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**恒安國際集團有限公司\***

HENGAN INTERNATIONAL GROUP COMPANY LIMITED

(於開曼群島註冊成立的有限公司)

(股份代號：1044)

網址：<http://www.hengan.com>

<http://www.irasia.com/listco/hk/hengan>

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承董事會命  
主席  
施文博

香港，二零一三年七月二日

於本公告日期，董事會包括執行董事施文博先生、許連捷先生、洪青山先生、許水深先生、許大座先生、許春滿先生、施煌劍先生、許清池先生和盧康成先生；及獨立非執行董事陳銘潤先生、王明富先生、黃英琦女士、何貴清先生和周放生先生。

\* 僅供識別

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OFFERING CIRCULAR



**恒安國際集團有限公司**  
HENGAN INTERNATIONAL GROUP COMPANY LIMITED

*(incorporated with limited liability in the Cayman Islands)*  
(Stock code: 1044)

**HK\$5,434,000,000**  
**Zero Coupon Convertible Bonds due 2018**

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**Issue Price: 100 per cent.**

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The Zero Coupon Convertible Bonds due 2018 in the aggregate principal amount of HK\$5,434,000,000 (the “**Bonds**”) will be issued by Hengan International Group Company Limited (the “**Company**”).

Each Bond will, at the option of the holder, be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 7 August 2013 up to and including 20 June 2018 into fully paid ordinary shares with a par value of HK\$0.10 each of the Company (the “**Shares**”) at an initial conversion price of HK\$120.0825 per Share. The conversion price is subject to adjustment in the circumstances described under “Terms and Conditions of the Bonds — Conversion”. The closing price of the Shares on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) on 20 May 2013 was HK\$88.95 per Share.

Unless previously redeemed, converted or purchased and cancelled, the Bonds will be redeemed at 110.46 per cent. of their principal amount on 27 June 2018. All or some of the Bonds may be redeemed at the option of the relevant holder on 27 June 2016 at 106.15 per cent. of their principal amount. On or at any time after 27 June 2016, the Company may redeem all and not some only of the Bonds, at any time prior to maturity, at the relevant Early Redemption Amount (as defined in the Terms and Conditions) if the Closing Price (as defined in the Terms and Conditions) of a Share for each of the 30 consecutive Trading Days (as defined in the Terms and Conditions), the last day of such 30-Trading Day period falls within five Trading Days prior to the date upon which notice of such redemption is given was at least 130 per cent. of the applicable Early Redemption Amount in effect on such Trading Day divided by the Conversion Ratio (as defined in the Terms and Conditions). The Company may also redeem all and not some only of the Bonds at a redemption price equal to the Early Redemption Amount on the date fixed for the redemption if at any time at least 90 per cent. in principal amount of the Bonds has already been converted, redeemed or purchased and cancelled.

The Bonds may also be redeemed at the option of the holders at the Early Redemption Amount upon the Shares ceasing to be listed on the Hong Kong Stock Exchange or the occurrence of a Change of Control (as defined in the Terms and Conditions). All, and not some only, of the Bonds may be redeemed at any time at their Early Redemption Amount in the event of certain changes relating to Cayman Islands or Hong Kong taxation, subject to the non-redemption right of each holder as described herein. See “Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation”.

Approval in-principle has been received for the listing and quotation of the Bonds on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). Admission of the Bonds to the Official List of the SGX-ST and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Company, the Bonds or the Shares. The Shares are currently listed on the Hong Kong Stock Exchange. An application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares to be issued upon conversion of the Bonds.

**Investing in the Bonds and the Shares involves certain risks. See “Risk Factors” beginning on page 8 for a discussion of certain factors to be considered in connection with an investment in the Bonds.**

**The Bonds and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) and, subject to certain exceptions, may not be offered or sold within the United States.**

**For a description of these and certain further restrictions on offers and sales of the Bonds and the Shares to be issued upon conversion of the Bonds and the distribution of this Offering Circular, see “Subscription and Sale”.**

The Bonds will be represented by beneficial interests in a global certificate (the “**Global Certificate**”) in registered form, without interest coupons attached, which will be registered in the name of a nominee of, and shall be deposited on or about 27 June 2013 (the “**Closing Date**”) with, a common depository for, Euroclear Bank S.A./N.V., as operator of the Euroclear System (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream**”).

Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

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*Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers*

**Deutsche Bank**

**J.P. Morgan**

*Joint Bookrunners and Joint Lead Managers*

**HSBC**

**UBS**

*Joint Lead Manager*

**Nomura**

The Company, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Company and the Company's subsidiaries (collectively, the "Group"), and the issue of the Bonds and the Shares, which is material in the context of the issue and offering of the Bonds, (ii) the statements contained in it relating to the Company and the Group are in every material respect true and accurate and not misleading, and (iii) the opinions and intentions expressed in this Offering Circular with regard to the Company and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; there are no other facts in relation to the Company, the Group, the Bonds or the Shares the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular misleading in any material respect and all reasonable enquiries have been made by the Company to ascertain such facts and to verify the accuracy of all such information and statements. In addition, the Company accepts full responsibility for the accuracy of the information contained in this Offering Circular.

This Offering Circular has been prepared by the Company solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Company and Deutsche Bank AG, Hong Kong Branch, J.P. Morgan Securities plc, The Hongkong and Shanghai Banking Corporation Limited, UBS AG, Hong Kong Branch and Nomura International (Hong Kong) Limited (together, the "**Joint Lead Managers**") to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the Shares deliverable upon conversion of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the Shares deliverable on conversion or redemption of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, Japan, Singapore and Hong Kong, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see "Subscription and Sale".

No person has been or is authorised to give any information or to make any representation concerning the Company, the Group, the Bonds or the Shares other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Joint Lead Managers, DB Trustees (Hong Kong) Limited (the "**Trustee**") or the Agents (as defined in the Terms and Conditions of the Bonds). Neither the delivery of this document nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Company, the Group or any of them since the date hereof or create any implication that the information contained herein is correct as of any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Company, the Joint Lead Managers, the Trustee or the Agents to subscribe for or purchase any of the Bonds or Shares and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful. This Offering Circular is not intended to invite offers to subscribe for or purchase Shares.

None of the Joint Lead Managers, the Trustee or the Agents have independently verified the information contained herein. Accordingly, no representation or warranty, express or implied, is made or given by the Joint Lead Managers, the Trustee or the Agents as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Company, the Joint Lead Managers, the Trustee or the Agents that any recipient of this Offering Circular should purchase the Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

**In connection with the issue of the Bonds, the Joint Lead Managers (or persons acting on their behalf) may over-allot the Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail for a limited time after the Closing Date. However, there is no obligation on the Joint Lead Managers to do this. Such stabilising if commenced may be discontinued at any time, and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.**

The SGX-ST takes no responsibility for the contents of this Offering Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

In making an investment decision, investors must rely on their own examination of the Company, the Group and the terms of the offering, including the merits and risks involved. See “Risk Factors” for a discussion of certain factors to be considered in connection with an investment in the Bonds.

Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers or any person affiliated with the Joint Lead Managers in connection with its investigation of the accuracy of such information or its investment decision.

The Company has prepared audited consolidated financial statements as of and for each of the years ended 31 December 2010, 2011 and 2012.

Unless otherwise indicated, all references in this Offering Circular to “**China**” or the “**PRC**” are to the People’s Republic of China and for the purpose of this Offering Circular only, excluding, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, and all references to “**Hong Kong**” are to the Hong Kong Special Administrative Region of China.

Unless otherwise specified or the context requires, references herein to “**Hong Kong dollars**”, “**HK dollars**”, “**HK\$**” and “**HK¢**” are to the lawful currency of Hong Kong, references herein to “**US dollars**” or “**US\$**” are to the lawful currency of the United States of America, references herein to “**Renminbi**” or “**RMB**” are to the lawful currency of the PRC, references to “**HKFRS**” are to Hong Kong Financial Reporting Standards and references to “**IFRS**” are to International Financial Reporting Standards. For further information relating to exchange rates, see “Exchange Rates”.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

This Offering Circular is an advertisement and is not a prospectus for the purposes of EU Directive 2003/71/EC.



## FORWARD-LOOKING STATEMENTS

This Offering Circular contains certain forward-looking statements. All statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding the Group's financial position, future expansion plans, prospects, business strategy and the plans and objectives of the Group's management for the Group's future operations (including development plans and objectives relating to the Group's operations), are forward-looking statements. These forward-looking statements are based on the Group's current expectations about future events. Although the Group believes that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things:

- the Group's business and operating strategies and its ability to implement such strategies;
- the Group's future capital expenditure and funding needs and its ability to meet such needs;
- the Group's dividend distribution plans;
- the Group's operations and business prospects, including development plans for its existing and new businesses;
- the future competitive environment for the PRC personal hygiene products industry;
- the regulatory environment in terms of changes in laws and PRC government regulations, policies and approval processes in the regions where the Group operates as well as the general industry outlook for the PRC personal hygiene products industry;
- exchange rate fluctuations and restrictions;
- the general economic conditions of the PRC and elsewhere; and
- those other risks identified in the "Risk Factors" section of this Offering Circular.

These forward-looking statements speak only as at the date of this Offering Circular. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

Some of these forward-looking statements can be identified by forward-looking terms, such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan" and similar expressions. However, these words are not the exclusive means of identifying forward-looking statements. The Company undertakes no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur and the Company's or Group's actual results could differ materially from those anticipated in these forward-looking statements.

## **INCORPORATION OF FINANCIAL INFORMATION**

The audited consolidated financial statements of the Company and the independent auditor's report in respect of each of such financial years, which are contained in the Annual Reports of the Company for the years ended 31 December 2010, 2011 and 2012, respectively, are incorporated by reference in this Offering Circular. Copies of these financial statements are available and may be (i) obtained free of charge at the specified office of the Company at Unit 2101D, 21st Floor, Admiralty Centre, Tower 1, 18 Harcourt Road, Hong Kong or (ii) downloaded free of charge from the Hong Kong Stock Exchange website at [www.hkexnews.hk](http://www.hkexnews.hk).



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## SUMMARY

*The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this Summary. Prospective investors should therefore read this Offering Circular in its entirety.*

### Overview

The Company is an investment holding company which, through its subsidiaries, is primarily engaged in the manufacturing, distribution and sale of personal hygiene products and food and snacks products in the PRC. The Group's products comprise tissue paper, sanitary napkins, disposable diapers, food and snacks products and skin care and other products. The Group markets its products under various brands, including its "Hearttex", "Pino" and "Premium" tissue paper, "Anle", "Anerle" and "Space 7" sanitary napkins and "Anerle" and "Q•MO" baby diapers, which command strong brand and customer recognition for superior quality. Other brands marketed under the Group include its "ElderJoy" adult diapers, "MissMay" skin care and cleansing products, "Banitore" first-aid products and "Bandi" enema and "QinQin" snack food products.

The Group derives the majority of its revenues from the manufacturing and sale of tissue paper products, sanitary napkins and disposable diapers. For the years ended 31 December 2010, 2011 and 2012, sales attributable to tissue paper products represented approximately 45.5%, 47.0% and 49.4%, respectively, of the Group's total revenue, sales attributable to sanitary napkins represented approximately 23.6%, 24.1% and 26.5%, respectively, of the Group's total revenue, and sales attributable to disposable diapers represented approximately 18.2%, 16.0% and 14.5%, respectively, of the Group's total revenue. For the years ended 31 December 2010, 2011 and 2012, the Group's food and snacks business accounted for about 9.0%, 9.0% and 7.5% of the Group's total revenue, respectively and sales attributable to skin care products and others represented approximately 3.7%, 3.9% and 2.1%, respectively, of the Group's total revenue.

Due to rapid expansion of the overall PRC personal hygiene products market and improvements in the income levels and living standards and accelerating urbanisation in the PRC, the Group has significantly expanded its business and diversified its product offering since it commenced operations in 1985. Its revenue and profits attributable to shareholders increased from approximately HK\$13,431.7 million and HK\$2,438.3 million respectively, for the year ended 31 December 2010 to approximately HK\$18,524.2 million and HK\$3,518.7 million respectively, for the year ended 31 December 2012, representing a compound annual growth rate of about 17.4% and 20.1%, respectively. With an extensive distribution network across the PRC and approximately 33,600 employees, the Group is one of the leading manufacturers of personal hygiene products in the PRC. As at 31 December 2012, the Group's consolidated total assets were approximately HK\$29,204.8 million and its consolidated total equity was approximately HK\$14,408.2 million.

The Company believes that the quality of the Group's products is one of the primary reasons for the Group's success. The Group's main manufacturing facilities and products have obtained ISO 9001:2000 Certifications in recognition of their quality. The Group also places emphasis on product innovation, and seeks to continue to improve the quality and performance of its products through research and development and technological improvement.

The Company was incorporated in the Cayman Islands on 22 July 1998 as a limited liability company. The Company has been listed on the Hong Kong Stock Exchange since December 1998. As at the close of business on 21 June 2013, the Company had a market capitalisation of approximately HK\$92.7 billion.

### **Competitive Advantages and Key Strengths**

The Group believes that its competitive advantages and key strengths are:

- leader in the PRC tissue paper, sanitary napkins and disposable baby diapers markets with a well-established brand name and proven track record of superior quality products;
- well positioned to capture upside and strong growth potential in the PRC personal hygiene product market in light of the Group's established supplier and distribution network nationwide;
- extensive nationwide sales and distribution network supported by strategically located production facilities across the PRC, allowing maximum customer coverage;
- a unique market position to offer higher-end products at competitive prices with a level of quality comparable with international brands;
- an experienced and entrepreneurial management team with extensive experience and industry knowledge;
- emphasis on quality control, production efficiency as well as its cost-effective production process, achieved through economies of scale and continuous improvements in production technology;
- focus on production innovation, optimisation of existing products and increase in the sales of high-end products which enables the Group to continue meeting consumer demand; and
- diversified product portfolio which enables the Group to be more resistant to fluctuations in a particular market and positions the Group to capture future growth opportunities in other product areas.

