gross floor area of 617.49 square metres are erected within the land. All the subject buildings were completed in 2008.</p> <p>The land use rights of the property are held for a term expiring on 20 June 2056.</p>	The property is currently being occupied by the Group as workshop, ancillary office, showroom, dormitory and warehouse.	HK\$40,400,000

Notes:

- As revealed by the State-owned Land Use Rights Certificate (Ref Shan Guo Yong (2008) No. 101-5745) dated 30 December 2008 issued by the People's Government of Jiashan County, the land use rights of the subject land with an area of 32,241.3 square metres are held by KEE (Zhejiang) Garment Accessories Limited (開易(浙江)服裝配件有限公司, an indirect wholly-owned subsidiary of the Company, formerly known as KEE Zippers (Zhejiang) Co., Limited (開易拉鍊(浙江)有限公司)) for a term expiring on 20 June 2056 for industrial use. As confirmed by the Company, the subject land parcel was acquired by the Group in 2005 at a consideration of RMB4,000,000 which has been settled in full.
- As revealed by the Building Ownership Rights Certificate (Ref No. Jia Shan Fang Quan Zhen Shan Zhi No. S0003739) issued by the Construction Bureau of Jiashan County, the single-storey industrial building of the property with a gross floor area of 3,711.67 square metres is held by KEE (Zhejiang) Garment Accessories Limited.
- As revealed by another Building Ownership Rights Certificate (Ref No. Jia Shan Fang Quan Zhen Shan Zhi No. S0003736) issued by the Construction Bureau of Jiashan County, the single-storey industrial building of the property with a gross floor area of 2,774.04 square metres is held by KEE (Zhejiang) Garment Accessories Limited.
- As revealed by another Building Ownership Rights Certificate (Ref No. Jia Shan Fang Quan Zhen Shan Zhi No. S0003737) issued by the Construction Bureau of Jiashan County, the single-storey industrial building of the property with a gross floor area of 2,774.04 square metres is held by KEE (Zhejiang) Garment Accessories Limited.
- As revealed by another Building Ownership Rights Certificate (Ref No. Jia Shan Fang Quan Zhen Shan Zhi No. S0003738) issued by the Construction Bureau of Jiashan County, the single-storey industrial building of the property with a gross floor area of 2,774.04 square metres is held by KEE (Zhejiang) Garment Accessories Limited.
- As revealed by another Building Ownership Rights Certificate (Ref No. Jia Shan Fang Quan Zhen Shan Zhi No. S0003740) issued by the Construction Bureau of Jiashan County, the 3-storey industrial building of the property with a gross floor area of 3,478.07 square metres is held by KEE (Zhejiang) Garment Accessories Limited.

7. As revealed by another Building Ownership Rights Certificate (Ref No. Jia Shan Fang Quan Zhen Shan Zhi No. S0003741) issued by the Construction Bureau of Jiashan County, the single-storey industrial building of the property with a gross floor area of 1,855.72 square metres is held by KEE (Zhejiang) Garment Accessories Limited.
8. As revealed by another Building Ownership Rights Certificate (Ref No. Jia Shan Fang Quan Zhen Shan Zhi No. S0003078) issued by the Construction Bureau of Jiashan County, the 4-storey industrial building of the property with a gross floor area of 5,815.85 square metres is held by KEE (Zhejiang) Garment Accessories Limited.
9. As confirmed by the Company, the Group has expended a total construction cost of approximately RMB29,000,000 on the property.
10. Pursuant to the Limited Sum Mortgage Agreement entered into between China Construction Bank Corporation Jiashan Branch and KEE (Zhejiang) Garment Accessories Limited (formerly known as KEE Zippers (Zhejiang) Co., Limited), the property has been pledged for a loan of RMB24,000,000 as at the valuation date.
11. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the followings:
 - 11.1 Pursuant to a land use right agreement (Ref No. 2005-009) entered into between Zhejiang Jiashan Economic Development Zone Administration Committee (浙江省嘉善經濟開發區管理委員會, Party A) and KEE International Investment Co., Ltd. (開易國際投資有限公司, Party B) on 30 May 2005, Party A agreed to grant the subject land parcel to Party B for the establishment of KEE (Zhejiang) Garment Accessories Limited;
 - 11.2 Before execution of the above land use right agreement, Party A has shown to Party B with relevant documents by which Party A was authorized by the Government for handling investment project invitation and land granting matters within the development zone;
 - 11.3 the subject land parcel is in the nature of industrial land with a land use right term of 50 years (commencing from the issue date of the land use right certificate);
 - 11.4 as mentioned in the land use right agreement, the land grant premium is RMB4,000,000 and all Government levies in associate with the land grant were borne by Party A. As evidenced by two payment receipts issued by Party A, the aforesaid land grant premium has been settled in full;
 - 11.5 Party A committed to undertake all planning approval applications, site clearance works and all relevant procedures for the issue of land use right certificate for the subject land parcel;
 - 11.6 A Land Use Right Granting Contract was entered into between the Land Resources Administration Bureau of Jiashan County and KEE (Zhejiang) Garment Accessories Limited on 21 June 2006 by which the land use rights of the subject land parcel were granted to KEE (Zhejiang) Garment Accessories Limited at a land premium of RMB4,932,919. Upon receiving full payment of land premium and application of land registration from KEE (Zhejiang) Garment Accessories Limited, the Land Resources Administration Bureau of Jiashan County is required to issue the Land Use Right Certificate within a period of 30 days. As confirmed by Zhejiang Jiashan Economic Development Zone Administration Committee via an instrument dated 7 July 2010, the aforesaid land premium has been partially settled by KEE (Zhejiang) Garment Accessories Limited via the payment mentioned in note 10.4 above whilst the remaining sum of RMB932,919 has been borne by Zhejiang Jiashan Economic Development Zone Administration Committee;
 - 11.7 Subsequently, a Land Use Rights Certificate was issued by the municipal Government of Jiashan to KEE (Zhejiang) Garment Accessories Limited on 22 June 2006 which certifies that the subject land parcel namely Lot No. 101-22-0-112 with an area of 32,241.3 square metres has been granted for a land use right term expiring on 20 June 2056 for industrial uses;
 - 11.8 On 30 December 2008, the aforesaid Land Use Rights Certificate was replaced by another one (Ref. Shan Guo Yong (2008) No. 101-5745);
 - 11.9 The 7 subject buildings with a total gross floor area of 23,183.43 square metres were built and owned by KEE (Zhejiang) Garment Accessories Limited;
 - 11.10 The subject land parcel with an area of 32,241.3 square metres and the 7 subject buildings have been pledged to China Construction Bank Corporation Jiashan Branch. Besides the land charge, the property is not subject to any material liabilities, restriction, seizure order, lawsuit or litigation; and
 - 11.11 KEE (Zhejiang) Garment Accessories Limited has completed all relevant land grant procedures for obtaining the land use rights in the property and does not violate any law and regulation in the possession of the property.

Group II — Properties rented by the Group

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
2. An industrial complex situated at Xiahengtian Industrial Zone Shachong Lishui Town Foshan City Guangdong Province The PRC	<p>The property comprises two contiguous parcels of industrial land with a total area of 26,976.6 square metres.</p> <p>The subject land parcels have been developed with 8 major industrial/dormitory/ancillary office buildings of 1 to 5-storey high. They have a total gross floor area of 17,705.22 square metres and were completed in between 1999 and 2001.</p> <p>The property is rented by the Group for a term of 3 years expiring on 31 December 2012 at a total monthly rent of RMB260,000 inclusive of property tax. The tenant has options to renew the tenancy for multiple terms with the last term expiring on 31 December 2024.</p>	The property is currently being occupied by the Group as workshop, ancillary office, showroom, warehouse and dormitory.	No commercial value

Notes:

- As revealed by the State-owned Land Use Rights Certificate (Ref Nan Guo Yong (97) No. Te050063) dated 28 November 1997 issued by the Land Administration Bureau of Nanhai City, the land use rights of one of the two subject land parcels (namely Lot No. 05191795) with an area of 16,420.80 square metres are held by Xu Xi Peng (許錫鵬) for a term expiring on 19 August 2043 for industrial use.
- As revealed by the State-owned Land Use Rights Certificate (Ref Nan Guo Yong (97) No. Te050064) dated 28 November 1997 issued by the Land Administration Bureau of Nanhai City, the land use rights of the remaining land parcel (namely Lot No. 05191794) with an area of 10,555.80 square metres are held by Xu Xi Nan (許錫南) for a term expiring on 19 August 2043 for industrial use.
- As revealed by the Building Ownership Rights Certificate (Ref No. Yue Fang Zhi No. 0019149) and the Building Co-ownership Rights Certificate (Ref No. Yue Fang Gong Zheng Zhi No. 0785908), the 5-storey building of the property with a gross floor area of 3,914.40 square metres is jointly held by Xu Xi Peng and Xu Xi Nan.
- As revealed by the Building Ownership Rights Certificate (Ref No. Yue Fang Zhi No. 0019148) and the Building Co-ownership Rights Certificate (Ref No. Yue Fang Gong Zheng Zhi No. 0785907), the single-storey building of the property with a gross floor area of 2,028 square metres is jointly held by Xu Xi Peng and Xu Xi Nan.
- As revealed by the Building Ownership Rights Certificate (Ref No. Yue Fang Zhi No. 0019147) and the Building Co-ownership Rights Certificate (Ref No. Yue Fang Gong Zheng Zhi No. 0785906), the single-storey building of the property with a gross floor area of 2,028 square metres is jointly held by Xu Xi Peng and Xu Xi Nan.
- As revealed by the Building Ownership Rights Certificate (Ref No. Yue Fang Zhi No. 0019146) and the Building Co-ownership Rights Certificate (Ref No. Yue Fang Gong Zheng Zhi No. 0785905), the single-storey building of the property with a gross floor area of 2,028 square metres is jointly held by Xu Xi Peng and Xu Xi Nan.