## SUMMARY FINANCIAL INFORMATION

The following tables set forth the summary consolidated financial information of the Company as at and for the periods indicated.

The summary audited consolidated financial information as at and for the years ended 31 December 2010, 2011 and 2012 set forth below is derived from the Company's published audited consolidated financial statements for such years, which are incorporated by reference herein, and should be read in conjunction with the published audited consolidated financial statements of the Group for each of the years ended 31 December 2010, 2011 and 2012 and the notes thereto.

### Selected Financial Information

#### Consolidated Income Statement Data

	Years ended 31 December		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
Revenue . . . . .	13,431,688	17,050,557	18,524,233
Cost of goods sold . . . . .	(7,486,900)	(10,250,259)	(10,209,030)
<b>Gross profit</b> . . . . .	5,944,788	6,800,298	8,315,203
Other gains — net . . . . .	248,811	456,083	564,833
Distribution costs . . . . .	(2,591,384)	(3,211,723)	(3,240,815)
Administrative expenses . . . . .	(602,515)	(750,882)	(898,386)
<b>Operating profit</b> . . . . .	2,999,700	3,293,776	4,740,835
Finance income . . . . .	110,460	109,406	37,709
Finance costs . . . . .	(71,793)	(147,807)	(239,590)
Finance costs — net. . . . .	38,667	(38,401)	(201,881)
<b>Profit before income tax</b> . . . . .	3,038,367	3,255,375	4,538,954
Income tax expense . . . . .	(551,950)	(569,929)	(1,001,235)
<b>Profit for the year</b> . . . . .	2,486,417	2,685,446	3,537,719
<b>Attributable to:</b>			
Shareholders of the Company . . . . .	2,438,328	2,648,839	3,518,705
Non-controlling interests . . . . .	48,089	36,607	19,014
	2,486,417	2,685,446	3,537,719
<b>Basic earnings per share for profit attributable to shareholders of the Company</b> . . . . .	HK\$1.996	HK\$2.160	HK\$2.863
Dividends . . . . .	1,591,484	1,659,137	2,089,352

**Consolidated Balance Sheet Data**

	As at 31 December		
	2010	2011	2012
	HK\$'000	HK\$'000	HK\$'000
Non-current assets . . . . .	7,826,911	9,575,291	13,013,470
Current assets . . . . .	10,750,469	13,743,789	16,191,346
Current liabilities . . . . .	6,076,880	10,011,888	10,821,487
Net current assets . . . . .	4,673,589	3,731,901	5,369,859
Total assets less current liabilities . . . . .	12,500,500	13,307,192	18,383,329
Non-current liabilities . . . . .	1,674,968	588,445	3,975,089
Capital and reserves . . . . .	10,503,187	12,341,413	14,078,192
Non-controlling interests . . . . .	322,345	377,334	330,048
Total equity . . . . .	10,825,532	12,718,747	14,408,240

## THE ISSUE

*The following is a general summary of the terms of the Bonds and is qualified in its entirety by the remainder of this Offering Circular. Phrases and words used in this summary and not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Bonds". For a more complete description of the Bonds, see "Terms and Conditions of the Bonds".*

<b>Issuer</b> .....	Hengan International Group Company Limited.
<b>Issue</b> .....	HK\$5,434,000,000 aggregate principal amount of Zero Coupon Convertible Bonds due 2018, convertible into fully-paid ordinary shares with par value of HK\$0.10 each of the Company.
<b>Issue Price</b> .....	100 per cent.
<b>Form and Denomination</b> ....	The Bonds will be issued in registered form in the denomination of HK\$2,000,000 each or integral multiples of HK\$1,000,000 thereof.
<b>Interest</b> .....	The Bonds will not bear any interest.
<b>Closing Date</b> .....	27 June 2013.
<b>Maturity Date</b> .....	27 June 2018.
<b>Negative Pledge</b> .....	The Company undertakes that, so long as any of the Bonds remains outstanding (as defined in the Trust Deed) or any amount is due under or in respect of any Bond or otherwise under the Trust Deed, it will not, and will procure that none of its subsidiaries will, create or permit to subsist or arise any Encumbrance upon the whole or any part of their respective present or future undertaking, assets or revenues to secure any Relevant Indebtedness of the Company or any other subsidiary or associate of the Company or to secure any guarantee of or indemnity in respect of any such Relevant Indebtedness without at the same time or prior thereto securing the Bonds with the same Encumbrance equally and ratably or, at the option of the Company, by such other security as the Bondholders by Extraordinary Resolution (as defined in the Trust Deed) may approve.
<b>Conversion Period</b> .....	On or after 7 August 2013 up to and including the close of business (at the place where the certificate evidencing such Bond is deposited for conversion) on 20 June 2018 or, if the Bonds shall have been called for redemption before the Maturity Date, then up to the close of business (at the place aforesaid) on a date no later than seven business days prior to the date fixed for redemption thereof.
<b>Conversion Price</b> .....	HK\$120.0825 per Share. The Conversion Price will be subject to adjustment for, among other things, subdivisions or consolidations of Shares, bonus issues, rights issues, distributions and other dilutive events.

<b>Final Redemption</b> . . . . .	Unless previously redeemed, converted or purchased and cancelled in the circumstances referred to in the Terms and Conditions, the Bonds will be redeemed on 27 June 2018 at 110.46 per cent. of their principal amount.
<b>Redemption at the Option of the Company</b> . . . . .	On or at any time after 27 June 2016 and prior to the Maturity Date, the Company may redeem all and not some only of the Bonds at the Early Redemption Amount if the Closing Price per Share for each of the 30 consecutive Trading Days, the last day of such 30-Trading Day period falls within five Trading Days prior to the date upon which notice of such redemption is given was at least 130 per cent. of the applicable Early Redemption Amount in effect on such Trading Day divided by the Conversion Ratio. The Company may also redeem all and not some only of the Bonds at a redemption price equal to the Early Redemption Amount on the date fixed for the redemption if at any time at least 90 per cent. in principal amount of the Bonds has already been converted, redeemed or purchased and cancelled.
<b>Redemption at the Option of the Bondholders</b> . . . . .	On 27 June 2016, the holder of each Bond will have the right, at such holder's option, to require the Company to redeem all or some only of the Bonds at 106.15 per cent. of their principal amount.
<b>Tax Redemption and Non-Redemption Right</b> . . . . .	The Company may redeem all and not some only of the Bonds at the Early Redemption Amount in the event of certain changes in Cayman Islands or Hong Kong taxation. If the Company exercises its tax redemption right, each holder of the Bonds shall have the right to elect that its Bonds shall not be redeemed whereupon no additional amounts referred to in the Terms and Conditions of the Bonds shall be payable on the payments due after the relevant date in respect of such Bonds and, subject to the Terms and Conditions of the Bonds, such payments shall be made subject to any deduction or withholding required to be deducted or withheld.
<b>Redemption upon Delisting or Change of Control</b> . . . . .	A Bondholder shall have the right, at such Bondholder's option, to require the Company to redeem all or some only of such Bondholder's Bonds at the Early Redemption Amount upon (i) the Shares ceasing to be listed or admitted to trading on the Hong Kong Stock Exchange or (ii) the occurrence of a Change of Control.
<b>Clearing Systems</b> . . . . .	The Bonds will be represented by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Closing Date with a common depository for, Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on and transfers thereof will be effected only through records maintained by Euroclear and Clearstream. Except as described herein, certificates for Bonds will not be issued in exchange for beneficial interests in the Global Certificate.
<b>Governing Law</b> . . . . .	English law.
<b>Trustee</b> . . . . .	DB Trustees (Hong Kong) Limited.



**Listing of the Bonds . . . . .** Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. The Bonds will be traded on the SGX-ST in a minimum board lot size of HK\$100,000 with a minimum of 20 lots to be traded in a single transaction for so long as the Bonds are listed on the SGX-ST.

**Listing of the Shares . . . . .** The Shares are listed on the Hong Kong Stock Exchange under stock code 1044 and an application has been made for the listing of, and permission to deal in, the Shares issuable upon conversion of the Bonds.

## RISK FACTORS

*Prior to making any investment decision, prospective investors should consider carefully all of the information in this Offering Circular, including the risks and uncertainties described below. The business, financial condition or results of operations of the Group could be materially adversely affected by any of these risks. Additional considerations and uncertainties not presently known to the Company, or which the Company currently deems immaterial, may also have an adverse effect on an investment in the Bonds.*

### **RISKS RELATING TO THE GROUP'S BUSINESS**

***The performance of the Group's business and its future growth is dependent on future economic growth in the PRC and a slowdown or downturn in the PRC economy and domestic consumption could have an adverse effect on the financial condition, results of operations and prospects of the Group***

All of the Group's manufacturing operations are located in the PRC and substantially all of the Group's revenue are derived from sales in the PRC. Accordingly, the growth of the Group's business is largely dependent upon continuous economic development and growth in the PRC. The PRC has experienced rapid economic development in recent years, but there can be no assurance that such growth will continue at such rates in the PRC. A sustained period of slower growth in the PRC or a significant downturn in the PRC economy could have an adverse effect on the financial condition, results of operations and prospects of the Group. The global financial crisis has adversely affected Europe, the US and other economies and if this crisis continues or worsens, it could also adversely affect economic growth in the PRC and demand in the PRC for the Group's products may decline.

In addition, the PRC government has from time to time adjusted its monetary, fiscal and other policies and measures to manage the rate of growth of the economy or control the overheating of the general economy or the overheating and overcapacity in certain industries or markets. As a result, the general economy in the PRC may grow at a lower-than-expected rate or even experience a downturn. This in turn could materially and adversely affect the Group's business, financial condition and results of operations.

***The Group competes in a highly competitive market environment***

The market for the Group's principal products is highly competitive, not just in major cities such as Guangzhou, Shanghai and Beijing but also in the second- and third-tier cities where international companies continue to expand into. The Group's key competitors are international companies such as Procter & Gamble, Kimberly-Clark, Uni-Charm, Johnson & Johnson and Asia Pulp and Paper which generally have greater product knowhow, financial resources and research and development capabilities, as well as established global brand recognition. These international companies are also able to capitalise on their overseas experience to compete in the PRC markets. The Group also faces competition from other established local personal hygiene product manufacturers such as Vinda in respect of some of its lower-end products. It may be necessary for the Group to lower prices on its products and increase spending on advertising and promotions due to increased competition, each of which could adversely affect the Group's financial results. There can be no assurance that the Group will be able to compete successfully in the future against its existing or potential competitors or that its products can compete successfully against new products that may be offered by its competitors. In addition, the Group incurs substantial development and marketing costs in introducing new and improved products and technologies. There is no guarantee that the Group will be successful in developing new and improved products and technologies necessary to compete successfully in the industry or that the Group will be successful in advertising, marketing and selling its products.

***The Group's results of operations and profitability may be adversely affected by failure to obtain raw materials in a timely manner or increases in the costs of raw materials, in particular, wood pulp, petrochemical raw materials and labour costs***

The Group consumes a large quantity of raw materials, including fluff pulp, wood pulp and petrochemicals in the production of its products. Raw materials costs are the largest component of operating costs for the Group. Sufficient quantities of fluff pulp, wood pulp and petrochemical raw materials need to be obtained in a timely manner. As a result, the operations of the Group are vulnerable to changes in the supply of these raw materials. Raw materials used by the Group are, and will continue

to be, sourced primarily from third party suppliers. In the event that the suppliers fail to meet their commitments or enter into agreements with the Group on commercially reasonable terms, and the Group is unable to locate alternative suppliers in a timely manner, the manufacturing processes of the Group could be disrupted and its manufacturing activities and operations could be materially and adversely affected. Any of the foregoing events could have a material adverse effect on the financial condition and results of operations of the Group.

The Group's results of operation and profitability are also affected by changes in the prices of raw materials. Although the prices of raw materials used in its manufacturing process such as fluff pulp, wood pulp and petrochemical products decreased in 2012, the prices of such raw materials had increased significantly in 2010 and 2011 and such price increases have led to increases in the production cost of the Group in 2010 and 2011. The increases in raw material prices, coupled with increasing labour costs, have had a negative impact on the profit margin of the Group's business. In addition, the Group does not hedge the prices of its raw materials. If costs of raw materials or labour rises, and if the Group is not able to compensate for these cost increases by undertaking cost saving measures elsewhere in its operations or by increasing the selling prices of products, the financial condition and results of operations of the Group may be materially and adversely affected.

***The Group's business is subject to manufacturing and capacity expansion risks***

The Group's operations are dependent on the continued operations of its production facilities. The Group may from time to time face production difficulties that may cause delivery delays or reduced output. There can be no assurance that the Group will not experience manufacturing problems in achieving acceptable output and/or product delivery delays in the future as a result of factors such as breakdowns or failures of equipment, capacity constraints, difficulties in upgrading or expanding existing facilities, or delays in delivery of equipment, any of which could result in a loss of future revenues or future net losses.

The Group has plans to increase its production capacity of tissue paper by approximately 360,000 tonnes and 120,000 tonnes respectively in 2014 and 2015, bringing the Group's total capacity of tissue paper to approximately 1,380,000 tonnes by 2015. If the Group fails to ramp up its production capacity in time to capture the increased demand for personal hygiene products in the PRC, its market share may diminish which could have a material adverse impact on the Group's competitiveness and prospects.

***Food safety and food-borne illness concerns may have an adverse effect on the Group's business***

Food safety issues have arisen in China which have adversely affected the sales of the Group's food products and such issues may continue to arise in the future. In April 2012, there were news reports that certain food products and medicine capsules were manufactured in China using industrial gelatine which adversely and materially affected the snack industry, especially the fruit jelly industry. Although the Group had not used defective raw materials in its production of jelly products and always endeavours to ensure food safety, the Group's annual revenue of jelly products fell by about 18.6% in 2012 compared to 2011. Although the revenue from the sale of the Group's other snack products increased in 2012, the overall revenue from the Group's sales of food and snacks products fell by approximately 10.1% in 2012 compared to 2011 to about HK\$1,387.5 million.

Any report or negative publicity linking the Group to instances of food-borne illness or other food safety issues, including food tampering or contamination, could adversely affect the Group's brands and reputation as well as its revenues and profits. Also, instances of food-borne illness, food tampering or food contamination occurring solely to food products of competitors could adversely affect the Group's sales as a result of negative publicity about the food industry generally. Food-borne illness, food tampering and food contamination could also be caused by raw material suppliers and, as a result, could be out of the Group's control. The occurrence of food-borne illnesses or food safety issues could also adversely affect the price and availability of affected ingredients, which could result in disruptions in the Group's supply chain and/or lower margins for the Group. In addition, there are recent news reports that the PRC government is considering amendments to the PRC Food Safety Law and while it is not yet known what these amendments will be, such amendments may increase the Group's compliance cost or otherwise adversely affect its operations and revenues.

***The Group has a significant amount of indebtedness containing financial covenants of which there is no assurance that it will be able to comply with***

The Group maintains a significant amount of indebtedness to finance its operations. As of 31 December 2012, the Group had total bank borrowings of approximately HK\$11.2 billion compared to HK\$7.2 billion as of 31 December 2011. A significant amount of debt of the Group is raised through offshore bilateral loan facilities that often contain various financial and other covenants which the Company and its subsidiaries are required to comply with, such as those relating to current ratios, interest coverage ratios, debt-to-equity ratios and tangible net worth ratios.

On 21 May 2013 the Company disclosed in an announcement relating to the proposed issue of the Bonds that upon issuance of the Bonds, the Company and/or its subsidiaries may potentially breach certain financial ratios contained in some of their existing offshore bilateral loan facilities. The Company also disclosed that completion of the offering of the Bonds is conditional upon, amongst other things, the Company and/or its subsidiaries obtaining the necessary consents, waivers and/or amendments from the lenders of such loan facilities or repaying such loan facilities. As of the date of this Offering Circular, the Company has obtained the necessary consents, waivers and/or amendments required to ensure that the indebtedness incurred from the issuance of the Bonds will not cause a breach of such financial covenants.

There is no assurance that the Group will in future be able to comply with their respective financial covenants or obtain waivers or remedy breaches of its financial covenants in a timely manner or at all. In particular, one of the intended use of proceeds from the issuance of the Bonds is to refinance a portion of the Group's bank borrowings. However, if the Group does not, or is not able to, repay a sufficient portion of its bank borrowings from the proceeds from the issuance of the Bonds, certain financial covenants contained in its loan agreements may be breached. In the event that the Company or any of its subsidiaries breaches such covenants, this could give rise to an event of default which entitles the Group's lenders to accelerate the loans. The loan facilities of the Group may also contain cross-default provisions which entitle the lenders to accelerate repayments under the respective loan facilities upon the occurrence of a default by the Company and/or any of their subsidiaries in their other borrowings. Any acceleration of indebtedness may have a significant effect on the Group's liquidity and may materially adversely affect the Group's financial condition, business and prospects.

***The Group may be unable to adequately protect its intellectual property rights which may substantially harm its business***

The Group regards its property rights as critical to its success and has obtained or applied for trademarks on various products. The Group also undertakes various measures to protect its intellectual property. However, policing unauthorised use of intellectual property rights is difficult and sometimes practically infeasible, and there is no assurance that the steps currently taken by the Group will prevent misappropriation or infringement of intellectual property rights of the Group.

The Group believes that the use of trademarks is important in establishing the Group's distinctive corporate brand and market identity. The possibility of passing off products with famous brand names and trademarks in the PRC remains a concern. Although there are indications that the PRC government has been tightening its control over intellectual property rights infringement, at least in major cities, any significant or uncontrolled infringement could have a material adverse effect on the reputation of the trademark and brand, the Group's business, financial condition and results of operations.

***The Group has significant reliance on key management and inability to attract and retain other qualified personnel could impair its ability to operate and grow successfully***

The Directors and the senior management of the Group possess substantial experience in business management and operation and have made a significant contribution to the development of the Group. The Group's daily operations depend significantly on the performance of its key management personnel. Many of the executive Directors of the Group have been working together since the establishment of the Group more than 20 years ago and have accumulated significant industry and management experience. After an initial term of three years, the executive Directors of the Company continue thereafter on an annual basis and the Group does not have insurance for loss of services of key employees. In the event that the Group loses the services of any of its key management personnel and fails to find suitable and competent replacements, the operations and profitability of the Group may be adversely affected.

The Group's future growth will also depend on its ability to attract and retain qualified administrative, manufacturing and sales personnel to manage its existing operations and future growth. Qualified individuals are in high demand and the Group may not be able to successfully attract, assimilate or retain the personnel it requires. Failure to attract and retain qualified personnel could have a negative impact on the Group's ability to maintain its competitive position and to grow its business.

***The interests of the Company's controlling shareholders may not be aligned with the Group's interests***

As of 31 December 2012, the Company's chairman Mr. Sze Man Bok and chief executive officer Mr. Hui Lin Chit (together, the "**Controlling Shareholders**") have interests in about 18.6% and 18.3% respectively of the Company's issued share capital. Consequently, the Controlling Shareholders are able to exercise substantial influence over matters requiring shareholders' approval, including election of Directors, approval of significant corporate transactions and approval of final dividend payments. In addition, Mr. Sze Man Bok's son, Mr. Sze Wong Kim, is an executive Director of the Company and Mr. Hui Lin Chit's son, Mr. Hui Ching Chi is also an executive Director of the Company. The strategic goals and interests of the Controlling Shareholders may not always be aligned with the Group's strategy and interests and could reduce the level of management flexibility that would otherwise exist with a more diversified shareholder base. The interests of the Controlling Shareholders may also differ from those of the holders of the Bonds.

***The Group has limited insurance coverage***

The Group is covered by insurance policies which substantially cover losses in respect of damage to its properties, inventories and facilities, and maintains insurance in respect of its motor vehicles and medical and employee insurance policies for some of its employees. However, the Group has not secured any product liability insurance, business interruption insurance, insurance for loss of senior management personnel or other key employees, or any third party liability insurance for claims in respect of personal injury or property damage arising from accidents on the Group's property or relating to the Group's operations or products. Production and sale of any product within the PRC is subject to the Product Quality Law of the PRC and the Group may be subject to product liability claims, suits and complaints incidental to its business, both in the PRC and in other jurisdictions. Although as at the date of this Offering Circular, there have been no material claims or complaints against the quality or safety standard of the products of the Group or incidental to its business, should the Group's products be found defective and/or should they cause proprietary damage or physical injury to any person, the Group may have to devote significant resources to defend such claims or to provide compensation. This may adversely affect the relationship of the Group with its customers leading to negative publicity and thus affecting the profitability of the Group. In addition, there may be circumstances in which the Group would not be covered or compensated by insurance in respect of losses, damages, claims and liabilities arising from or in connection with third party liability or the compensation from existing general insurance may not fully compensate the Group for actual losses, damages, claims and liabilities. There are also certain types of losses (such as from wars, acts of terrorism or acts of God and the loss of key management staff or other employees) that generally are not insured because they are either uninsurable or not economically insurable. These events could adversely affect the profitability of the Group.

There can be no assurance that the Group's insurance policies will adequately compensate it for losses or damages under any and all potential adverse circumstances. A successful claim made against the Group that is not covered by any of the Group's insurance policies or is in excess of its insurance coverage could have a material adverse effect on the Group's business, financial condition and results of operations.

***Any interruptions in the Group's operations due to suspension, damage, destruction or closure of key operational facilities could significantly affect the Group's activities***

The Group's key assets and operational facilities are primarily located in the PRC. Any interruption in, or prolonged suspension or closure of, any part of operations at such key operational facilities, or any damage to or destruction of such key assets or operational facilities could significantly affect the Group's activities. The Group's various facilities are subject to the risk of operational breakdowns or disruptions, which may result from external factors beyond the Group's control, including natural disasters and labour disputes.

Operational breakdowns or disruptions may also result from industrial accidents, such as faulty construction, technical failures and human errors, which may lead to fires, explosions or the release of toxic or harmful substances. Any accidents resulting from improper handling of these toxic or harmful materials may cause serious health and safety issues, or significant damage to its production facilities and production interruptions. Any interruptions in the Group's operations may prevent it from serving its customers, which may, in turn, result in breach of contract, loss of revenues, or expose it to liability, lawsuits and damage to its reputation, any of which could have a material adverse effect on its business, financial condition and results of operations. Under any of these events, the Group's existing insurance coverage may not adequately cover the losses it may incur.

***The Group is subject to environmental protection laws and failure to comply with such laws and regulations may render it subject to penalties, fines, proceedings and/or suspension of business***

The Group carries on its business in industries that are subject to PRC environmental protection laws and regulations. These laws and regulations require the Group to maintain and renew permits, complete environmental inspection procedures and adopt effective measures to control and properly dispose of waste materials, waste water and other environmental waste materials. Fines may be levied against manufacturers causing pollution in excess of permitted levels. If failure to comply with such laws or regulations results in environmental pollution, the administrative department for environmental protection can levy fines. There can be no assurance that the PRC government will not change the existing laws or regulations or impose additional or stricter laws or regulations, compliance with which may cause the Group to incur significant capital expenditure and costs and which may as a result cause a material adverse effect on the Group's financial condition.

## **RISKS RELATING TO THE PRC**

***The PRC's economic, political and social conditions, as well as government policies, could affect the Group's business***

The PRC economy differs from the economies of most developed countries in many respects, including:

- extent of government involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

While the PRC economy has experienced significant growth in the past 20 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy but may also have a negative effect on the Group's operations. For example, the Group's financial condition and operating results may be adversely affected by the PRC government's control over capital investments or any changes in tax regulations or foreign exchange controls that are applicable to it.

The PRC economy has been transitioning from a planned economy to a more market-orientated economy. Although in recent years the PRC government has implemented measures emphasising the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of productive assets in the PRC is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating the development of industries in the PRC by imposing top-down policies. It also exercises significant control over PRC economic growth through the allocation of resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. There is no assurance that future changes in the PRC's political, economic and social conditions, laws, regulations and policies will not have a material adverse effect on the Group's current or future business, results of operations or financial condition.



***A substantial portion of the Group's revenue is denominated in Renminbi, which is not freely convertible for capital account transactions and may be subject to exchange rate volatility***

A substantial portion of the Group's revenue is denominated in Renminbi and must be converted to pay dividends or make other payments in freely convertible currencies. Under the PRC's foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditure from trade, may be made in foreign currencies without prior approval, subject to certain procedural requirements. However, strict foreign exchange controls continue for capital account transactions, including repayment of loan principal and return of direct capital investments and investments in negotiable securities. In the past, there have been shortages of US dollars or other foreign currency available for conversion of Renminbi in the PRC, and it is possible such shortages could recur, or that restrictions on conversion could be re-imposed.

A substantial portion of the Group's revenue and a material portion of the associated operating costs are denominated in Renminbi, with the remaining portion of revenue and costs denominated in other currencies, primarily US dollars. As the exchange rate is no longer fixed, and is now allowed to fluctuate within a range around a central parity rate, future volatility of the Renminbi exchange rate may materially affect the Group's financial condition and results of operations. The Renminbi may appreciate or depreciate significantly in value against the U.S. dollar and/or HK dollar in the long term, depending on the fluctuation of the basket of currencies against which it is currently valued or it may be permitted to enter into a full float, which may also result in an appreciation or depreciation of the Renminbi against the U.S. dollar and/or HK dollar.

In 2012, the fluctuations in exchange rates between Renminbi, the US dollar (the denomination currency of the majority of the Group's imports of raw material and property, plant and equipment and bank borrowings) and the HK dollar (the denomination currency of Group's bank borrowings) resulted in a total exchange loss of approximately HK\$18.5 million. In 2011, fluctuations in such exchange rates resulted in a total exchange gain of about HK\$113.7 million.

***The legal system in the PRC is less developed than in certain other countries and laws in the PRC may not be interpreted and enforced in a consistent manner***

The PRC legal system is a civil law system. Unlike the common law system, the civil law system is based on written statutes in which decided legal cases have little value as precedents. Since 1979, the PRC government has begun to promulgate a comprehensive system of laws and has introduced many new laws and regulations to provide general guidance on economic and business practices in the PRC and to regulate foreign investment. Progress has been made in the promulgation of laws and regulations dealing with economic matters such as corporate organisation and governance, foreign investment, commerce, taxation and trade. The promulgation of changes to existing laws and the abrogation of local regulations by national laws could have a negative impact on the business and prospects of the Group. In addition, as these laws, regulations and legal requirements are relatively recent, their interpretation and enforcement may involve significant uncertainty. The interpretation of PRC laws may be subject to policy changes, which reflect domestic political changes. As the PRC legal system develops, the promulgation of new laws, changes to existing laws and the pre-emption of local regulations by national laws may have an adverse effect on the Group's prospects, financial condition and operating results.