7. As revealed by the Building and Land Ownership Rights Certificate (Ref No. Yue Fang Di Zheng Zhi No. C0493040) and the Building and Land Co-ownership Rights Certificate (Ref No. Yue Fang Di Gong Zheng Zhi No. C0019537), the single-storey building of the property with a gross floor area of 534.80 square metres is jointly held by Xu Xi Peng and Xu Xi Nan.
8. As revealed by the Building and Land Ownership Rights Certificate (Ref No. Yue Fang Di Zheng Zhi No. C0493039) and the Building and Land Co-ownership Rights Certificate (Ref No. Yue Fang Di Gong Zheng Zhi No. C0019536), the 2-storey building of the property with a gross floor area of 930.80 square metres is jointly held by Xu Xi Peng and Xu Xi Nan.
9. As revealed by the Building and Land Ownership Rights Certificate (Ref No. Yue Fang Di Zheng Fo Zhi No. 0200125534), the single-storey building of the property with a gross floor area of 1,463.97 square metres is held by Xu Xi Peng.
10. As revealed by the Building and Land Ownership Rights Certificate (Ref No. Yue Fang Di Zheng Fo Zhi No. 0200125538), the single-storey building of the property with a gross floor area of 4,777.25 square metres is held by Xu Xi Peng.
11. Pursuant to a tenancy agreement entered into between Xu Xi Peng and Xu Xi Nan (as landlord) and KEE (Guangdong) Garment Accessories Limited (開易(廣東)服裝配件有限公司), an indirectly wholly-owned subsidiary of the Company, formally known as KEE (Foshan) Co., Ltd. 凱銳(佛山)服裝配件有限公司, and two supplemental tenancy agreements entered into between Xu Xi Peng (as landlord) and KEE (Guangdong) Garment Accessories Limited (as tenant) the property is rented by the Group for a term of 3 years expiring on 31 December 2012 at a monthly rent of RMB260,000 inclusive of property tax. The tenant has options to renew the tenancy for multiple terms with the last term expiring on 31 December 2024.
12. Pursuant to the Financial Guarantee Agreement and the Limited Sum Mortgage Agreement both dated 16 July 2010, the property was pledged by the landlord to China Merchants Bank Co., Ltd. Foshan Branch as security for a revolving loan of RMB40,000,000 (of which a sum of RMB15,890,000 was drawn down) advanced to the Group. As confirmed by the Company, subsequent to the valuation date, the loan amount has been paid off, the revolving loan has been withdrawn and the property was free from any mortgage.
13. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the followings:
 - 13.1 The existing use of the property by the tenant does not violate any PRC law and regulations;
 - 13.2 the tenancy agreement of the property is legal and valid and is legally binding to and enforceable by both parties; and
 - 13.3 KEE (Guangdong) Garment Accessories Limited has the rights to use the property.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
3. Unit No. 3 Block 79-80 Ai Qin Hai An Mingya Garden Huangqi Bei Cun Boulevard Nanhai District Foshan City Guangdong Province The PRC	<p>The property comprises a commercial unit on Level 1 within a 12-storey residential building completed in 2002.</p> <p>The property has a gross floor area of 50.23 square metres.</p> <p>The property is rented by the Group for a term commencing on 1 May 2010 and expiring on 30 April 2011 at a monthly rent of RMB652.99 exclusive of management fee.</p>	The property is currently occupied by the Group as an office.	No commercial value

Notes:

1. The property is rented by the Group pursuant to a tenancy agreement dated 26 April 2010 entered into between Foshan City Nanhai Wan Bang Enterprise Investment Co., Ltd. (佛山市南海萬幫實業投資有限公司) as landlord and Foshan City UNA Garment Accessories Co., Limited (佛山市優納服裝配件有限公司, an indirect wholly-owned subsidiary of the Company) as tenant.
2. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the followings:
 - 2.1 Foshan City Nanhai Wan Bang Enterprise Investment Co., Ltd. (佛山市南海萬幫實業投資有限公司) is the developer of the property and has obtained a Building and Land Ownership Rights Certificate (Ref No. C3920143) of the property;
 - 2.2 The tenancy agreement is legal and valid;
 - 2.3 The landlord was issued the Receipt on Approving Property Leasing Registration from Dali Town Huangqi Jiayi Floating Population and Rental Housing Administration Station (which is authorized by local Construction Bureau to perform rental housing leasing registration duties at the subject locality); and
 - 2.4 Foshan City UNA Garment Accessories Co., Limited has completed all relevant registration and filing procedures and obtained all relevant permission, approval and consent from the Government for leasing the property.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
4. Unit 06B19 Shanghaimart No. 2299 Yan'an Xi Road Shanghai City The PRC	<p>The property comprises a commercial unit on Level 6 within a 30-storey commercial building completed in 1999.</p> <p>The property has a usable floor area of 61.08 square metres.</p> <p>The property is rented by the Group for a term commencing on 1 June 2010 and expiring on 3 December 2012 at a monthly rent of RMB7,059.83 exclusive of management fee. The monthly rental shall be increased to RMB7,245.62 commencing on 4 December 2010.</p>	The property is currently occupied by the Group as a showroom.	No commercial value

Notes:

1. The property is rented by the Group pursuant to a tenancy agreement entered into between Shanghaimart Company Limited (上海世界貿易商城有限公司) as landlord and KEE (Zhejiang) Garment Accessories Limited (開易(浙江)服裝配件有限公司, an indirect wholly-owned subsidiary of the Company, formally known as KEE Zippers (Zhejiang) Co., Ltd.) as tenant.
2. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the followings:
 - 2.1 Pursuant to a Tenancy Agreement dated 1 December 2008 between Shanghaimart Company Limited as landlord and KEE (Zhejiang) Garment Accessories Limited as tenant, the tenant rented Unit 06B29 of the subject development from the landlord for a term commencing on 1 December 2008 and expiring on 3 December 2010;
 - 2.2 Subsequently, both parties to the Tenancy Agreement entered into an Agreement for Change on 10 June 2010 by which the subject matter of the aforesaid tenancy agreement was changed from Unit 06B29 to 06B19 of the same development. The lease term of the tenancy was extended from 3 December 2010 to 3 December 2012 with monthly rental change to RMB7,059.83 for the period up to 3 December 2010. Thereafter, the monthly rental is increased to RMB7,245.62; and
 - 2.3 Both the Tenancy Agreement dated 1 December 2008 and the Agreement for Change dated 10 June 2010 are legal and valid and the Agreement for Change forms an integral part of the Tenancy Agreement.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2010
5. Suite Nos. 1A, 2A & 3A on 21st Floor Tower 2 China Hong Kong City No. 33 Canton Road Tsimshatsui Kowloon Hong Kong	<p>The property comprises 3 contiguous office units on the top floor level of a 12-storey office tower surmounting a commercial/carpark/ferry terminal podium. The development was completed in about 1988.</p> <p>The total gross floor area of the property is approximately 1,667 square feet (154.87 square metres).</p> <p>The property is rented by the Group for a term of 2 years commencing on 23 November 2009 and expiring on 22 November 2011 at a monthly rent of HK\$35,840 exclusive of rates, Government rent, management fee, air-conditioning charge and other outgoings.</p>	The property is currently occupied by the Group as offices.	No commercial value

Notes:

1. The registered owner of the property is Wide Harvest Investment Limited via memorial no. UB5696520 dated 8 June 1993.
2. Pursuant to a tenancy agreement dated 30 October 2009, the property is rented by KEE Zippers Corporation Limited, an indirect wholly-owned subsidiary of the Company.
3. The property is falling within an area currently zoned "Commercial (9)" use under the Tsim Sha Tsui Outline Zoning Plan No. S/K1/25.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman Islands Companies Law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 6 July 2010 under the Cayman Islands Companies Law, the Memorandum and the Articles comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Cayman Islands Companies Law and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.
- (b) Our Company may by special resolution alter our Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 14 December 2010. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Cayman Islands Companies Law and the Memorandum and Articles and 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 our 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). Subject to the Cayman Islands Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of our Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may from time to time determine.

Subject to the provisions of the Cayman Islands Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (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 our 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 our 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 with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) ***Power to dispose of the assets of our Company or any subsidiary***

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Cayman Islands Companies Law to be exercised or done by our Company in general meeting.

(iii) ***Compensation or payments for loss of office***

Pursuant to the Articles, payments to any 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 entitled) must be approved by our 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.

(v) ***Disclosure of interests in contracts with our Company or any of its subsidiaries***

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and, subject to the Articles, 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 of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be

interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the Board may also cause the voting power conferred by the shares in any other company held or owned by our 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, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Cayman Islands Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, 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 our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the Board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of our Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his associate(s) has 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 contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our 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 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 our Company by virtue only of his/their interest in shares or debentures or other securities of our Company;
- (ee) any contract or arrangement 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 shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (ff) 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 associates and employees of our 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 accorded generally to the class of persons to which such scheme or fund relates.