***Changes in favourable tax treatment could affect the Group's business, financial condition and operating results***

The Company's subsidiaries incorporated in the PRC are subject to Corporate Income Tax ("CIT") at the rate of 25%. Some of the Company's subsidiaries are entitled to exemptions or reductions from the standard income tax rate according to the CIT law approved by the National People's Congress on 16 March 2007. To the extent there are any changes in, or withdrawals of, the Group's preferential tax treatment, or increases in the effective tax rate, the Group's tax liability would increase correspondingly. In addition, the PRC government from time to time adjusts or changes its policies on value-added, business, resources, fuel and oil and other taxes. Such adjustments or changes, together with any uncertainty resulting therefrom, could have an adverse effect on the Group's businesses, financial condition and results of operations.



***Profits from the Company's PRC operating subsidiaries available for distribution are determined under PRC GAAP***

The Group derives substantially all of its profits from the activities of its operating subsidiary companies established in the PRC. The profits available for distribution by the Company are therefore dependent, to a significant extent, on the profits available for distribution by the PRC subsidiaries to the Company. In turn, profits available for distribution by companies established in the PRC are determined in accordance with generally accepted accounting principles and financial regulations in the PRC ("PRC GAAP") which differs from HKFRS and IFRS in certain significant respects.

***The occurrence of another outbreak of a contagious disease could affect the Group's business, financial condition and operating results***

In 2003, there was an outbreak of Severe Acute Respirator System ("SARS") in Hong Kong, China and other Asian countries. The SARS outbreak had a significant adverse impact on the economies of many of the affected countries. There have also been sporadic outbreaks of the H5N1 and H7N9 virus or "Avian Influenza A" among birds, in particular poultry, as well as some isolated cases of transmission of the virus to humans. In 2009 and 2010, there have also been outbreaks among humans of the influenza A/H1N1 virus globally.

There can be no assurance that there will not be another significant outbreak of a highly contagious disease in Hong Kong or China in the future. If such an outbreak were to occur, it may have a material adverse impact on the business, financial condition or results of operations of the Group.

## **RISKS RELATING TO THE BONDS AND THE SHARES**

***An active trading market for the Bonds may not develop***

The Bonds are new securities for which there is currently no trading market. If the Bonds are allocated to a limited group of investors and a limited number of investors hold a significant proportion of the Bonds, liquidity will be restricted. Although approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST, no assurance can be given that an active trading market for the Bonds will develop or as to the liquidity or sustainability of any such market, or of the ability of holders to sell their Bonds or the price at which holders will be able to sell their Bonds. The Joint Lead Managers are not obliged to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time.

***The Company is a holding company and the Bonds will be effectively subordinated to all of the liabilities of its subsidiaries***

The Company is primarily a holding company that operates through subsidiaries. As a result, (i) its obligations under the Bonds will be effectively subordinated to all existing and future obligations of the existing or future subsidiaries and (ii) all claims of creditors of the existing or future subsidiaries, including trade creditors, lenders and all other creditors, and rights of holders of preferred shares of such entities (if any) will have priority as to the assets of such entities over the Company's claims and those of its creditors, including the holders of Bonds. As at 31 December 2012, the Group's consolidated bank borrowings amounted to approximately HK\$11,227.8 million, the majority of which were borrowed by the Company's subsidiaries. The Group may incur significant additional secured or unsecured indebtedness and other liabilities, including off-balance sheet obligations, for other purposes in the future subject to the terms of the Bonds.

***The Company's subsidiaries and affiliates may be restricted from paying dividends or repaying intercompany loans or advances***

As a holding company, the Company depends upon the receipt of dividends and the repayment of intercompany loans or advances from its subsidiaries to satisfy its obligations, including obligations under the Bonds. The ability of its subsidiaries to pay dividends and repay intercompany loans or advances from their shareholders (including the Company) is subject to applicable law, relevant shareholders' agreements or constitutive documents and restrictions contained in debt instruments of such subsidiaries.

The Company's subsidiaries are separate legal entities and have no obligation, contingent or otherwise, to pay any dividends or make any distributions to the Company or to otherwise pay amounts due with respect to its indebtedness, including the Bonds, or to make funds available for such payments. Accordingly, there can be no assurance that the Company will have sufficient cash flows from distributions by its subsidiaries and affiliates to satisfy its obligations in respect of the Bonds. Although the Company believes that it will be able to meet its obligations in respect of the Bonds, any shortfall would have to be made up from other sources of cash, such as a sale of investments or any financing available to the Company.

***The Company may not be able to redeem the Bonds upon the due date for redemption thereof***

The Company may, and at maturity will, be required to redeem all or, in the case of a Relevant Event (as defined in the Terms and Conditions of the Bonds) all or some only, of the Bonds. If such an event were to occur, the Company may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. The Company's failure to repay, repurchase or redeem tendered Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of the Company's other indebtedness.

***Holders will bear the risk of fluctuations in the price of the Shares***

The market price of the Bonds at any time will be affected by fluctuations in the price of the Shares. The Shares are currently listed on the Hong Kong Stock Exchange. There can be no certainty as to the effect, if any, that future issues or sales of the Shares, or the availability of such Shares for future issue or sale, will have on the market price of the Shares prevailing from time to time and therefore on the price of the Bonds.

Sales of substantial numbers of the Shares in the public market, or a perception in the market that such sales could occur, could adversely affect the prevailing market price of the Shares and the Bonds. The results of operations, financial condition, future prospects and business strategy of the Company could affect the value of the Shares. The trading price of the Shares will be influenced by the Company's operational results (which in turn are subject to the various risks to which its businesses and operations are subject, which are not described herein) and by other factors such as changes in the regulatory environment that may affect the markets in which the Company operates and capital markets in general. Corporate events such as share sales, reorganisations, takeovers or share buy-backs may also adversely affect the value of the Shares. Any decline in the price of the Shares would adversely affect the market price of the Bonds.

***Holders have limited anti-dilution protection***

The conversion price of the Bonds will be adjusted in the event that there is a change of control, sub-division, consolidation or re-denomination of the Shares, rights issue, bonus issue, reorganisation, capital distribution or other adjustment including an offer or scheme which affects Shares, but only in the circumstances and only to the extent provided in "Terms and Conditions of the Bonds — Conversion". There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Shares. Events in respect of which no adjustment is made may adversely affect the value of the Shares and, therefore, adversely affect the value of the Bonds.

***Bondholders have no shareholder rights before conversion***

Unless and until Bondholders acquire the Shares upon conversion of the Bonds, they will have no rights with respect to the Shares, including any voting rights or rights to receive any dividends or other distributions with respect to the Shares. Upon conversion of the Bonds, these holders will be entitled to exercise the rights of holders of the Shares only as to actions for which the applicable record date occurs after the date of conversion.

***The Trustee may request the holders of the Bonds to provide an indemnity and/or security and/or prefunding to its satisfaction***

In certain circumstances (including, without limitation, giving notice pursuant to Condition 10 of the Terms and Conditions of the Bonds and taking action pursuant to Condition 12 of the Terms and Conditions of the Bonds), the Trustee may (at its sole discretion) request the holders of the Bonds to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of the holders of the Bonds. The Trustee will not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed or in circumstances where there is uncertainty or dispute as to applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Bonds to take such actions directly.

## TERMS AND CONDITIONS OF THE BONDS

*The following (other than the words in italic) is the text of the Terms and Conditions of the Bonds which will appear on the reverse of each of the definitive certificates evidencing the Bonds:*

The issue of the HK\$5,434,000,000 aggregate principal amount of Zero Coupon Convertible Bonds due 2018 (the “**Bonds**”) and any further Bonds issued in accordance with Condition 15 and consolidated and forming a single series therewith) of Hengan International Group Company Limited (the “**Company**”) and the right of conversion into Shares (as defined in Condition 6(A)(v)) of the Company were authorised by a resolution of the Board of Directors of the Company passed on 20 May 2013. The Bonds are constituted by a trust deed (as amended or supplemented from time to time, the “**Trust Deed**”) to be dated on or about 27 June 2013 (the “**Issue Date**”) made between the Company and DB Trustees (Hong Kong) Limited as trustee for the holders of the Bonds (the “**Trustee**”, which term shall, where the context so permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Deed) and are subject to the paying and conversion agency agreement to be dated on or about 27 June 2013 (as amended or supplemented from time to time, the “**Agency Agreement**”) with the Trustee, Deutsche Bank AG, Hong Kong Branch as principal paying and conversion agent (the “**Principal Agent**”) and as transfer agent (the “**Transfer Agent**”), Deutsche Bank Luxembourg S.A. as registrar (the “**Registrar**”) and the other paying agents, conversion agents and transfer agents appointed under it (each a “**Paying Agent**”, a “**Conversion Agent**” or a “**Transfer Agent**”, as applicable, and together with the Registrar, the Transfer Agent and the Principal Agent, the “**Agents**”) relating to the Bonds. References to the “**Principal Agent**”, the “**Registrar**”, the “**Transfer Agent**” and the “**Agents**” below are references to the principal agent, the registrar, the transfer agent and the agents for the time being for the Bonds. The term “**Paying Agents**” includes the Principal Agent and the term “**Conversion Agents**” includes the Principal Agent. The term “**Transfer Agents**” includes the Transfer Agent and any other Transfer Agents appointed under the Agency Agreement. The statements in these terms and conditions (these “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed. Unless otherwise defined, terms used in these Conditions have the meaning specified in the Trust Deed. Copies of the Trust Deed and of the Agency Agreement are available for inspection at the registered office of the Trustee being at the date hereof at Level 52, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong and at the specified offices of the Principal Agent. The Bondholders are entitled to the benefit of the Trust Deed and are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

### 1. Status

The Bonds constitute direct, unsubordinated, unconditional and (subject to the provisions of Condition 5) unsecured obligations of the Company and the Bonds shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Company under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 5, at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations.

### 2. Form and Denomination

The Bonds are issued in registered form in the denomination of HK\$2,000,000 each or integral multiples of HK\$1,000,000 in excess thereof. A Bond certificate (each a “**Certificate**”) will be issued to each Bondholder in respect of its registered holding of Bonds. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders (the “**Register**”) which the Company will procure to be kept by the Registrar.

*Upon issue, the Bonds will be represented by a Global Certificate registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank S.A./N.V., as operator of the Euroclear System and Clearstream Banking, société anonyme. The Conditions are modified by certain provisions contained in the Global Certificate. Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.*

### 3. Title

Title to the Bonds passes only by transfer and registration in the Register as described in Condition 4. The holder of any Bond will (except as otherwise required by law) be treated as its absolute legal and beneficial owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Terms and Conditions “**Bondholder**” and (in relation to a Bond) “**holder**” means the person in whose name a Bond is registered.

### 4. Transfers of Bonds; Issue of Certificates

#### A. Register

The Company will cause the Register to be kept at the specified office of the Registrar outside Hong Kong and the United Kingdom and in accordance with the terms of the Agency Agreement on which shall be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers of the Bonds. Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

#### B. Transfer

Subject to Conditions 4(E) and 4(F) and the terms of the Agency Agreement, a Bond may be transferred by delivery of the Certificate issued in respect of that Bond, with the form of transfer on the back duly completed and signed by the holder or his attorney duly authorised in writing, to the specified office of the Registrar or any of the Transfer Agents, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer. Where not all the Bonds represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Bonds will be issued to the transferor. No transfer of title to a Bond will be valid or effective unless and until entered on the Register.

*Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.*

#### C. Delivery of New Certificates

Each new Certificate to be issued upon a transfer or (if applicable) conversion of Bonds will, within three business days (at the place of the relevant specified office) of receipt by the Registrar or, as the case may be, any other relevant Agent of the original Certificate and the form of transfer duly completed and signed, be made available for collection at the specified office of the Registrar or such other relevant Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds (free of charge to the holder and at the Company’s expenses) to the address specified in the form of transfer. The form of transfer is available at the specified office of the Principal Agent, the Registrar and any Transfer Agent.

*Except in the limited circumstances described herein (see “The Global Certificate”), owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates.*

Where only part of a principal amount of the Bonds (being that of one or more Bonds) in respect of which a Certificate is issued is to be transferred, exchanged or converted, a new Certificate in respect of the Bonds not so transferred, exchanged or converted will, within three business days (at the place of the relevant specified office) of delivery of the original Certificate to the Registrar or other relevant Agent, be made available for collection at the specified office of the Registrar or such other relevant Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred, exchanged or converted (but free of charge to the holder) to the address of such holder appearing on the Register.

For the purposes of Condition 4, “**business day**” shall mean a day other than a Saturday or Sunday on which commercial banks are open for business in the city in which the specified office of the Registrar (if a Certificate is deposited with it in connection with a transfer or conversion) or the relevant Agent with whom a Certificate is deposited in connection with a transfer or conversion, is located.

**D. Formalities Free of Charge**

Registration of a transfer of Bonds and issuance of new Certificates will be effected without charge by or on behalf of the Company or any of the Agents, but upon (i) payment (or the giving of such indemnity and/or security as the Company or any of the Agents may require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer; and (ii) the Company or the relevant Agent being satisfied that the regulations concerning transfer of Bonds have been complied with.

**E. Closed Periods**

No Bondholder may require the transfer of a Bond to be registered (i) during the period of seven days ending on (and including) the dates for payment of any principal pursuant to the Conditions; (ii) after a Conversion Notice (as defined in Condition 6(B)) has been delivered with respect to a Bond; or (iii) after a Relevant Event Redemption Notice (as defined in Condition 8(D)) or a Put Exercise Notice (as defined in Condition 8(E)) has been deposited in respect of such Bond, each such period being a “**Closed Period**”.

**F. Regulations**

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Company, with the prior written approval of the Trustee and the Registrar, or by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be mailed (free of charge to the holder and at the Company’s expenses) by the Registrar to any Bondholder who asks for one.

**5. Negative Pledge**

(a) *Negative Pledge*

The Company undertakes that, so long as any of the Bonds remains outstanding (as defined in the Trust Deed) or any amount is due under or in respect of any Bond or otherwise under the Trust Deed, it will not, and will procure that none of its subsidiaries will, create or permit to subsist or arise any Encumbrance upon the whole or any part of their respective present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness of the Company or any other subsidiary or associate of the Company or to secure any guarantee of or indemnity in respect of any such Relevant Indebtedness without at the same time or prior thereto securing the Bonds with the same Encumbrance equally and ratably or, at the option of the Company, by such other security as either (x) the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Bondholders or (y) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

(b) *Interpretation*

In these Conditions:

- (i) any reference to an “**Encumbrance**” is to a mortgage, charge, pledge, lien or other encumbrance or security interest securing any obligation of any person;
- (ii) any reference to “**Relevant Indebtedness**” is to any future and present indebtedness in the form of or represented by debentures, loan stock, bonds, notes, bearer participation certificates, depository receipts, certificates of deposit or other similar securities or instruments or by bills of exchange drawn or accepted for the purpose of raising money which are, or are issued with the intention on the part of the issuer or any other subsidiary or associate of the issuer thereof that they should be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or on any other securities market (whether or not initially distributed by way of private placement) but shall not include any future or present indebtedness having an initial maturity of one year or less; and
- (iii) any reference to a “**subsidiary**” or “**Subsidiary**” of any person is to any company or other business entity of which that person owns or controls (either directly or through one or more other



Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity or any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the Cayman Islands or Hong Kong law, regulations or generally accepted accounting principles from time to time, should have its accounts consolidated with those of that person.

## 6. Conversion

### A. Conversion Right

- (i) *Conversion Period:* Subject as hereinafter provided, Bondholders have the right to convert their Bonds into Shares at any time during the Conversion Period referred to below.

The right of a Bondholder to convert any Bond into Shares is called the “**Conversion Right**”. Subject to and upon compliance with, the provisions of this Condition, the Conversion Right attaching to any Bond may be exercised, at the option of the holder thereof, at any time on and after 7 August 2013 up to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on 20 June 2018 (but, except as provided in Condition 6(A)(iv), in no event thereafter) or if such Bond shall have been called for redemption by the Company before the Maturity Date (as defined in Condition 8(A)), then up to the close of business (at the place aforesaid) on a date no later than seven business days (at the place aforesaid) prior to the date fixed for redemption thereof (the “**Conversion Period**”).

Notwithstanding the foregoing, if the Conversion Date in respect of a Bond would otherwise fall during a period in which the register of shareholders of the Company is closed generally or for the purpose of establishing entitlement to any distribution or other rights attaching to the Shares (a “**Book Closure Period**”), such Conversion Date shall be postponed to the first Stock Exchange Business Day (as defined in Condition 6(B)) following the expiry of such Book Closure Period. If the Conversion Date in respect of the exercise of any Conversion Right is postponed as a result of the foregoing provision to a date that falls after the expiry of the Conversion Period or after the relevant redemption date, such Conversion Date shall be deemed to be the final day of such Conversion Period or the relevant redemption date, as the case may be.

The number of Shares to be issued on conversion of a Bond will be determined by dividing the principal amount of the Bond to be converted by the Conversion Price in effect at the Conversion Date (both as hereinafter defined). A Conversion Right may only be exercised in respect of one or more Bonds. If more than one Bond held by the same holder is converted at any one time by the same holder, the number of Shares to be issued upon such conversion will be calculated on the basis of the aggregate principal amount of the Bonds to be converted.

- (ii) *Fractions of Shares:* Fractions of Shares will not be issued on conversion and no cash adjustments will be made in respect thereof. However, if the Conversion Right in respect of more than one Bond is exercised at any one time such that Shares to be issued on conversion are to be registered in the same name, the number of such Shares to be issued in respect thereof shall be calculated on the basis of the aggregate principal amount of such Bonds being so converted and rounded down to the nearest whole number of Shares. Notwithstanding the foregoing, in the event of a consolidation or re-classification of Shares by operation of law or otherwise occurring after 20 May 2013 which reduces the number of Shares outstanding, the Company will upon conversion of Bonds pay in cash (in Hong Kong dollars by means of a Hong Kong dollar cheque drawn on a bank in Hong Kong) a sum equal to such portion of the principal amount of the Bond or Bonds evidenced by the Certificate deposited in connection with the exercise of Conversion Rights as corresponds to any fraction of a Share not issued as a result of such consolidation or re-classification aforesaid if such sum exceeds HK\$100.00. Any such sum shall be paid not later than three Stock Exchange Business Days (as defined in Condition 6(B)(i)) after the relevant Conversion Date by transfer to a Hong Kong dollar account with a bank in Hong Kong specified in the relevant Conversion Notice.
- (iii) *Conversion Price:* The price at which Shares will be issued upon conversion (the “**Conversion Price**”) will initially be HK\$120.0825 per Share but will be subject to adjustment in the manner provided in Conditions 6(C) and 6(D).



- (iv) *Revival and/or survival after Default*: Notwithstanding the provisions of Condition 6(A)(i), if (a) the Company shall default in making payment in full in respect of any Bond which shall have been called for redemption on the date fixed for redemption thereof, (b) any Bond has become due and payable prior to the Maturity Date by reason of the occurrence of any of the events under Condition 10 or (c) any Bond is not redeemed on the Maturity Date in accordance with Condition 8(A), the Conversion Right attaching to such Bond will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date upon which the full amount of the moneys payable in respect of such Bond has been duly received by the Principal Agent or the Trustee and notice of such receipt has been duly given to the Bondholders and, notwithstanding the provisions of Condition 6(A)(i), any Bond in respect of which the Certificate and Conversion Notice are deposited for conversion prior to such date shall be converted on the relevant Conversion Date (as defined below) notwithstanding that the full amount of the moneys payable in respect of such Bond shall have been received by the Principal Agent or the Trustee before such Conversion Date or that the Conversion Period may have expired before such Conversion Date.
- (v) *Meaning of "Shares"*: As used in these Conditions, the expression "**Shares**" means ordinary shares of par value HK\$0.10 each of the Company or shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Company.

#### **B. Conversion Procedure**

- (i) *Conversion Notice*: To exercise the Conversion Right attaching to any Bond, the holder thereof must complete, execute and deposit at his own expense during normal business hours during the Conversion Period at the specified office of any Conversion Agent a notice of conversion (a "**Conversion Notice**") in duplicate in the form (for the time being current) obtainable from the specified office of each Agent, together with the relevant Certificate and satisfactory evidence that any amounts required to be paid by the Bondholder under Condition 6(B)(ii) have been so paid.

The conversion date in respect of a Bond (the "**Conversion Date**") must fall at a time when the Conversion Right attaching to that Bond is expressed in these Conditions to be exercisable (subject to the provisions of Condition 6(A)(iv) above) and will be deemed to be the Stock Exchange Business Day (as defined below) immediately following the later of the date of the surrender of the Certificate in respect of such Bond and delivery of such Conversion Notice (if they are not delivered on the same day) and, if applicable, any payment to be made or indemnity given under these Conditions in connection with the exercise of such Conversion Right. A Conversion Notice deposited outside the hours specified above or on a day which is not a business day at the place of the specified office of the relevant Conversion Agent shall for all purposes be deemed to have been deposited with that Conversion Agent during the hours specified above on the next business day. A Conversion Notice once delivered shall be irrevocable and may not be withdrawn unless the Company consents to such withdrawal. Conversion Rights for each Bond may only be exercised in the denomination amount set out in Condition 2. "**Stock Exchange Business Day**" means any day (other than a Saturday or Sunday) on which The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") or the Alternative Stock Exchange (as defined in Condition 6(C) below), as the case may be, is open for trading of securities.

- (ii) *Stamp Duty etc.*: A Bondholder delivering a Certificate in respect of a Bond for conversion must pay directly to the relevant authorities any taxes and capital, stamp, issue and registration duties arising on conversion (other than any taxes or capital or stamp duties payable in the Cayman Islands, Hong Kong and, if relevant, in the place of the Alternative Stock Exchange, by the Company in respect of the allotment and issue of Shares and listing of the Shares on the Hong Kong Stock Exchange or the Alternative Stock Exchange on conversion) (the "**Taxes**") and such Bondholder must pay all, if any, taxes arising by reference to any disposal or deemed disposal of a Bond in connection with such conversion. The Company will pay all other expenses arising on the

issue of Shares on conversion of Bonds. The Bondholder (and, if applicable, the person other than the Bondholder to whom the Shares are to be issued) must declare in the relevant Conversion Notice that any Taxes payable pursuant to this Condition 6(B)(ii) have been paid. The Agent is under no obligation to determine whether a Bondholder is liable to pay or has paid any Taxes including capital, stamp, issue, registration or similar taxes and duties or the amounts payable (if any) in connection with this Condition 6(B)(ii) or to investigate or verify the correctness of any such declaration by a Bondholder.

- (iii) *Registration:* As soon as practicable, and in any event not later than five Stock Exchange Business Days after the Conversion Date, the Company will, in the case of Bonds converted on exercise of the Conversion Right and in respect of which a duly completed Conversion Notice has been delivered and the relevant Certificate and amounts payable, and if applicable, indemnity given by the relevant Bondholder deposited as required by Conditions 6(B)(i) and 6(B)(ii), register the person or persons designated for the purpose in the Conversion Notice as holder(s) of the relevant number of Shares in the Company's share register in Hong Kong and will, if the Bondholder has also requested in the Conversion Notice and to the extent permitted under applicable law and the rules and procedures of the Central Clearing and Settlement System of Hong Kong ("CCASS") effective from time to time, take all necessary actions to procure that Shares are delivered through CCASS for so long as the Shares are listed on the Hong Kong Stock Exchange; or will make such certificate or certificates available for collection at the office of the Company's share registrar in Hong Kong (currently Tricor Abacus Ltd.) notified to Bondholders in accordance with Condition 16 or, if so requested in the relevant Conversion Notice, will cause its share registrar to mail (at the risk, and, if sent at the request of such person otherwise than by ordinary mail, at the expense, of the person to whom such certificate or certificates are sent) such certificate or certificates to the person and at the place specified in the Conversion Notice, together (in either case) with any other securities, property or cash required to be delivered upon conversion and such assignments and other documents (if any) as may be required by law to effect the transfer thereof, in which case a single certificate will be issued in respect of all Shares issued on conversion of Bonds subject to the same Conversion Notice and which are to be registered in the same name.

If the Conversion Date in relation to any Bond shall be on or after the record date for any issue, distribution, grant, offer or other event as gives rise to the adjustment of the Conversion Price pursuant Condition 6(C), but before the relevant adjustment becomes effective under the relevant Condition (a "**Retroactive Adjustment**") upon the relevant adjustment becoming effective the Company shall procure the issue to the converting Bondholder (or in accordance with the instructions contained in the Conversion Notice (subject to applicable exchange control or other laws or other regulations)), such additional number of Shares ("**Additional Shares**") as, together with the Shares issued or to be issued on conversion of the relevant Bond, is equal to the number of Shares which would have been required to be issued on conversion of such Bond if the relevant adjustment to the Conversion Price had been made and become effective on or immediately after the relevant record date.

The person or persons designated in the Conversion Notice will become the holder of record of the number of Shares issuable upon conversion with effect from the date he is or they are registered as such in the Company's register of members (the "**Registration Date**"). The Shares issued upon conversion of the Bonds will be fully paid and will in all respects rank *pari passu* with the Shares in issue on the relevant Registration Date. Save as set out in these Conditions, a holder of Shares issued on conversion of Bonds shall not be entitled to any rights the record date for which precedes the relevant Registration Date.

If the record date for the payment of any dividend or other distribution in respect of the Shares is on or after the Conversion Date in respect of any Bond, but before the Registration Date (disregarding any retroactive adjustment of the Conversion Price referred to in this Condition 6(B)(iii) prior to the time such retroactive adjustment shall have become effective), the Company will calculate and pay to the converting Bondholder or his designee an amount (the "**Equivalent Amount**") in Hong Kong dollars equal to the Fair Market Value (as defined below) of any such dividend or other distribution to which he would have been entitled had he on that record date been

such a shareholder of record and will make the payment at the same time as it makes payment of the dividend or other distribution, or as soon as practicable thereafter, but, in any event, not later than seven days thereafter. The Equivalent Amount shall be paid by means of a Hong Kong dollar cheque drawn on a bank in Hong Kong and sent to the address specified in the relevant Conversion Notice.

**C. Adjustments to Conversion Price**

The Conversion Price will be subject to adjustment in the following events as set out as follows:

- (1) *Consolidation, Subdivision or Reclassification:* If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

Where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

- (2) *Capitalisation of Profits or Reserves:*

- (i) If and whenever the Company shall issue any Shares credited as fully paid to the holders of Shares (“**Shareholders**”) by way of capitalisation of profits or reserves (including any share premium account) including, Shares paid up out of distributable profits or reserves and/or share premium account issued (except any Scrip Dividend) and which would not have constituted a Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

Where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

- (ii) In the case of an issue of Shares by way of a Scrip Dividend where the Current Market Price of such Shares exceeds the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A is the aggregate nominal amount of the issued Shares immediately before such issue;

B is the aggregate nominal amount of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend and (ii) the denominator is the Current Market Price of the Shares issued by way of Scrip Dividend in respect of each existing Share in lieu of the whole, or the relevant part, of the Relevant Cash Dividend; and

C is the aggregate nominal amount of Shares issued by way of such Scrip Dividend.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

(3) *Distributions:*

- (i) Subject to Condition 6(C)(3)(ii), if and whenever the Company shall pay or make any Distribution to the Shareholders (except to the extent that the Conversion Price falls to be adjusted under Condition 6(C)(2) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

A is the Current Market Price of one Share on the last Trading Day preceding the date on which the Distribution is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the Distribution attributable to one Share.