(vi) ***Remuneration***

The ordinary remuneration of the Directors shall from time to time be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director holding office for part only 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 held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any Board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such 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 may be either in addition to or in lieu of his remuneration as a Director.

The Board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's monies to any 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 ex-Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex-employees of our Company and their dependents or any class or classes of such persons.

The Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the Board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) ***Retirement, appointment and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification.

A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to our Company at the registered office of our Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the Board (unless an alternate director appointed by him attends) 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;
- (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.

The Board may from time to time 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 our 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 delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the Board thinks fit, and it may from time to time 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, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) ***Borrowing powers***

The Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of our Company and, subject to the Cayman Islands Companies Law, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of our Company.

(ix) ***Proceedings of the Board***

The Board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think 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 an additional or casting vote.

(x) ***Register of Directors and Officers***

The Cayman Islands Companies Law and the Articles provide that our Company is required to maintain at our 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 thirty (30) days of any change in such directors or officers.

(b) **Alterations to constitutional documents**

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

(c) **Alteration of capital**

Our Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Cayman Islands Companies Law:

- (i) increase our capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of our capital into shares of larger amount than our existing shares;
- (iii) divide our shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as the directors may determine;
- (iv) sub-divide our shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Cayman Islands Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our Company has power to attach to unissued or new shares; or

- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of our capital by the amount of the shares so cancelled.

Our Company may subject to the provisions of the Cayman Islands Companies Law reduce our share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Cayman Islands Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue 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 will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The 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) Special resolution-majority required

Pursuant to the Articles, a special resolution of our 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, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), 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 ninety-five per cent. (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 notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member who is 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 fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our 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 pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)).

Where our Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of our Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the Board.

(H) Accounts and audit

The Board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Cayman Islands Companies Law or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office 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 accounting record or book or document of our Company except as conferred by law or authorised by the Board or our Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), our Company may send to such persons summarised financial statements derived from our Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by our Company in general meeting or in such manner as the members may determine.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) 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 shall (save as set out in subparagraph (e) above be called by at least twenty-one (21) clear days' notice in writing, and any other extraordinary general meeting shall be called by at least fourteen (14) clear days' notice (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given.) The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of our Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to the auditors for the time being of our Company.

Notwithstanding that a meeting of our Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall 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 our 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 ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that 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 and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of our Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of our Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the Board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time. The instrument of transfer shall be executed 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 transferee in any case in which it thinks fit, in its discretion, 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 in respect thereof. The Board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The Board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon 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 transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Cayman Islands Companies Law.

The Board may, in its absolute discretion, and without assigning any reason, refuse 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 incentive scheme for employees 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 our Company has a lien.

The Board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to our Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept 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 relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the Board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for our Company to purchase its own shares

Our Company is empowered by the Cayman Islands 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 our Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of our Company to own shares in our Company

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

(m) Financial assistance

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Cayman Islands Companies Law does not prohibit our Company to give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in our Company.

(n) Dividends and other methods of distribution

Subject to the Cayman Islands Companies Law, our 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.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Cayman Islands Companies Law.

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 but 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 according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, the Board may further resolve either (a) 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 shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders 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. Our Company may also upon the recommendation of the Board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest 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, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our 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 our 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.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

(o) Proxies

Any member of our Company entitled to attend and vote at a meeting of our 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 our Company or at a class meeting. A proxy needs not be a member of our 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. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(p) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the Board may from time to time make such calls 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). A call may be made payable either in one lump sum or by installments. 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 twenty per cent. (20%) per annum as the Board may agree to accept 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 monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as the Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the Board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating 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, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our 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 the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the Board determines.

(q) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the Board, at the registered office or such other place at which the register is kept in accordance with the Cayman Islands Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the Board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(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, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles 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.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of our Company or at any relevant general meeting of any class of members of our Company.

(s) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(t) Procedures on liquidation

A resolution that our 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 our Company shall be wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, 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 our 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, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Cayman Islands Companies Law divide among the members in specie or kind the whole or any part of the assets of our 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. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(u) Untraceable members

Pursuant to the Articles, our Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (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 year period, our Company has not during that time received any indication of the existence of the member; and (iii) our Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to our Company and upon receipt by our Company of such net proceeds, it shall become indebted to the former member of our Company for an amount equal to such net proceeds.

(v) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Cayman Islands Companies Law, if warrants to subscribe for shares have been issued by our Company and our 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 a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands subject to the Cayman Islands Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and to pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Cayman Islands Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the 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 arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Islands Companies Law provides that the share premium account may be applied by our Company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of our Company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Islands Companies Law); (d) writing-off the preliminary expenses of our Company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of our Company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of our Company.

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, our Company will be able to pay its debts as they fall due in the ordinary course business.

The Cayman Islands Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), 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, by special resolution reduce its share capital in any way.

The Articles includes 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

Subject to all applicable laws, our Company may give financial assistance to Directors and employees of our Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in our Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, our Company may give financial assistance to a trustee for the acquisition of Shares in our Company or shares in any such subsidiary or holding company to be held for the benefit of employees of our Company, its subsidiaries, any holding company of our Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of our Company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of our Company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Cayman Islands Companies Law, 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 our Company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of our Company. At no time may a company redeem or purchase its shares unless they are fully paid. 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 our Company holding shares. 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, our Company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association 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 Cayman Islands Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Cayman Islands Companies Law permits, subject to a solvency test and the provisions, if any, of our Company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of our Company to challenge (a) an act which is ultra vires our Company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of our Company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of our Company in issue, appoint an inspector to examine into the affairs of our Company and to report thereon in such manner as the Court shall direct.

Any shareholder 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 our Company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of our Company's affairs in the future, (b) an order requiring our Company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorizing civil proceedings to be brought in the name and on behalf of our Company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of our Company by other shareholders or by our Company itself and, in the case of a purchase by our Company itself, a reduction of our Company's capital accordingly.

Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by our Company's memorandum and articles of association.

(g) Management

The Cayman Islands Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, 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 interests of our Company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by our Company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by our Company; and (iii) the assets and liabilities of our Company.

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 our Company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from 7 December 2010.

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 our Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Cayman Islands Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of our Company will have no general right under the Cayman Islands Companies Law to inspect or obtain copies of the register of members or corporate records of our Company. They will, however, have such rights as may be set out in our Company's Articles.

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 without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Cayman Islands Companies Law for an exempted company to make any returns of members to the Registrar of Companies of 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.

(n) Winding up

A company may be wound up compulsorily by order of the Court; voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when 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 our Company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that our Company is to be dissolved, or, our Company does not commence business for a year from its incorporation (or suspends its business for a year), or our Company is unable to pay its debts. 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.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby 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 our Company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, our Company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of our Company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for our Company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of our Company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge our Company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of our 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 our Company has been disposed of, and thereupon call a general meeting of our Company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorized by our Company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of the management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder 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 shareholders.

(q) 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, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Harney Westwood & Riegels, our Company's special legal counsel on Cayman Islands law, has sent to our Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Cayman Islands Companies Law, are available for inspection as referred to in the section headed "Documents available for inspection" in Appendix VI to this prospectus. 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 with is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation**

We were incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company on 6 July 2010. We have established a principal place of business in Hong Kong at Room 2101A, Tower 2, China Hong Kong City, 33 Canton Road, Tsimshatsui, Kowloon, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part XI of the Companies Ordinance on 30 September 2010. Mr. Xu Xipeng, an executive Director and Ms. Li Yan Wing, Rita, a joint company secretary, have been appointed as the authorised representatives of our Company for the acceptance of service of process in Hong Kong. As we were incorporated in the Cayman Islands, we operate subject to the Cayman Islands laws and to the Memorandum and the Articles. A summary of certain parts of the Memorandum and the Articles and relevant aspects of the Cayman Islands Companies Law is set forth in Appendix IV to this prospectus.

2. Changes in share capital

- (a) Our authorised share capital as at the date of the incorporation was HK\$390,000 divided into 390,000 shares of a par value of HK\$1.00 each. On 6 July 2010, one subscriber share with a par value of HK\$1.00 was allotted and issued, credited as fully paid, to Harneys Services (Cayman) Limited and such Share was transferred to Nicco on the same date.
- (b) On 25 November 2010, in consideration of the acquisition by us of the entire issued share capital of KEE International BVI, we allotted and issued one share with a par value of HK\$1.00 to Nicco credited as fully paid.
- (c) On 14 December 2010, the sole shareholder of our Company resolved to sub-divide each issued and unissued share of a nominal or par value of HK\$1.00 in the share capital of the Company into a nominal or par value of HK\$0.01 each.
- (d) On 14 December 2010, the sole shareholder of our Company resolved to increase our authorised share capital from HK\$390,000 to HK\$20,000,000 by the creation of an additional 1,961,000,000 Shares.
- (e) Assuming that the Share Offer becomes unconditional and the Share Offer and the Capitalisation Issue are duly completed, our authorised share capital will be HK\$20,000,000 divided into 2,000,000,000 Shares and the issued share capital (taking no account of any Shares that may be issued under the Over-allotment Option and the Share Option Scheme) of our Company will be HK\$4,000,000 divided into 400,000,000 Shares, all fully paid or credited as fully paid. Apart from the issue of Shares under the Over-allotment Option and the Share Option Scheme, there is no present intention to issue any part of our authorised but unissued share capital and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as aforesaid and as mentioned in the section headed “Further information about our Group — Written resolutions of the sole shareholder” in this Appendix, there has been no alteration in our share capital since its incorporation.