Such adjustment shall become effective on the date that such Distribution is actually made or, if later, the first date upon which the Fair Market Value of the Distribution is capable of being determined as provided in these Conditions.

- (ii) If and whenever the Company shall pay or make any Distribution in cash only to the Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

A is the Current Market Price of one Share on the record date for the determination of Shareholders entitled to receive such Distribution in cash; and

B is the amount of cash so distributed attributable to one Share.

Such adjustment shall become effective on the record date for the determination of Shareholders entitled to receive such Distribution in cash.

When the Distribution is made in cash to the Shareholders, only such portion of cash dividend or distribution which, when taken together with any other cash dividend previously made or paid in respect of the same fiscal year, exceeds the 70 per cent. of the consolidated net profits attributable to shareholders after deducting minority interests and tax as referred to in paragraph (i) of the definition of Distribution (the "excess portion") shall be regarded as Distribution and only the excess portion shall be taken into account in the determination of Fair Market Value of the portion of Distribution attributable to one share.

- (4) *Rights Issues of Shares or Options over Shares:* If and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, of options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares, in each case at less than 95 per cent. of the Current Market Price per Share on the last Trading Day preceding the date of the announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the number of Shares in issue immediately before such announcement;
- B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued by way of rights and for the total number of Shares comprised therein would subscribe for, purchase or otherwise acquire at such Current Market Price per Share; and
- C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the first date on which the Shares are traded ex-rights, ex-options or ex-warrants (as the case may be) on the relevant Stock Exchange.

- (5) *Rights Issues of Other Securities:* If and whenever the Company shall issue any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all or substantially all Shareholders as a class by way of rights or grant to all or substantially all Shareholders as a class by way of rights, of options, warrants or other rights to subscribe for or purchase any securities (other than Shares or options, warrants or other rights to subscribe or purchase Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price of one Share on the last Trading Day preceding the date on which such issue or grant is publicly announced; and
- B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the first date on which the Shares are traded ex-rights, ex-options or ex-warrants (as the case may be) on the relevant Stock Exchange.

- (6) *Issues at less than Current Market Price:* If and whenever the Company shall issue (otherwise than as mentioned in Condition 6(C)(4) above) any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or the issue or grant (otherwise than as mentioned in Condition 6(C)(4) above) of options, warrants or other rights to subscribe or purchase or otherwise acquire Shares (other than the Bonds) in each case at a price per Share which is less than 95 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the terms of such issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{C}$$

Where:

- A is the number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for or purchase any Shares;
- B is the number of Shares which the aggregate consideration receivable for the issue of such additional Shares would subscribe for, purchase or otherwise acquire at such Current Market Price per Share; and
- C is the number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue by the Company of options, warrants or other rights to subscribe or purchase Shares, mean such Shares to be issued, or otherwise made available, assuming that such options, warrants or other rights are exercised in full at the initial exercise price (if applicable) on the date of issue or grant of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the issue of such options, warrants or other rights.

- (7) *Other Issues at less than Current Market Price:* Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this Condition 6(C)(7), if and whenever the Company or any of its Subsidiaries (otherwise than as mentioned in Conditions 6(C)(4), 6(C)(5) or 6(C)(6)), or (at the direction or request of or pursuant to any arrangements with the Company or any of its Subsidiaries) any other company, person or entity shall issue any securities (other than the Bonds which term shall for this purpose exclude any further Bonds issued pursuant to Condition 15) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company on conversion, exchange or subscription at a consideration per Share which is less than 95 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the number of Shares in issue immediately before such issue;
- B is the number of Shares which the aggregate consideration (if any) receivable by the Company for the Shares to be issued, or otherwise made available, on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and



C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities

- (8) *Modification of Rights of Conversion etc.:* If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities (other than the Bonds, which term shall for this purpose include any further Bonds issued pursuant to Condition 15) as are mentioned in Condition 6(C)(7) (other than in accordance with the terms of such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 95 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

A is the number of Shares in issue immediately before such modification;

B is the number of Shares which the aggregate consideration (if any) receivable by the Company for the Shares to be issued, or otherwise made available, on conversion or exchange or on exercise of the right of subscription attached to the securities, in each case so modified, would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price of such securities; and

C is the maximum number of Shares to be issued, or otherwise made available, on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Independent Investment Bank, consider appropriate (if at all) for any previous adjustment under this Condition 6(C)(8) or Condition 6(C)(7).

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

- (9) *Other Offers to Shareholders:* If and whenever the Company or any of its Subsidiaries or (at the direction or request of or pursuant to any arrangements with the Company or any of its Subsidiaries) any other company, person or entity issues, sells or distributes any securities in connection with which an offer to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under Condition 6(C)(4), Condition 6(C)(5), Condition 6(C)(6) or Condition 6(C)(7)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A - B}{A}$$

Where:

A is the Current Market Price of one Share on the last Trading Day preceding the date on which such issue is publicly announced; and



B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities.

- (10) *Other Events*: If the Company determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in this Condition 6, the Company shall, at its own expense, consult an Independent Investment Bank, to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination by the Independent Investment Bank such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that where the circumstances giving rise to any adjustment pursuant to this Condition 6 have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 6 as may be advised by the Independent Investment Bank to be in their opinion appropriate to give the intended result.

For the purposes of these Conditions:

“**Alternative Stock Exchange**” means at any time, in the case of the Shares, if they are not at that time listed and traded on the Hong Kong Stock Exchange, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in.

“**Closing Price**” for the Shares for any Trading Day shall be the price published in the Daily Quotation Sheet published by the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange for such day.

“**Current Market Price**” means, in respect of a Share at a particular date, the average of the Closing Prices for one Share (being a Share carrying full entitlement to dividend) for the ten consecutive Trading Days ending on the Trading Day immediately preceding such date, provided that if at any time during the said ten Trading Day period the Shares shall have been quoted ex-dividend and during some other part of that period the Shares shall have been quoted cum-dividend then:

- (i) if the Shares to be issued in such circumstances do not rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that dividend per Share; or
- (ii) if the Shares to be issued in such circumstances rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by the Fair Market Value of that dividend per Share;

and provided further that if the Shares on each of the said ten Trading Days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares to be issued do not rank for that dividend, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that dividend per Share.

**“Distribution”** means any dividend or distribution (whether of cash or assets in specie) by the Company for any financial period (whenever paid or made and however described) (and for these purposes a distribution of assets in specie includes without limitation an issue of shares or other securities credited as fully or partly paid (other than Shares credited as fully paid to the extent an adjustment to the Conversion Price is made in respect thereof under Condition 6(C)(2)(i)) by way of capitalisation of reserves and including any Scrip Dividend to the extent of the Relevant Cash Dividend) but excluding (i) in the case of a Relevant Cash Dividend, where such cash dividend does not, when taken together with any other cash dividend previously made or paid in respect of the same fiscal year exceed 70 per cent. of the consolidated net profits attributable to shareholders after deducting minority interests and tax for that fiscal year in respect of which the Relevant Cash Dividend is made, calculated by reference to the audited consolidated income statement for such fiscal year of the Company and its Subsidiaries; and (ii) in the case of a purchase or redemption of Shares by or on behalf of the Company (or a purchase of Shares by or on behalf of a Subsidiary of the Company), where the weighted average price (before expenses) on any one day in respect of such purchases does not exceed the Current Market Price of the Shares as published in the Daily Quotation Sheet of the Hong Kong Stock Exchange or the equivalent quotation sheet of an Alternative Stock Exchange, as the case may be, by more than five per cent. either (1) on that date, or (2) where an announcement has been made of the intention to purchase Shares at some future date at a specified price, on the Trading Day immediately preceding the date of such announcement and, if in the case of either (1) or (2), the relevant day is not a Trading Day, the immediately preceding Trading Day.

In making any such calculation, such adjustments (if any) shall be made as an Independent Investment Bank may consider appropriate to reflect (a) any consolidation or subdivision of the Shares, (b) issues of Shares by way of capitalisation of profits or reserves, or any like or similar event or (c) the modification of any rights to dividends of Shares.

**“Fair Market Value”** means, with respect to any assets, security, option, warrants or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Investment Bank, provided that (i) the fair market value of a cash dividend paid or to be paid per Share shall be the amount of such cash dividend per Share determined as at the date of announcement of such dividend; (ii) where options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such investment banks) the fair market value of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five trading days on the relevant market commencing on the first such trading day such options, warrants or other rights are publicly traded.

**“Independent Investment Bank”** means an independent investment bank of international repute (acting as expert) selected by the Company and approved by the Trustee.

**“Relevant Cash Dividend”** means any cash dividend specifically declared by the Company.

**“Scrip Dividend”** means any Shares issued in lieu of the whole or any part of any Relevant Cash Dividend being a dividend which the Shareholders concerned would or could otherwise have received and which would not have constituted a Distribution (and for the avoidance of doubt to the extent that no adjustment is to be made under Condition 6(C)(3) in respect of the amount by which the Current Market Price of the Shares exceeds the Relevant Cash Dividend or part thereof).

**“Trading Day”** means a day when the Hong Kong Stock Exchange or, as the case may be, an Alternative Stock Exchange, is open for dealing business, provided that if no Closing Price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not have existed when ascertaining any period of dealing days.

On any adjustment, the relevant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong cent. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and any amount by which the Conversion Price has not been rounded down, shall be carried forward and taken into account in any subsequent adjustment. Notice of any adjustment shall be given by the Company to Bondholders in accordance with Condition 16 as soon as practicable after the determination thereof.

If, at the time of computing an adjustment (the “**later adjustment**”) of the Conversion Price pursuant to any of Conditions 6(C)(2), 6(C)(5), 6(C)(6), 6(C)(9) and 6(C)(10), the Conversion Price already incorporates an adjustment made to reflect an issue of Shares or of securities convertible into or exchangeable for Shares or of rights or warrants to subscribe for or purchase Shares or securities, to the extent that the number of such Shares or securities taken into account for the purposes of calculating such adjustment exceeds the number of such Shares in issue at the time relevant for ascertaining the number of outstanding Shares for the purposes of computing the later adjustment, such excess Shares shall be deemed to be outstanding for the purposes of making such computation.

The Conversion Price may not be reduced so that, on conversion of Bonds, Shares would fall to be issued at a discount to their par value or would be required to be issued in any other circumstances not permitted by applicable laws then in force in the Cayman Islands.

Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of an Independent Investment Bank, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such independent investment bank to be in their opinion appropriate in order to give such intended result. No adjustment will be made to the Conversion Price when Shares or other securities (including rights or options) are issued, offered or granted to employees (including directors) of the Company or any Subsidiary of the Company pursuant to any Employee Share Scheme (as defined in the Trust Deed) (and which Employee Share Scheme is in compliance with the listing rules of the Hong Kong Stock Exchange or, if applicable, those of an Alternative Stock Exchange).

No adjustment will be made to the Conversion Price when Shares or other securities (including rights or options) are issued, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of, employees (including directors) of the Issuer or any of its Subsidiaries pursuant to any employee share scheme or plan (and which employee share scheme or plan is in compliance with the listing rules of the Hong Kong Stock Exchange or, if applicable, the Alternative Stock Exchange) (“**Share Scheme Options**”).

No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation of the Shares as referred to in Condition 6(C)(1) above.

Unless so required by applicable law or regulation, the listing rules of the Hong Kong Stock Exchange (or, if applicable, the Alternative Stock Exchange) or in order to establish a dividend or other rights attaching to the Shares or entitlements of the Shareholders, the Issuer shall (i) not close its register of members or take any other action which prevents the transfer of its Shares generally, (ii) ensure that the Bonds may be converted legally and the Shares issued on conversion may (subject to any limitation imposed by law and the articles of association of the Issuer) be transferred (as between transferor and transferee although not as against the Company) at all times while the register is closed or such other action is effective (iii) not take any action which prevents the conversion of the Bonds or the issue of Shares in respect of them, subject to any limitation imposed by these Conditions.

Neither the Trustee nor any Agent shall be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price, and neither the Trustee nor any Agent will be responsible to Bondholders for any loss arising from any failure by it to do so.

#### **D. Conversion Upon Change of Control**

If a Change of Control (as defined in Condition 8(D)) shall have occurred, the Company shall give notice of that fact to the Bondholders (the “**Change of Control Notice**”) in accordance with Condition 16 within five days after it becomes aware of such Change of Control. Following the giving of a Change of Control Notice, upon any exercise of Conversion Rights such that the relevant Conversion Date falls within 30 days following a Change of Control, or, if later, 30 days following the date on which the Change of Control Notice is given to Bondholders (such period, the “**Change of Control Conversion Period**”), the Conversion Price shall be adjusted in accordance with the following formula:

$$\text{NCP} = \frac{\text{OCP}}{1+(\text{CP} \times c/t)}$$

Where:

NCP is the Conversion Price after such adjustment.

OCP is the Conversion Price in force immediately before such adjustment, and for the avoidance of doubt, OCP for the purposes of this Condition 6(D) shall be the Conversion Price applicable on the relevant Conversion Date in respect of any conversion pursuant to this Condition 6(D).

Conversion Premium (“CP”) is 35.0 per cent. expressed as a fraction.

c is the number of days from and including the first day of the Change of Control Conversion Period to but excluding 27 June 2018.

t is the number of days from and including 27 June 2013 to but excluding 27 June 2018.

provided that the Conversion Price shall not be reduced pursuant to this Condition 6(D) below the level permitted by applicable laws and regulations from time to time (if any).