3. Written resolutions of the sole shareholder

Pursuant to the written resolutions of the sole shareholder of our Company dated 14 December 2010:

- (a) our Company approved and adopted the existing Memorandum and Articles;
- (b) each issued and unissued share of par value of HK\$1.00 each in the share capital of our Company was sub-divided into 100 shares of par value of HK\$0.01 each. As a result of the share sub-division, the authorised share capital of our Company became HK\$390,000 divided into 39,000,000 shares of par value of HK\$0.01 each;
- (c) the authorised share capital of our Company was increased from HK\$390,000 to HK\$20,000,000 by the creation of an additional 1,961,000,000 Shares to rank *pari passu* with the existing Shares in all respects;
- (d) conditional on the same conditions as stated in the section headed “Structure and conditions of the Share Offer”:
 - (i) the Share Offer was approved and the Directors were authorised to allot and issue the Offer Shares;
 - (ii) the rules of the Share Option Scheme were approved and adopted and the Directors were authorised to grant options to subscribe for Shares thereunder and to allot and issue Shares pursuant thereto and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme; and
 - (iii) subject to the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to the Share Offer, the Directors were authorised to allot and issue a total of 299,999,800 Shares credited as fully paid at par to the holders of the Shares on the register of members of our Company (as they may direct) at the close of business on 14 December 2010 (as they may direct) in proportion to their respective shareholdings (save that no shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$2,999,998 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares;
- (e) a general unconditional mandate was given to the Directors to exercise all the powers of our Company to allot, issue and deal with (otherwise than by way of rights issues, scrip dividend

or an issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of the options which may be granted under the Share Option Scheme or other similar arrangements) Shares with an aggregate nominal value not exceeding the sum of:

- (i) 20% of the aggregate nominal value of the share capital of our Company in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme); and
- (ii) the aggregate nominal amount of Shares repurchased under the authority granted to the Directors as referred to in paragraph (f) below,

until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the revocation, variation or renewal by an ordinary resolution of the Shareholders in a general meeting, whichever is the earliest; and

- (f) a general unconditional mandate was given to the Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the revocation, variation or renewal by an ordinary resolution of the Shareholders in a general meeting, whichever is the earliest.

4. Reorganisation

We and our subsidiaries underwent a reorganisation in preparation for the listing of the Shares on the Stock Exchange. Following the reorganisation, our Company became the holding company. The reorganisation involved the following:

Incorporation and reorganisation of our Company

- (a) We were incorporated on 6 July 2010 in the Cayman Islands as an exempted company with limited liability.
- (b) On 6 July 2010, one subscriber share with a par value of HK\$1.00 which was allotted and issued as fully paid was transferred to Nicco.

Incorporation and reorganisation of KEE International BVI

- (a) On 13 August 2010, KEE International BVI was incorporated in the BVI with limited liability with an authorised capital of US\$50,000 divided into 50,000 shares each with a par value of US\$1.00.
- (b) On 18 August 2010, one share of KEE International BVI was allotted and issued at par to Nicco.
- (c) On 25 November 2010, our Company acquired the entire issued share capital of KEE International BVI. In exchange, our Company allotted and issued one share with a par value of HK\$1.00 to Nicco credited as fully paid.

Reorganisation of KEE Zippers

On 23 November 2010, KEE International BVI acquired the entire issued share capital of KEE Zippers. In exchange, KEE International BVI allotted and issued one share with par value of US\$1.00 to Nicco credited as fully paid.

Disposal of KEE Investment (including KEE Suzhou)

- (a) On 11 June 2010, Mr. Guo Zhenyi sold his 1,500 shares in KEE Investment, representing 15% of the entire issued share capital of KEE Investment to KEE Zippers (then holding 85% of the entire issued share capital of KEE Investment) in exchange for the issuance and allotment of 978 shares by Nicco to Mr. Guo Zhenyi, all credited as fully paid whereby KEE Investment became a wholly-owned subsidiary of KEE Zippers.
- (b) On 22 September 2010, KEE Zippers sold the entire issued share capital of KEE Investment to Nicco in consideration of HK\$13,871,833. Since then and as a result of that, KEE Investment and KEE Suzhou ceased to be members of our Group.

Reason and benefits of the above disposal are as follows:

KEE Investment had always acted as a passive investment holding company. Since May 2008, KEE Suzhou, a wholly-owned subsidiary of KEE Investment, stopped its production and sales and thereby became inactive in its operation. To prepare our Group for the Listing, our executive Directors considered that the disposal of KEE Investment and KEE Suzhou would simplify our administration and hence would save our costs and efforts.

Reorganisation of KEE Zhejiang

On 18 August 2010, KEE Zippers acquired the entire issued share capital of KEE Zhejiang at the price of HK\$64,571,180 from KEE Investment (formerly a direct wholly-owned subsidiary of KEE Zippers).

Reorganisation of KEE Guangdong

- (a) On 24 May 2010, KEE Guangdong entered into an agreement to acquire the entire equity interests in UNA from Mr. Xu Lixiong and Mr. Liu Jingchong in consideration of RMB100,000.
- (b) On 12 June 2010, Foshan authority of the State Administration for Industry and Commerce registered the purchase referred to in paragraph (a) above.

5. Changes in share capital of subsidiaries of our Company

The following alterations in the share capital of the subsidiaries of our Company have taken place within the two years preceding the date of this prospectus:

KEE International BVI

- (a) On 18 August 2010, one share of US\$1.00 in KEE International BVI was issued and allotted to Nicco at par value.
- (b) On 25 November 2010, our Company acquired the entire issued share capital of KEE International BVI, in exchange, we allotted and issued one share with a par value of HK\$1.00 to Nicco credited as fully paid.

KEE Zippers

On 23 November 2010, KEE International BVI acquired the entire issued share capital of KEE Zippers, in exchange, KEE International BVI allotted and issued one share of US\$1.00 to Nicco credited as fully paid.

KEE Zhejiang

On 18 August 2010, KEE Zippers acquired the entire issued share capital of KEE Zhejiang at the price of HK\$64,571,180 from KEE Investment (formerly a direct wholly-owned subsidiary of KEE Zippers).

UNA

UNA was incorporated on 10 June 2009 by Mr. Xu Lixiong and Mr. Liu Jingchong. Its registered capital is RMB100,000. On 12 June 2010, KEE Guangdong acquired the entire equity interests in UNA at the price of RMB100,000.

Save as aforesaid and in paragraph 4 of this Appendix, there has been no other alteration in the share capital of the subsidiaries of our Company in the two years preceding the date of this prospectus.

6. Repurchase of our Company's own securities

This section includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our Company's own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a particular transaction.

(Note: Pursuant to the written resolutions of the sole shareholder of our Company passed on 14 December 2010, a general unconditional mandate was given to the Directors authorising them to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue, until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the revocation, variation or renewal by an ordinary resolution of the Shareholders in a general meeting, whichever is the earliest.)

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a 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 repurchase

The Directors believe that it is in the best interests of our Company and the Shareholders for the Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when the Directors believe that such repurchases will benefit our Company and the Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of our Company and our assets and/or our earnings per Share.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with our Articles and the applicable laws of the Cayman Islands.

Our Company shall not purchase securities on the Stock Exchange for a consideration other than cash or for settlement otherwise in accordance with the trading rules of the Stock Exchange from time to time.

It is presently proposed that any repurchase of Shares would be made out of profits of our Company or out of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Islands Companies Law, out of capital and, in the case of any premium payable on such repurchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Cayman Islands Companies Law, out of capital.

There might be material adverse impact on the working capital or gearing position of our Company in the event that the Repurchase Mandate is exercised in full. However, 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 of our Company or our gearing levels which, in the opinion of the Directors, are from time to time appropriate for our Company.

(d) Share capital

On the basis of 400,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue (taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme), the Directors would be authorised under a general mandate given to the Directors pursuant to a written resolution of the sole shareholder of our Company passed on 14 December 2010 to repurchase up to 40,000,000 Shares during the period prior to:

- (i) the conclusion of the next general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or our Articles to be held; or
- (iii) the revocation, variation or renewal of the Repurchase Mandate by an ordinary resolution of the Shareholders in general meeting, whichever occurs first.

(e) General

None of the Directors or, to their best knowledge, having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company or our 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 and the applicable laws of the Cayman Islands.