If the last day of a Change of Control Conversion Period shall fall during a Closed Period, the Change of Control Conversion Period shall be extended such that its last day will be the fifteenth day following the last day of the Closed Period.

#### **E. Undertakings**

The Company has undertaken in the Trust Deed, inter alia, that so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders:

- (i) it will use its best endeavours (a) to maintain a listing for all the issued Shares on the Hong Kong Stock Exchange, and (b) to obtain and maintain a listing for all the Shares issued on the exercise of the Conversion Rights attaching to the Bonds on the Hong Kong Stock Exchange, and if the Company is unable to obtain or maintain such listing, to use its best endeavours to obtain and maintain a listing for all the issued Shares on an Alternative Stock Exchange as from time to time selected by the Company and approved by the Trustee and will forthwith give notice to the Bondholders in accordance with Condition 16 below of the listing or delisting of the Shares (as a class) by any of such stock exchange; and
- (ii) it will pay the expenses of the issue of, and all expenses of obtaining listing for, Shares arising on conversion of the Bonds.

The Company has also given certain other undertakings in the Trust Deed for the protection of the Conversion Rights.

## **F. *Notice of Change in Conversion Price***

The Company shall give notice to the Bondholders in accordance with Condition 16 of any change in the Conversion Price. Any such notice relating to a change in the Conversion Price shall set forth the event giving rise to the adjustment, the Conversion Price prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.

## **7. *Payments***

### **A. *Principal***

Payment of principal and premium will be made by transfer to the registered account of the Bondholder or by Hong Kong dollar cheque drawn on a bank in Hong Kong mailed to the registered address of the Bondholder in accordance with Condition 16 if it does not have a registered account. Payment of principal and premium will only be made after surrender of the relevant Certificate at the specified office of any of the Agents.

References in these Conditions, the Trust Deed and the Agency Agreement to principal and premium in respect of any Bond shall, where the context so permits, be deemed to include a reference to any premium payable thereon.

### **B. *Registered Accounts***

For the purposes of this Condition 7, a Bondholder's registered account means the Hong Kong dollar account maintained by or on behalf of it with a bank in Hong Kong, details of which appear on the Register at the close of business on the second business day (as defined below) before the due date for payment, and a Bondholder's registered address means its address appearing on the Register at that time.

### **C. *Fiscal Laws***

All payments are subject in all cases to any applicable laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

### **D. *Payment Initiation***

Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a business day (as defined below), for value on the first following day which is a business day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder) on the due date for payment (or, if it is not a business day, the immediately following business day) or, in the case of a payment of principal, if later, on the business day on which the relevant Certificate is surrendered at the specified office of an Agent.

### **E. *Default Interest and Delay In Payment***

If the Company fails to pay any sum in respect of the Bonds when the same becomes due and payable under these Conditions, interest shall accrue on the overdue sum at the rate of 5 per cent. per annum from the due date. Such default interest shall accrue on the basis of the actual number of days elapsed and a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a business day, if the Bondholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

### **F. *Business Day***

In this Condition 7 and Condition 10, "**business day**" means a day other than a Saturday or Sunday on which commercial banks are open for business in Hong Kong and, in the case of the surrender of a Certificate, in the place where the Certificate is surrendered. If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

## 8. Redemption, Purchase and Cancellation

### A. Maturity

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company will redeem each Bond at 110.46 per cent. of its principal amount on 27 June 2018 (the “**Maturity Date**”). The Company may not redeem the Bonds at its option prior to that date except as provided in Condition 8(B) or Condition 8(C) below (but without prejudice to Condition 10).

### B. Redemption at the Option of the Company

At any time after 27 June 2016 and prior to the Maturity Date, the Company may, having given not less than 30 nor more than 60 days’ notice to the Bondholders, the Trustee and the Principal Paying Agent (which notice will be irrevocable), redeem all and not some only of the Bonds at a redemption price equal to the Early Redemption Amount on the date fixed for the redemption, provided, however, that no such redemption may be made unless the Closing Price of a Share for each of the 30 consecutive Trading Days, the last day of such 30-Trading Day period falls within five Trading Days prior to the date upon which notice of such redemption is given was at least 130 per cent. of the applicable Early Redemption Amount in effect on such Trading Day divided by the Conversion Ratio (as defined below).

The Company may, having given not less than 30 nor more than 60 days’ notice to the Bondholders, the Trustee and the Principal Agent (which notice will be irrevocable), redeem all and not some only of the Bonds at a redemption price equal to the Early Redemption Amount on the date fixed for the redemption if at any time at least 90 per cent. in principal amount of the Bonds originally issued has already been converted, redeemed or purchased and cancelled.

For the purposes of these Conditions:

“**Conversion Ratio**” means the principal amount of each Bond divided by the applicable Conversion Price.

The “**Early Redemption Amount**” of a Bond, for each HK\$1,000,000 principal amount of the Bonds, is determined so that it represents for the Bondholder a gross yield of 2.00 per cent. per annum, calculated on a semi-annual basis. The applicable Early Redemption Amount for each HK\$1,000,000 principal amount of Bonds is calculated in accordance with the following formula, rounded (if necessary) to two decimal places with 0.005 being rounded upwards (provided that if the date fixed for redemption is the Semi-Annual Date (as set out below), such Early Redemption Amount shall be as set out in the table below in respect of such Semi-Annual Date):

$$\text{Early Redemption Amount} = \text{Previous Redemption Amount} \times (1 + r/2)^{d/p}$$

Previous Redemption Amount = the Early Redemption Amount for each HK\$1,000,000 principal amount of the Bonds on the Semi-Annual Date immediately preceding the date fixed for redemption as set out below (or if the Bonds are to be redeemed prior to 27 December 2013, HK\$1,000,000):

Semi-Annual Date	Early Redemption Amount (HK\$)
27 December 2013	1,010,000.00
27 June 2014	1,020,100.00
27 December 2014	1,030,301.00
27 June 2015	1,040,604.01
27 December 2015	1,051,010.05
27 June 2016	1,061,520.15
27 December 2016	1,072,135.35
27 June 2017	1,082,856.71
27 December 2017	1,093,685.27



r = 2.00 per cent. expressed as a fraction.

d = number of days from and including the immediately preceding Semi-Annual Date (or if the Bonds are to be redeemed on or before 27 December 2013, from and including the Closing Date) to, but excluding, the date fixed for redemption, calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

p = 180

The term “**Trading Day**” means a day on which the Hong Kong Stock Exchange is open for business.

**C. Redemption for Taxation Reasons**

- (i) At any time the Company may, having given not less than 30 nor more than 60 days’ notice (a “**Tax Redemption Notice**”) to the Bondholders in accordance with Condition 16 (which notice shall be irrevocable) redeem all, and not some only, of the Bonds at a redemption price equal to the Early Redemption Amount on the date of redemption if (i) the Company satisfies the Trustee immediately prior to the giving of such notice that the Company has or will become obliged to pay additional amounts as referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or, as the case may be, Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 20 May 2013, and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such additional amounts were a payment in respect of the Bonds then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Company shall deliver to the Trustee (a) certificate signed by two directors of the Company stating that the obligation referred to in (i) above of this Condition 8(C)(i) cannot be avoided by the Company taking reasonable measures available to it and (b) an opinion of independent legal or tax advisors of recognised standing to the effect that such change or amendment has occurred (irrespective of whether such amendment or change is then effective) and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence thereof in which event it shall be conclusive and binding on the Bondholders. Upon the expiry of any such notice, the Company will be bound to redeem the Bonds at their Early Redemption Amount.
- (ii) If the Company gives a Tax Redemption Notice pursuant to Condition 8(C)(i), each Bondholder will have the right to elect that his Bond(s) shall not be redeemed and that the provisions of Condition 9 shall not apply in respect of any payment of principal or premium to be made in respect of such Bond(s) which falls due after the relevant Tax Redemption Date whereupon no additional amounts shall be payable in respect thereof pursuant to Condition 9 and payment of all amounts shall be made subject to the deduction or withholding of any tax required to be deducted or withheld. To exercise a right pursuant to this Condition 8(C)(ii), the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice of exercise, in the form for the time being current, obtainable from the specified office of any Paying Agent (the “**Tax Option Exercise Notice**”) together with the Certificate evidencing the Bonds on or before the day falling 10 days prior to the Tax Redemption Date. A Tax Option Exercise Notice, once delivered, shall be irrevocable and may not be withdrawn unless with the Company’s prior written consent.



#### **D. Redemption for Delisting or Change of Control**

Following the occurrence of a Relevant Event (as defined below), the holder of each Bond will have the right at such holder's option, to require the Company to redeem all or some only of that holder's Bonds on the Relevant Event Redemption Date (as defined below) at their Early Redemption Amount. To exercise such right, the holder of the relevant Bond must complete, sign and deposit during normal business hours at the specified office of the Principal Agent or any other Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of the Principal Agent or any other Paying Agent (the "**Relevant Event Redemption Notice**") together with the Certificate evidencing the Bonds to be redeemed by not later than 60 days following a Relevant Event, or, if later, 60 days following the date upon which notice thereof is given to Bondholders by the Company in accordance with Condition 16. The "**Relevant Event Redemption Date**" shall be the 14th day after the expiry of such period of 60 days as referred to above.

A Relevant Event Redemption Notice, once delivered, shall be irrevocable (and may not be withdrawn unless the Company consents to such withdrawal) and the Company shall redeem the Bonds the subject of Relevant Event Redemption Notices delivered as aforesaid on the Relevant Event Redemption Date.

The Trustee shall not be required to take any steps to ascertain whether a Relevant Event or any event which could lead to the occurrence of a Relevant Event has occurred and will not be responsible to Bondholders for any loss arising from any failure by it to do so.

The Company shall give notice to Bondholders in accordance with Condition 16 by not later than 14 days following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition and shall give brief details of the Relevant Event.

A "**Relevant Event**" occurs:

- (i) when the Shares cease to be listed or admitted to trading or suspended for a period equal to or exceeding 30 consecutive Trading Days on the Hong Kong Stock Exchange or, if applicable, the Alternative Stock Exchange; or
- (ii) when there is a Change of Control.

For the purposes of this Condition 8(D):

"**Control**" means the acquisition, beneficial ownership or control of more than 50 per cent. of the voting rights of the issued share capital of the Company or the right to appoint and/or remove all or the majority of the members of the Company's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;

a "**Change of Control**" occurs when:

- (i) any Person or Persons acting together (other than the Controlling Shareholders (as defined in the Listing Rules of the Hong Kong Stock Exchange) as at the Closing Date) acquires Control of the Company;
- (ii) the Company consolidates with or merges into or sells or transfers all or substantially all of the Company's assets to any other Person, unless the consolidation, merger, sale or transfer will not result in the other Person or Persons acquiring Control over the Company or the successor entity; or
- (iii) one or more Persons (other than any Person referred to in sub-paragraph (i) above) acquires the legal or beneficial ownership of all or substantially all of the Company's issued share capital.

“**Person**” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Company’s directors or any other governing board and does not include the Company’s wholly-owned direct or indirect subsidiaries.

**E. *Redemption at the Option of the Bondholders***

On 27 June 2016 (the “**Put Option Date**”), the holder of each Bond will have the right at such holder’s option, to require the Company to redeem all or some only of the Bonds of such holder on the Put Option Date at 106.15 per cent. of their principal amount. To exercise such right, the holder of the relevant Bond must complete, sign and deposit during normal business hours at the specified office of the Principal Agent or any other Paying Agent a duly completed and signed notice of redemption, in the then current form obtainable from the specified office of the Principal Agent or any other Paying Agent (“**Put Exercise Notice**”) together with the Certificate evidencing the Bonds to be redeemed not earlier than 60 days and not later than 30 days prior to the Put Option Date.

A Put Exercise Notice, once delivered, shall be irrevocable (and may not be withdrawn unless the Company consents to such withdrawal) and the Company shall redeem the Bonds the subject of Put Exercise Notices delivered as aforesaid on the Put Option Date.

**F. *Purchases***

The Company or any of its Subsidiaries may at any time and from time to time purchase Bonds at any price in the open market or otherwise.

**G. *Cancellation***

All Bonds which are redeemed, converted or purchased by the Company or any of its Subsidiaries, will forthwith be cancelled. Certificates in respect of all Bonds cancelled will be forwarded to or to the order of the Registrar and such Bonds may not be reissued or resold.

**H. *Redemption Notices***

All notices to Bondholders given by or on behalf of the Company pursuant to Condition 8(B) or Condition 8(C) will specify the Conversion Price as at the date of the relevant notice, the Conversion Period, the Closing Price of the Shares as at the latest practicable date prior to the publication of the notice, the date for redemption, the applicable Early Redemption Amount, the manner in which redemption will be effected and the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the notice.

If more than one notice of redemption is given (being a notice given either by the Company or a Bondholder pursuant to this Condition 8), the first in time shall prevail. Neither the Trustee nor any Agent shall be responsible for calculating or verifying any calculations of any amounts payable under this Condition 8 and will not be responsible to Bondholders for any loss arising from any failure by it to do so.

**9. *Taxation***

All payments made by the Company under or in respect of the Trust Deed or the Bonds will be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Cayman Islands or Hong Kong or any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law. In such event, the Company will pay such additional amounts as will result in the receipt by the Bondholders of the net amounts after such deduction or withholding equal to the amounts which would otherwise have been receivable by them had no such deduction or withholding been required except that no such additional amount shall be payable in respect of any Bond:

- (i) to a holder (or to a third party on behalf of a holder) who is subject to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the Cayman Islands (or, as the case may be, Hong Kong) otherwise than merely by holding the Bond or by the receipt of amounts in respect of the Bond;

- (ii) (in the case of a payment of principal) if the Certificate in respect of such Bond is surrendered more than 30 days after the relevant date except to the extent that the holder would have been entitled to such additional amount on surrendering the relevant Certificate for payment on the last day of such period of 30 days,
- (iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any law implementing European Union Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November 2000; or
- (iv) presented for payment by or on behalf of a Bondholder who would have been able to avoid such withholding or deduction by presenting the relevant Bond to another Paying Agent in a Member State of the European Union.