No connected person has notified our Company that he or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of a securities repurchase pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Any repurchase of the Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue could only be implemented with the approval of the Stock Exchange to waive requirements of the Listing Rules regarding the minimum percentage of public shareholdings. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following material contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus:

- (a) a share transfer agreement dated 1 August 2009 between KEE Guangdong (as vendor) and 佛山市南海今和明投資有限公司 (Foshan City Nanhai Jin He Ming Investment Co., Limited) (as purchaser), whereby KEE Guangdong transferred its registered capital of RMB7,500,000 (being 15% of the registered share capital of) in 湖北動能體育用品有限公司 (Hubei LPV Sports Co., Ltd.) to 佛山市南海今和明投資有限公司 (Foshan City Nanhai Jin He Ming Investment Co., Limited) for a consideration of RMB7,500,000;
- (b) a sale and purchase agreement dated 24 May 2010 between KEE Guangdong (as purchaser) and Mr. Xu Lixiong and Mr. Liu Jingchong (as vendors) whereby KEE Guangdong paid Mr. Xu Lixiong and Mr. Liu Jingchong in the total sum of RMB100,000 in consideration for the acquisition of the entire equity interests in UNA;
- (c) a sale and purchase agreement dated 31 May 2010 between KEE Investment (as vendor) and KEE Zippers (as purchaser) in relation to the sale of the entire issued share capital of KEE Zhejiang to KEE Zippers in consideration of HK\$64,571,180;

- (d) a sale and purchase agreement dated 11 June 2010 between Mr. Guo Zhenyi (as vendor) and KEE Zippers (as purchaser) in relation to the sale of the 15% shares held by Mr. Guo Zhenyi in KEE Investment to KEE Zippers in exchange for allotment and issue of 978 shares by Nicco to Mr. Guo Zhenyi;
- (e) a sale and purchase agreement dated 22 September 2010 between KEE Zippers (as vendor) and Nicco (as purchaser) in relation to the sale of the entire issued share capital of KEE Investment to Nicco in consideration of HK\$13,871,833;
- (f) a share swap agreement dated 23 November 2010 between Nicco (as vendor) and KEE International BVI (as purchaser) in relation to the transfer of the entire equity interests in KEE Zippers to KEE International BVI in exchange for the allotment and issue of one share by KEE International BVI to Nicco, credited as fully paid;
- (g) a share swap agreement dated 25 November 2010 between Nicco (as vendor) and our Company (as purchaser) in relation to the transfer of the entire issued share capital of KEE International BVI to our Company in exchange for the allotment and issue of one share with a par value of HK\$1.00 by our Company to Nicco, credited as fully paid;
- (h) a deed of indemnity dated 30 December 2010 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries stated therein) containing the indemnities in respect of certain estate duty, tax and other liabilities as referred to in the section headed “Other information — Estate duty, tax and other indemnities” in this Appendix;
- (i) a deed of non-competition dated 30 December 2010 executed by Nicco, Mr. Xu Xipeng and Mr. Xu Xinan in favour of our Company (for itself and as trustee of the members of the Group from time to time), details of which are set out in the section headed “Relationship with the Controlling Shareholders — Non-competition undertakings”; and
- (j) the Public Offer Underwriting Agreement.

2. Intellectual property rights

(a) Patents

As at the Latest Practicable Date, our Group has registered the following patents in the PRC:

Patent	Patent No.	Application date	Expiry date	Proprietor	Type
Automatic locking slider	ZL200420044322.8	5 April 2004	5 April 2014	KEE Guangdong	Utility model
Slider	ZL200430037626.7	5 April 2004	5 April 2014	KEE Guangdong	Registered design
Zipper	ZL200530056266.X	12 April 2005	12 April 2015	KEE Guangdong	Registered design
拉鏈頭(極限) (Slider (Extreme))	ZL200530059854.9	24 May 2005	24 May 2015	KEE Guangdong	Registered design
Processing method and assembly of a long metal zipper and the surface of its teeth	ZL200510101059.0	14 November 2005	14 November 2025	KEE Guangdong	Invention
Anti-theft buckle for zippers	ZL200810028720.3	11 June 2008	11 June 2028	KEE Guangdong	Invention
Anti-theft buckle for zippers	ZL200820049033.5	11 June 2008	11 June 2018	KEE Guangdong	Utility model
萬向輪 (2) (Key-ring — “Wangxianglun (2)”)	ZL200830221732.9	12 December 2008	12 December 2018	KEE Guangdong	Registered design
Slider	ZL200830217767.5	7 November 2008	7 November 2018	KEE Guangdong	Registered design
萬向輪 (1) (Key-ring — “Wangxianglun (1)”)	ZL200830221731.4	12 December 2008	12 December 2018	KEE Guangdong	Registered design
萬向輪 (1) (Key-ring — “Wangxianglun (1)”)	ZL200930076604.4	13 May 2009	13 May 2019	KEE Guangdong	Registered design
萬向輪 (1) (Key-ring — “Wangxianglun (1)”)	ZL200930076589.3	13 May 2009	13 May 2019	KEE Guangdong	Registered design

Patent	Patent No.	Application date	Expiry date	Proprietor	Type
Zipper cutting machine	ZL200810027237.3	3 April 2008	3 April 2028	KEE Guangdong	Invention
萬向輪 (2) (Key-ring — “Wangxianglun (2)”).	ZL200930076587.4	13 May 2009	13 May 2019	KEE Guangdong	Registered design
萬向輪 (2) (Key-ring — “Wangxianglun (2)”).	ZL200930076588.9	13 May 2009	13 May 2019	KEE Guangdong	Registered design

As at the Latest Practicable Date, our Group has applied for the following patent:

Patent	Country	Application No.	Application date	Applicant	Type
Ring buckle for zippers	China	200810218943.6	7 November 2008	KEE Guangdong	Invention

(b) Trademarks

As at the Latest Practicable Date, our Group has registered the trademark of “**KEE**” in the following countries or regions:

Trademark	Class	Country/Region	Registration number	Effective period	Proprietor
KEE	26	Australia	860028	8 December 2000 to 8 December 2010	KEE Zippers
KEE	26	South Africa	2000/24393	8 December 2000 to 7 December 2010	KEE Zippers
KEE	26	Mexico	713180	14 December 2000 to 13 December 2010	KEE Zippers
KEE	26	Indonesia	494743	22 January 2001 to 21 January 2011	KEE Zippers
KEE	26	Taiwan	00977637	16 December 2001 to 15 December 2011	KEE Zippers
KEE	26	Korea	40-0523674	25 June 2002 to 24 June 2012	KEE Zippers
KEE	26	Canada	TMA594,826	17 November 2003 to 16 November 2013	KEE Zippers
KEE	26	United States	2817860	24 February 2004 to 23 February 2014	KEE Zippers
KEE	26	New Zealand	760537	12 December 2006 to 12 December 2016	KEE Zippers

Trademark	Class	Country/Region/ Organisation	Registration number	Effective period	Proprietor
KEE	26	African Intellectual Property Organization	55466	15 December 2006 to 15 December 2016	KEE Zippers
KEE	26	Hong Kong	300688168	26 July 2006 to 25 July 2016	KEE Zippers
KEE	26	Kingdom of Cambodia	27005/2007	5 February 2007 to 5 February 2017	KEE Zippers
KEE	26	Lao People's Democratic Republic	15256	5 February 2007 to 5 February 2017	KEE Zippers
KEE	26	Thailand	Kor263562	12 February 2007 to 11 February 2017	KEE Zippers
KEE	26	The Hashemite Kingdom of Jordan	90620	22 February 2007 to 22 February 2017	KEE Zippers
KEE	26	Gobierno De Chile	799.532	25 October 2007 to 25 October 2017	KEE Zippers
KEE	26	Peru	00131986	31 October 2007 to 31 October 2017	KEE Zippers
KEE	26	Myanmar	1853/2009	26 February 2010 to 26 February 2013	KEE Zippers
KEE	26	Columbia	339579	19 September 2007 to 19 September 2017	KEE Zippers
KEE	26	The Republic of Paraguay	302723	25 September 2007 to 25 September 2017	KEE Zippers
KEE	26	The Republic of Argentina	2.213.161	6 February 2008 to 6 February 2018	KEE Zippers
KEE	26	India	1511768	11 December 2006 to 11 December 2016	KEE Zippers
KEE	26	Malaysia	06022824	13 December 2006 to 13 December 2016	KEE Zippers
KEE	26	Brasil	829208887	3 November 2009 to 3 November 2019	KEE Zippers
KEE	26	Zimbabwe	24/2007	9 January 2007 to 9 January 2017	KEE Zippers
KEE	26	Mauritius	04418/2007	15 February 2007 to 15 February 2017	KEE Zippers
KEE	26	Guatemala	159155	11 September 2008 to 11 September 2018	KEE Zippers
KEE	26	Qatar	43881	3 April 2007 to 3 April 2017	KEE Zippers
KEE	26	United Arab Emirates	87141	15 February 2007 to 15 February 2017	KEE Zippers
KEE	26	Philippines	4-2006-013490	14 April 2008 to 14 April 2018	KEE Zippers
KEE	26	Uruguay	376615	4 March 2008 to 4 March 2018	KEE Zippers

As at the Latest Practicable Date, our Group has registered the following trademarks:

Trademark	Class	Country/Organisation	Registration number	Effective period	Proprietor
^k ^e ^e	26	China	1063845	28 July 2007 to 27 July 2017	KEE Guangdong
KEE	26	China	1517729	7 February 2001 to 6 February 2011	KEE Guangdong
KEE	18	China	3454280	28 January 2005 to 27 January 2015	KEE Guangdong
KEE	26	World International Property Organisation	0731850	21 March 2000 to 21 March 2020	KEE Guangdong
^k ^e ^e	26	World International Property Organisation	0730552	4 April 2000 to 4 April 2020	KEE Guangdong
开易	26	China	6146734	28 March 2010 to 27 March 2020	KEE Guangdong

As at the Latest Practicable Date, our Group has applied for registration of the trademark of “**KEE**” in the following countries:

Trademark	Class	Country	Application date	Applicant	Status
KEE	26	Pakistan	12 December 2006	KEE Zippers	Pending for registration
KEE	26	Bangladesh	13 December 2006	KEE Zippers	Pending for registration
KEE	26	Nepal	15 December 2006	KEE Zippers	Pending for registration
KEE	26	Libya	15 December 2006	KEE Zippers	Pending for registration
KEE	26	Sri Lanka	18 December 2006	KEE Zippers	Pending for registration
KEE	26	Nigeria	12 January 2007	KEE Zippers	Pending for registration
KEE	26	Saudi Arabia	19 February 2007	KEE Zippers	Pending for registration
KEE	26	Venezuela	28 March 2007	KEE Zippers	Pending for registration
KEE	26	Angola	9 April 2007	KEE Zippers	Pending for registration
KEE	26	Ghana	26 April 2007	KEE Zippers	Pending for registration
KEE	26	Honduras	27 April 2007	KEE Zippers	Pending for registration
KEE	26	Costa Rica	20 June 2007	KEE Zippers	Pending for registration

(c) Domain names

As at the Latest Practicable Date, our Group has registered the following domain names:

Domain name	Expiry date
<u>kee.cn</u>	3 April 2013
<u>kee.com.cn</u>	16 August 2011
<u>keezippers.com</u>	9 June 2011

FURTHER INFORMATION ABOUT OUR DIRECTORS, SENIOR MANAGEMENT, STAFF, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

1. Interests and/or short positions of the directors and chief executive of our Company in the shares, underlying shares or debentures of our Company and our associated companies

Immediately following completion of the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and that the options which may be granted under the Share Option Scheme are not exercised), the interests and/or short positions of the Directors and chief executive of our Company in the shares, underlying shares in respect of equity derivatives and debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our 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 which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to our Company and the Stock Exchange, once the Shares are listed (assuming that their interests will remain unchanged after the Latest Practicable Date), will be as follows:

Long positions in the Shares

Director	Nature of interest	Number of Shares	Percentage
Mr. Xu Xipeng	Corporate (<i>Note</i>)	300,000,000	75%
Mr. Xu Xinan	Corporate (<i>Note</i>)	300,000,000	75%

Note: These Shares will be owned by Nicco, which is beneficially owned as to 47.305% by Mr. Xu Xipeng and 47.305% by Mr. Xu Xinan.

2. Interests and/or short positions of Substantial Shareholders in the shares or underlying shares of our Company

So far as the Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised and that the options which may be granted under the Share Option Scheme are not exercised), the following persons (other than the Directors or chief executive of our Company) will have an interest and/or short position in the shares or underlying shares in respect of equity derivatives of our Company that would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 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 will be directly or indirectly interested in 10% or more of the voting power at general meetings of our Company once the Shares are listed:

Long positions in the Shares

Name	Number of Shares	Percentage
Nicco	300,000,000	75%
Ms. Ke Saixia (<i>Note 1</i>)	300,000,000	75%
Ms. Lu Jiehong (<i>Note 2</i>)	300,000,000	75%

Notes:

1. As Nicco is beneficially owned as to 47.305% by Mr. Xu Xipeng, Mr. Xu Xipeng is deemed to be interested in the Shares held by Nicco by virtue of Part XV of the SFO. Ms. Ke Saixia, being Mr. Xu Xipeng's spouse, will be deemed to be interested in the Shares held by Nicco under Part XV of the SFO.
2. As Nicco is beneficially owned as to 47.305% by Mr. Xu Xinan, Mr. Xu Xinan is deemed to be interested in the Shares held by Nicco by virtue of Part XV of the SFO. Ms. Lu Jiehong, being Mr. Xu Xinan's spouse, will be deemed to be interested in the Shares held by Nicco under Part XV of the SFO.

3. Interests of substantial shareholders of any other members of our Group

So far as the Directors are aware of, no person (other than the Directors or chief executive of our Company) is expected, directly or indirectly, to be 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 members of our Group (other than our Company) upon the listing of the Shares on the Stock Exchange.

4. Particulars of service agreements

Each of Mr. Xu Xipeng, Mr. Xu Xinan and Mr. Yang Shaolin has entered into a service agreement dated 14 December 2010 with our Company under which they agreed to act as executive Directors for a period of three years commencing on 1 December 2010 unless terminated in accordance with the terms of the service agreements. Under the service agreements, the initial annual salary payable by our Company to Mr. Xu Xipeng, Mr. Xu Xinan and Mr. Yang Shaolin are HK\$528,000, HK\$475,000 and HK\$576,000 respectively and may, subject to the discretion of the Board, be increased. Each of the

executive Directors will also be entitled to a discretionary bonus as decided by the Board. The amount of the annual salary increment and the bonus payable under such service agreements is at the discretion of the Board, provided that the respective parties to such service agreements shall abstain from voting and not be counted in the quorum in respect of any such determination of the Board in relation to him.

Mr. Chow Hoi Kwang, Albert has entered into a service agreement dated 14 December 2010 with our Company under which he agreed to act as non-executive Director for a period of three years unless terminated in accordance with the terms of the service contract. The initial annual director's fee for Mr. Chow Hoi Kwang, Albert is HK\$300,000.

Each of Mr. Lin Bin, Mr. Kong Hing Ki and Mr. Tam Yuk Sang, Sammy has signed a letter of appointment dated 14 December 2010 with our Company under which they agreed to act as INEDs for a period of three years unless terminated in accordance with the terms of the appointment letters. The initial annual director's fee for Mr. Lin Bin is HK\$140,000, and for each of Mr. Kong Hing Ki and Mr. Tam Yuk Sang, Sammy is HK\$120,000.

Save as aforesaid, there is no existing or proposed service contracts (excluding contracts expiring or determinable by such member of our Group within one year without payment of compensation other than statutory compensation) between the Directors and any member of our Group.

5. Directors' remuneration

The aggregate amount of salaries, allowances and benefits in kind paid by our Group to the Directors for the year ended 31 December 2009 was approximately HK\$0.9 million. It is expected that an aggregate amount of approximately HK\$0.9 million will be paid to the Directors as remuneration by our Group in respect of the year ending 31 December 2010 according to the present arrangements, excluding the discretionary salary increment and bonus.

None of the Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended 31 December 2009 whether (a) as an inducement to join or upon joining our Company; or (b) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 December 2009.

6. Related party transactions

During the three financial years preceding the date of this prospectus, our Group had engaged in the related party transactions as mentioned in the paragraph headed the "Material related party transactions" set out in note 29 to the financial information in the Accountants' Report.

7. Others

- (a) Save as disclosed in this prospectus and in the section headed “Further information about our business — Summary of material contracts” in this Appendix, none of the Directors or the experts named in the section headed “Other information — Consents of experts” in this Appendix has any direct or indirect interest in the promotion of our Company or in any assets acquired or disposed of by or leased to any member of our Group or is proposed to be acquired or disposed of by or leased to any member of our Group within the two years immediately preceding the date of this prospectus.
- (b) Save as disclosed in this prospectus and in the section headed “Further information about our business — Summary of material contracts” in this Appendix, none of the Directors or the experts named in the section headed “Other information — Consents of experts” in 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 our Group taken as a whole.
- (c) Save as disclosed in this prospectus and in the section headed “Further information about our business — Summary of material contracts” in this Appendix, none of the experts named in the section headed “Other information — Consents of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of our Group or is an officer or employee or a servant or partner or director of any member of our Group.
- (d) Save as disclosed in this prospectus, taking no account of any Shares which may be taken up under the Share Offer, none of the Directors or chief executive of our Company has interests and/or short positions in the shares, underlying shares in respect of equity derivatives or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our 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 which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to our Company and the Stock Exchange, once the Shares are listed.
- (e) Save as disclosed in this prospectus, taking no account of any Shares which may be taken up under the Share Offer, so far as the Directors are aware, there is no person (other than the Directors or chief executive of our Company) who will have any interest and/or short positions in the shares or underlying shares in respect of equity derivatives of our Company that would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 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 who will be directly or indirectly, interested in 10% or more of the voting power at general meetings of our Company.

SHARE OPTION SCHEME**(a) Definitions**

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	means the date on which the Share Option Scheme becomes unconditional
“Board” or “Directors”	means the board of directors from time to time of the Company, which for the purposes of the Share Option Scheme shall include (i) any committee of the board of directors of the Company duly constituted from time to time to administer the Share Option Scheme and to which the functions and responsibilities of the board of directors of the Company under the Share Option Scheme have been delegated and (ii) as the case may be, the independent non-executive directors of the Company
“Eligible Person(s)”	means any employee(s) (whether full time or part time including any director) of any member of our Group
“Exercise Price”	has the meaning ascribed to it in paragraph (i) below
“Listing Date”	means the date on which the Shares commence trading on the Stock Exchange
“Participant Limit”	has the meaning ascribed to it in paragraph (vii) below
“Scheme Limit”	has the meaning ascribed to it in paragraph (vi) below
“Scheme Period”	means the period commencing on the Adoption Date and expiring at the close of business on the day immediately preceding the tenth anniversary thereof
“Subscription Price”	means, in relation to an option, an amount equal to the Exercise Price multiplied by the relevant number of Shares in respect of which an option is exercised
“trading day”	means a day on which the Stock Exchange is open for business of dealing in securities

(b) Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of the sole shareholder of our Company passed on 14 December 2010:

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Board to grant options to selected Eligible Persons as incentives or rewards for their contribution or potential contribution to our Group.

The terms of the Share Option Scheme provide that in granting options under the Share Option Scheme, the Board is entitled to determine whether there is any minimum holding period, and whether there is any performance target which must be achieved, before an option granted under the Share Option Scheme is exercised. The Board is also entitled to determine the option price per Share payable on the exercise of an option (the “**Exercise Price**”) according to the terms of the Share Option Scheme. Such terms, together with the incentive that the option will bring about, the Board believes, will serve the purpose of the Share Option Scheme.

(ii) Conditions

The Share Option Scheme is conditional on the passing of the necessary resolution by the Shareholders to adopt the Share Option Scheme; the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in any Shares to be issued and allotted by the Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme; and the commencement of trading of Shares on the Stock Exchange.

(iii) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grants options to any Eligible Person to subscribe at the Exercise Price for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any of the Eligible Persons to the grant of options shall be determined by the Board from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(iv) Price for subscription of Shares

The Exercise Price is to be determined by the Board provided always that it shall be at least the higher of:

- (aa) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of offer for the grant of the option (which is deemed to be the date of grant if the offer for the grant of the option is accepted by the Eligible Person), which must be a trading day; and

- (bb) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant, provided that the Exercise Price shall in no event be less than the nominal amount of one Share.

(v) ***Grant of options and acceptance of offers***

A grant of options shall not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in accordance with the Listing Rules by our Company.

In particular, during the period commencing one month immediately preceding the earlier of:

- (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year or quarterly or any other interim period (whether or not required by the Listing Rules); and
- (bb) the deadline of our Company to publish its results announcement for any year, half-year or quarterly or any other interim period (whether or not required by the Listing Rules);

and ending on the date of the results announcements, no option may be granted.

An offer for the grant of options must be accepted within twenty-one days inclusive of the day on which such offer was made. The amount payable to our Company on acceptance of the offer for the grant of an option is HK\$1.00.

An offer shall be deemed to have been accepted on the date when the duly signed duplicate comprising acceptance of the offer by the Eligible Person, together with a payment in favour of the Company of HK\$1.00 per option by way of consideration for the grant thereof is delivered to the Company.

(vi) ***Maximum number of Shares***

- (aa) Subject to sub-paragraph (bb) and (dd) below, the maximum 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 our Company (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of the Shares in issue on the Listing Date, i.e., 40,000,000 Shares (the "**Scheme Limit**"). Options lapsed in accordance with the Share Option Scheme will not be counted for the purpose of the Scheme Limit.
- (bb) The Scheme Limit may be refreshed at any time by obtaining approval of the Shareholders in general meeting provided that the refreshed limit must not exceed 10% of the Shares in issue at the date of the Shareholders' approval of such limit. Options previously granted under the Share Option Scheme or any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company or those exercised) will not be counted for the purpose of calculating the refreshed limit.

(cc) Our Company may also, by obtaining separate approval of the Shareholders in general meeting, grant options beyond the Scheme Limit provided the options in excess of the Scheme Limit are granted only to Eligible Persons specifically identified by our Company before such approval is sought. Our Company shall send a circular to the Shareholders which contains the information required by the Listing Rules.

(dd) 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 our Company must not exceed 30% of the Shares in issue from time to time.

(vii) ***Maximum entitlement of each Eligible Person***

The maximum number of Shares issued and to be issued upon exercise of options granted and to be granted under the Share Option Scheme and any other share option schemes of our Company to any Eligible Person (including cancelled, exercised and outstanding options), in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue from time to time (the “**Participant Limit**”). Any further grant of options in excess of such limit must be separately approved by Shareholders with such Eligible Person and his associates abstaining from voting. Our Company shall send a circular to the Shareholders which contains the information required by the Listing Rules.

(viii) ***Grant of options to certain connected persons***

(aa) Any grant of an option to a Director, chief executive or Substantial Shareholder (excluding the proposed director or chief executive) of our 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 offeree of the option).

(bb) Where any grant of options to a Substantial Shareholder of our Company or an independent non-executive Director (or any of their respective associates) would result in the total number of Shares issued and to be issued upon exercise of options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) 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 from time to time; and
- (ii) having an aggregate value, based on the closing price of the Shares on each date of grant, in excess of HK\$5 million,

such further grant of options is required to be approved by Shareholders in general meeting.

Our Company must send a circular, containing such information as required under the Listing Rules, to the Shareholders for seeking approval on the matter referred to in the sub-paragraph (bb) above. All connected persons of our Company must abstain from voting in favour at such general meeting. Any vote taken at such general meeting to approve the grant of such options must be taken on a poll.

(ix) *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 but in any event shall not exceed 10 years from the date of grant.

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no minimum holding period before an option is exercisable.

A Share allotted upon the exercise of an option shall not carry voting rights until completion of the registration of the option holder (or any other person) as the holder thereof. A Share issued upon such exercise shall rank for all dividends or other distributions paid or made on or after the date of exercise, 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 is before such date of exercise.

(x) *Performance targets*

Save as determined by the Board 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.

(xi) *Ranking of Shares*

Shares allotted upon the exercise of an outstanding option will be subject to all the provisions of the Memorandum and 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 issue. Shares allotted upon the exercise of an option for the time being outstanding shall not carry voting rights until completion of the registration of the option holder (or any other person) as the holder thereof.

(xii) *Rights are personal to grantee*

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(xiii) *Rights for grantees ceasing to be an Eligible Person*

If a grantee of an option who at the time of grant of an option to him qualified as an Eligible Person ceases to be an Eligible Person:

(aa) by reason of serious illness or death or of retirement in accordance with his contract of employment or service, then he or (as the case may be) his personal representative(s) may exercise his outstanding option within 12 months of such cessation or, such period extended by the Board failing which the option will lapse; or

(bb) by reason of matters other than those specified in paragraph (aa) above, then he may exercise his outstanding options within three months after he so ceases.

(xiv) *Rights on a general offer*

If a general offer is made to all the Shareholders (other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), an option holder shall be entitled to exercise, at any time within a period of 14 days after our Company has been notified of the general offer, any option in whole or in part to the extent not already exercised. An option not exercised shall lapse upon the expiry of such period.

(xv) *Rights on winding-up*

If notice is given by our Company to Shareholders of a general meeting at which a resolution will be proposed for the voluntary winding-up of our Company, our Company shall forthwith give notice to all options holders and each option holder shall be entitled, at any time no later than 2 business days prior to the proposed general meeting of our Company, to exercise any of his outstanding options in whole or in part. An option not exercised shall lapse and determine on the commencement of the winding-up.

(xvi) *Rights on compromise or arrangement*

In the event of a compromise or arrangement between our Company and Shareholders or our Company's creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company, notice of the relevant meeting shall be given to the options holders on the same day notice is given to the Shareholders and our Company's creditors, and thereupon each option holder shall be entitled, at any time not later than 2 business days prior to the proposed meeting, to exercise any of his outstanding options in whole or in part. An option not exercised shall lapse upon such compromise or arrangement becoming effective.

(xvii) *Lapse of options*

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the expiry of the relevant period referred to in paragraph (xiii) above;
- (cc) the expiry of any of the relevant periods referred to in paragraph (xiv), (xv) or (xvi) above;
- (dd) the commencement of the winding-up of our Company;
- (ee) the date on which an option holder ceases to be an Eligible Person by reason of the termination of his contract of employment or service on any one or more grounds that he has been guilty of 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; and
- (ff) the Board cancels the option because the option holder commits a breach of paragraph (xii) above.

(xviii) *Cancellation of options granted but not yet exercised*

Where our Company cancels any options granted but not exercised and issues new ones to the same option holder, such options may only be granted under the Share Option Scheme with available unissued options (excluding the cancelled options) within the limit referred to in paragraph (vi).

(xix) *Effects of alterations to capital*

In the event of any alteration in the capital structure of our Company, whether by way of capitalisation issue, rights issue, sub-division or consolidation of Shares or reduction of capital of our Company, such corresponding adjustments (if any) shall be made in the number or nominal amount of Shares comprised in each option for the time being outstanding, the Exercise Price, the Scheme Limit and/or the Participant Limit as the auditors of our Company or the independent financial adviser to our Company shall certify in writing to the Board to be in their opinion fair and reasonable, provided that:

- (aa) the aggregate Subscription Price payable by an option holder on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such adjustment;
- (bb) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (cc) any adjustments to the advantage of the participants to the exercise price or to the number of Shares subject to the options must be approved by the Shareholders in general meeting;
- (dd) no adjustment will be required in circumstances when there is an issue of Shares as consideration in a transaction; and
- (ee) any adjustment shall be made in accordance with the provisions of Chapter 17 of the Listing Rules and the note thereto and the supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time (including supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes).

(xx) *Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of 10 years commencing on the Adoption Date unless terminated earlier by Shareholders in general meeting.

(xxi) *Alteration to the Share Option Scheme*

- (aa) The terms and conditions of the Share Option Scheme relating to the definition of Eligible Person or the Scheme Period or matters governed by Rule 17.03 of the Listing Rules shall not be altered to the advantage of participants except with the prior approval of the Shareholders in general meeting.

- (bb) Any amendment to any terms of the Share Option Scheme which are of a material nature or any change to the options granted to the advantage of an option holder must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (cc) Any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.
- (dd) 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.

(xxii) ***Termination to the Share Option Scheme***

Our Company may, with the approval in general meeting of the Shareholders, terminate the Share Option Scheme at any time following which no further grant of options shall be offered but in all other respects the rules of the Share Option Scheme shall continue in full force and effect. Any options granted and accepted prior to such termination, shall continue to be valid and exercisable in accordance with the rules of the Share Option Scheme.

(c) Present status of the Share Option Scheme

Application has been made to the Listing Committee for the listing of and permission to deal in 40,000,000 Shares which may 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.

(d) Value of options

The Directors consider it inappropriate to value the options that can be granted under the Share Option Scheme on the assumption that they had been granted at the Latest Practicable Date, as various determining factors for the calculation of such value cannot be reasonably fixed at this stage. It would not be meaningful and to a certain extent would be misleading to the Shareholders if the value of the options is calculated based on a set of speculative assumptions. However, the information on value of the options granted in any financial period will be provided to the Shareholders based on Black-Scholes option pricing model, the binomial model or a comparable generally accepted methodology as at the end of relevant financial period for any annual or interim reports of our Company.

OTHER INFORMATION

1. Estate duty, tax and other indemnities

The Controlling Shareholders (the “**Indemnifiers**”) have entered into a deed of indemnity (“**Deed of Indemnity**”) with and in favour of our Company (for ourselves and as trustee for each of our present subsidiaries) (being a material contract referred to in item (h) of the section headed “Further information about our business — Summary of material contracts” in this Appendix) to provide indemnities in respect of, among other matters, any estate duty, death duty, inheritance tax, succession duty or any other similar tax or duty which is or becomes payable by our Company or any of our subsidiaries by the operation of any estate duty, death duty, inheritance tax, succession duty or any other similar legislation in Hong Kong or the PRC or any other relevant jurisdiction to any member of our Group on or before the date on which the Share Offer becomes unconditional. Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries under the laws of the Cayman Islands.

Under the Deed of Indemnity, the Indemnifiers have also given indemnities to our Group in relation to taxation (including all costs, charges, interest, fines, penalties and expenses incidental or relating thereto) which may be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received on or before the date on which the Share Offer becomes unconditional (the “**Effective Date**”).

The Deed of Indemnity does not cover any claim and the Indemnifiers shall be under no liability under the deed in respect of any taxation:

- (a) to the extent that provision, reserve or allowance has been made for such taxation in the audited consolidated accounts of our Group or the audited accounts of any members of our Group for each of the three years ended 31 December 2009 and for the six months ended 30 June 2010 (the “**Accounts**”); or
- (b) to the extent that such taxation falling on any members of our Group on or after the Effective Date would not have arisen but for any act or omission of, or transaction voluntarily effected by, any members of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers other than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Effective Date; or
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Effective Date; or
 - (iii) consisting of any members of our Group ceasing, or being deemed to cease, to be a member of any group of companies or being associated with any other company for the purposes of any matter of such taxation; or

- (c) to the extent of any provisions or reserve made for such taxation in the audited accounts of our subsidiaries or any of them for each of the three years ended 31 December 2009 and the six months ended 30 June 2010 which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce the Indemnifiers' liability in respect of such taxation shall not be available in respect of any such liability arising thereafter; or
- (d) to the extent that such taxation arises as result of our subsidiaries or any of them being in breach of any provision of the Deed of Indemnity; or
- (e) relating to any incomes, profits or gains earned, accrued or received by our subsidiaries or any event occurred or any transactions entered into in the ordinary course of business after 30 June 2010.

Furthermore, each of the Indemnifiers has also jointly and severally undertaken to indemnify and keep each of our Group members fully indemnified against all claims (including but not limited to any taxation claim issued or action taken by any statutory or governmental authority whatsoever in Hong Kong and the PRC), actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses, fines and of whatever nature suffered or incurred by any of our Group members directly or indirectly as a result of or in connection with any of the following:

- (a) the late payment of the registered capital of KEE Suzhou by KEE Investment;
- (b) the late payment of the registered capital of KEE Zhejiang by KEE Investment; and
- (c) the non-payment of the outstanding social insurance and housing provident fund contributions in the amounts of approximately HK\$2.5 million and HK\$2.1 million respectively.

Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands, being the jurisdiction in which our Company comprising our Group is incorporated.

2. Litigation

From April 2008 to December 2008, 浙江中元建設股份有限公司 (Zhejiang Zhongyuan Construction Joint-Stock Company Limited) carried out various construction works for KEE Zhejiang. KEE Zhejiang refused to pay the outstanding construction fee due to a disagreement between the parties concerning the amount of construction fee. In light of these circumstances, on 26 May 2010, 浙江中元建設股份有限公司 (Zhejiang Zhongyuan Construction Joint-Stock Company Limited) as plaintiff commenced legal proceedings against KEE Zhejiang as defendant whereby it claimed RMB830,487 for outstanding construction fee and RMB34,000 for compensation. On 1 June 2010, the court made a property preservation order to freeze the bank savings of KEE Zhejiang for an amount of RMB870,000 for a period of six months. We have made a provision of approximately RMB865,000 in our Group's consolidated financial statements. As advised by our PRC Legal Adviser, if the judgement is entered into in favour of the plaintiff, the maximum potential liability will be approximately RMB980,000. Given the

provision of RMB865,000 made in our Group's consolidated financial statements, our Directors are of the view that there will be no material impact on our business, financial conditions and results of operations because the difference between the maximum potential liability and the provision already made is not material.

Save as disclosed herein and in the section headed "Business — Compliance and litigation — Litigation", as at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of our Group.

3. Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares in issue and to be issued as mentioned herein, including any such number of Shares falling to be issued pursuant to the exercise of the Over-allotment Option and of options which may be granted under the Share Option Scheme.

4. Preliminary expenses

The preliminary expenses of our Company in relation to its incorporation are approximately US\$3,400 (or HK\$26,350) and have been paid by us.

5. Promoter

There is no promoter of our Company.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
Shenyin Wanguo Capital (H.K.) Limited . . .	A corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
KPMG	Certified Public Accountants
Asset Appraisal Limited	Property valuer
Cheng Wong Lam & Partners	Legal advisers on Hong Kong law
Dacheng Law Offices	Legal advisers on PRC law
Harney Westwood & Riegels	Legal advisers on Cayman Islands law

7. Consents of experts

Each of Shenyin Wanguo, KPMG, Asset Appraisal Limited, Cheng Wong Lam & Partners, Dacheng Law Offices and Harney Westwood & Riegels has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or references to its name included herein in the form and context in which they are respectively included.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

9. Miscellaneous

Save as disclosed in this prospectus:

- (a) within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

- (ii) no commission has been paid or payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any shares in or debentures of our Company or any of our subsidiaries;
- (iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
- (b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) no founder, management or deferred shares or any debentures in our Company or any of our subsidiaries have been issued or agreed to be issued;
- (d) all necessary arrangements have been made to enable our Shares to be admitted into CCASS;
- (e) save for the professional fees of approximately HK\$11.5 million estimated to be incurred and recorded in our consolidated income statement for the year ending 31 December 2010 in connection with the Listing, there has been no material adverse change in our financial position or prospects since 30 June 2010 (being the date to which the latest audited consolidated financial statements of our Group were made up);
- (f) the English text of this prospectus shall prevail over the Chinese text; and
- (g) there is no arrangement under which future dividends are waived or agreed to be waived.

10. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the Application Forms, the written consents referred to in the section headed “Other information — Consents of experts” in Appendix V to this prospectus and copies of the material contracts referred to in the section headed “Further information about our business — 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 Cheng Wong Lam & Partners at 50th Floor, Bank of China Tower, 1 Garden 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 the Articles;
- (b) the audited consolidated financial statements of our Group for the three financial years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010;
- (c) the Accountants’ Report, the text of which is set out in Appendix I to this prospectus;
- (d) the statement of adjustments prepared by KPMG;
- (e) the report on unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (f) the letter, summary of valuation and valuation certificate relating to the property interests of our Group prepared by Asset Appraisal Limited, the texts of which are set out in Appendix III to this prospectus;
- (g) the Cayman Islands Companies Law;
- (h) the letter of advice dated 31 December 2010 issued by Harney Westwood & Riegels summarising certain aspects of Cayman Islands Companies Law as referred to in Appendix IV to this prospectus;
- (i) the legal opinion dated 31 December 2010 issued by Dacheng Law Offices, our legal advisers as to PRC law, in respect of certain aspects of our Group;
- (j) the material contracts referred to in the section headed “Further information about our business — Summary of material contracts” in Appendix V to this prospectus;
- (k) the service contracts referred to in the section headed “Further information about our Directors, senior management, staff, Substantial Shareholders and experts — Particulars of service agreements” in Appendix V to this prospectus;

- (l) the rules of the Share Option Scheme; and

- (m) the written consents referred to in the section headed “Other information — Consents of experts” in Appendix V to this prospectus.

KEE