For the purposes hereof, “**relevant date**” means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount payable has not been received by the Trustee or the Principal Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders and cheques despatched or payment made.

References in these Conditions to principal and premium (if any) shall be deemed also to refer to any additional amounts which may be payable under this Condition or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

## **10. Events of Default**

The Trustee at its sole discretion may, and if so requested in writing by the holders of not less than 25 per cent. in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (subject to being indemnified and/or secured and/or pre-funded by the holders to its satisfaction), give notice to the Company that the Bonds are, and they shall accordingly thereby become, immediately due and repayable at the Early Redemption Amount (subject as provided below and without prejudice to the right of Bondholders to exercise the Conversion Right in respect of their Bonds in accordance with Condition 6) if:

- (i) a default is made in the payment of any principal or Early Redemption Amount due in respect of the Bonds;
- (ii) any failure by the Company to deliver Shares as and when the Shares are required to be delivered following conversion of Bonds and such failure continues for seven days;
- (iii) the Company does not perform or comply with one or more of its other obligations in the Bonds or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days after written notice of such default shall have been given to the Company by the Trustee;
- (iv) the Company or any of its Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Company or any of its Principal Subsidiaries; an administrator or liquidator of the Company or any of its Principal Subsidiaries or the whole or any material part of the assets and turnover of the Company or any of its Principal Subsidiaries is appointed (or application for any such appointment is made);

- (v) (a) any other present or future indebtedness (whether actual or contingent) of the Company or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes, or becomes capable of being declared, due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described) (a “**Default**”) and such indebtedness is not repaid or discharged by the Company or the relevant Subsidiary in full within seven business days (as defined in Condition 7(F)) after the occurrence of such Default, or (b) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period and such failure continues for a period of seven business days (as defined in Condition 7(F)), or (c) the Company or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(v) have occurred equals or exceeds HK\$100,000,000 or its equivalent in any other currency on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantees or indemnity;
- (vi) a distress, attachment, execution, seizure before judgment or other legal process is levied, enforced or sued out on or against any of the property, assets or turnover of the Company or any of its Principal Subsidiaries and is not discharged or stayed within 30 days;
- (vii) an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Company or any of its Principal Subsidiaries (except for a members’ voluntary solvent winding-up), or the Company or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations and except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (a) on terms approved by an Extraordinary Resolution of the Bondholders, or (b) in the case of its Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Company or another of its Subsidiaries;
- (viii) an encumbrancer takes possession or an administrative or other receiver, manager, administrator or other similar officer is appointed, of the whole or any material part of the property, assets or turnover of the Company or any of its Principal Subsidiaries (as the case may be) and is not discharged within 30 days;
- (ix) (a) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Company or any of its Principal Subsidiaries; or (b) the Company or any of its Principal Subsidiaries is prevented from exercising normal control over all or any substantial part of its property, assets and turnover;
- (x) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds and the Trust Deed, (b) to ensure that those obligations are legally binding and enforceable and (c) to make the Bonds and the Trust Deed admissible in evidence in the courts of the Cayman Islands or England is not taken, fulfilled or done;
- (xi) it is or will become unlawful for the Company to perform or comply with any one or more of its obligations under any of the Bonds or the Trust Deed; or
- (xii) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 10(iv) to 10(ix) (both inclusive).

In this Condition 10, “**Principal Subsidiary**” means any Subsidiary of the Company:

- (a) whose profits before taxation and extraordinary items (“**pre-tax profit**”) (consolidated in the case of a Subsidiary which itself has Subsidiaries) attributable to the Company, as shown by its latest audited income statement, are at least 10 per cent. of the consolidated pre-tax profit as shown by the latest published audited consolidated income statement of the Company and its consolidated Subsidiaries, including, for the avoidance of doubt, the Company and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of associated entities and after adjustments for minority interests; or
- (b) whose gross assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) attributable to the Company, as shown by its latest audited balance sheet, are at least 10 per cent. of the consolidated gross assets of the Company and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Company and its Subsidiaries, including the investment of Company and its consolidated Subsidiaries in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Company and of associated companies and after adjustment for minority interests; or
- (c) whose gross revenues (consolidated in the case of a Subsidiary which has Subsidiaries) attributable to the Company, as shown by its latest audited income statement are at least 10 per cent. of the consolidated gross revenues as shown by the latest published audited income statement of the Company and its consolidated Subsidiaries,

provided that, in relation to paragraphs (a), (b) and (c) above of this definition:

- (1) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Company relate, the reference to the then latest consolidated audited accounts of the Company and its Subsidiaries for the purposes of the calculation above shall, until consolidated audited accounts of the Company for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Company and its Subsidiaries adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;
  - (2) if at any relevant time in relation to the Company or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, pre-tax profit, gross assets or gross revenues of the Company and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Company for the purposes of preparing a certificate thereon to the Trustee;
  - (3) if at any relevant time in relation to any Subsidiary, no accounts are audited, its pre-tax profit, gross assets or gross revenues (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Company for the purposes of preparing a certificate thereon to the Trustee; and
  - (4) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (1) above) are not consolidated with those of the Company, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Company; or
- (d) any Subsidiary of the Company to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred

shall become a Principal Subsidiary upon such transfer, provided that at the date on which the first published audited accounts (consolidated, if appropriate) of the Company prepared as of a date later than such transfer are issued, whether such transferor Subsidiary or such transferee Subsidiary would continue to be a Principal Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of paragraphs (a), (b) or (c) above of this definition.

In addition, any Subsidiary which is not itself a Principal Subsidiary shall nevertheless be treated as a Principal Subsidiary in respect of any of the events referred to in this Condition 10 if its pre-tax profit, gross assets or gross revenues (or consolidated pre-tax profit, consolidated gross assets or consolidated gross revenues in the case of a Subsidiary which has Subsidiaries) when aggregated with the pre-tax profit, gross assets or gross revenues of each Subsidiary which is not itself a Principal Subsidiary (or consolidated pre-tax profit, consolidated gross assets or consolidated gross revenues in the case of a Subsidiary which has Subsidiaries) with respect to which any of the events referred to in this Condition 10 has occurred during the preceding 12 months, exceeds 10 per cent. of the consolidated pre-tax profit, consolidated gross assets or consolidated gross revenues of the Company and its Subsidiaries.

A certificate prepared by the directors of the Company confirming that, in their opinion, a Subsidiary is or is not, or was or was not, a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties. The certificate shall be accompanied by a report by an internationally recognised firm of accountants addressed to the directors of the Company and the Trustee as to proper extraction of the figures used by the Company in determining the Principal Subsidiaries of the Company and mathematical accuracy of the calculation.

## **11. Prescription**

Claims in respect of amounts due in respect of the Bonds will become prescribed and become void unless made within 10 years (in the case of principal) and five years (in the case of default interest or premium (if any)) from the relevant date (as defined in Condition 9) in respect thereof.

## **12. Enforcement**

At any time after the Bonds have become due and repayable, the Trustee may, at its sole discretion and without further notice, take such proceedings against the Company as it may think fit to enforce repayment of the Bonds and to enforce the provisions of the Trust Deed, but it will not be bound to take any such proceedings unless (a) it shall have been so requested in writing by the holders of not less than 25 per cent. in principal amount of the Bonds then outstanding or shall have been so directed by an Extraordinary Resolution of the Bondholders and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder will be entitled to proceed directly against the Company unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing.

## **13. Meetings of Bondholders, Modification and Waiver**

### **A. Meetings**

The Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Bonds or the provisions of the Trust Deed. Such a meeting may be convened by Bondholders holding not less than 10 per cent in principal amount of the Bonds for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing over 50 per cent. in principal amount of the Bonds for the time being outstanding or, at any adjourned such meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the due date for any payment in respect of the Bonds, (ii) to reduce or cancel the amount of principal, premium or default interest (including any Early Redemption Amount) or Equivalent Amount payable in respect of the Bonds or changing the method of calculation of the Early Redemption Amount, (iii) to change the currency of payment of the Bonds, (iv) to modify (except by a



unilateral and unconditional reduction in the Conversion Price) or cancel the Conversion Rights, or (v) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 66 per cent., or at any adjourned such meeting not less than 33 per cent. in principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution passed at any meeting of Bondholders will be binding on all Bondholders, whether or not they are present at the meeting. The Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of Bonds for the time being outstanding shall be as valid and effective as a duly passed Extraordinary Resolution.

#### **B. *Modification and Waiver***

The Trustee may agree, without the consent of the Bondholders, to (i) any modification (except as mentioned in Condition 13(A) above) to, or the waiver or authorisation of any breach or proposed breach of, the Bonds, the Agency Agreement or the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Bondholders or (ii) any modification to the Bonds or the Trust Deed which, in the Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law. Any such modification, waiver or authorisation will be binding on the Bondholders and, unless the Trustee agrees otherwise, any such modifications, waivers or authorisations will be notified by the Company to the Bondholders as soon as practicable thereafter.

#### **C. *Interests of Bondholders***

In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those in relation to any proposed modification, authorisation or waiver), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Company or the Trustee, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders except to the extent provided for in Condition 9 and/or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

*In the event of the passing of an Extraordinary Resolution in accordance with Condition 13(A) or a modification, waiver or authorisation in accordance with Condition 13(B), the Company will procure that the Bondholders be notified in accordance with Condition 16.*

#### **14. Replacement of Certificates**

If any Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Registrar or any Transfer Agent upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Company and such Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

#### **15. Further Issues**

The Company may from time to time, without the consent of the Bondholders, create and issue further Bonds having the same terms and conditions as the Bonds in all respects and so that such further issue shall be consolidated and form a single series with the Bonds. Such further Bonds may, with the consent of the Trustee, be constituted by a deed supplemental to the Trust Deed.



## **16. Notices**

All notices to Bondholders shall be validly given if mailed to them at their respective addresses in the register of Bondholders maintained by the Registrar or published in a leading newspaper having general circulation in Hong Kong or, if such publication shall not be practicable, in an English language newspaper of general circulation in Asia. Any such notice shall be deemed to have been given on the later of the date of such publication or, if published more than once, on the first date on which publication is made.

*So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System (as defined in the Global Certificate), notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions.*

## **17. Agents**

The names of the initial Agents and their specified offices are set out below. The Company reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents. The Company will at all times maintain (a) a Principal Agent, (b) if required, a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Union Directive 2003/48/EC or any other Directive implementing the provisions of the ECOFIN Council Meeting of 26th-27th November 2000, and (c) a Registrar which will maintain the Register outside Hong Kong and the United Kingdom. Notice of any such termination or appointment, of any changes in the specified offices of any Agent and of any change in the identity of the Registrar or the Principal Agent will be given promptly by the Company to the Bondholders in accordance with Condition 16 and in any event not less than 45 days' notice will be given.

## **18. Indemnification**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee is entitled to enter into business transactions with the Company and any entity related to the Company without accounting for any profit.

## **19. Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Bonds or any provision of the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

## **20. Governing Law and Submission to Jurisdiction**

The Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of England. In relation to any legal action or proceedings arising out of or in connection with the Trust Deed or the Bonds, the Company has in the Trust Deed irrevocably submitted to the jurisdiction of the courts of England and in relation thereto, has appointed an agent for service of process in the City of London.

## THE GLOBAL CERTIFICATE

*The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the terms and conditions of the Bonds (the “Conditions” or the “Terms and Conditions”) set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:*

### **Meetings**

The registered holder of the Global Certificate will be treated as being two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each HK\$1,000,000 in principal amount of Bonds for which the Global Certificate is issued. The Trustee may allow a person with an interest in Bonds in respect of which the Global Certificate has been issued to attend and speak at a meeting of Bondholders on appropriate proof of his identity and interest.

### **Cancellation**

Cancellation of any Bond by the Company following its redemption, conversion or purchase by the Company will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

### **Trustee’s Powers**

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) may consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

### **Conversion**

Subject to the requirements of Euroclear and Clearstream (or any other clearing system (an “**Alternative Clearing System**”) as shall have been designated by the Company and approved by the Trustee), the Conversion Rights attaching to the Bonds in respect of which the Global Certificate is issued may be exercised by the presentation thereof to or to the order of the Principal Agent of one or more Conversion Notices duly completed by or on behalf of a holder of a book-entry interest in such Bonds. Deposit of the Global Certificate with the Principal Agent together with the relevant Conversion Notice(s) shall not be required. The exercise of the Conversion Right shall be notified by the Principal Agent to the Registrar and the holder of the Global Certificate.

### **Payment**

The Company promises to pay to the registered holder of the Bonds represented by the Global Certificate on the Maturity Date (or on such earlier date as the amount payable upon redemption under the Conditions may become repayable in accordance with the Conditions) the amount payable upon redemption under the Conditions in respect of the Bonds represented by the Global Certificate. Each payment will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January.

### **Notices**

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System, notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions.

**Bondholder's Redemption or Non-Redemption**

The Bondholder's redemption options in Conditions 8(D) and 8(E) or the non-redemption option in Condition 8(C)(ii) may be exercised by the holder of the Global Certificate giving notice to the Principal Agent of the principal amount of Bonds in respect of which the option is exercised and presenting the Global Certificate for endorsement of exercise within the time limits specified in the Conditions.

**Registration of Title**

Certificates in definitive form for individual holdings of Bonds will not be issued in exchange for interests in Bonds in respect of which the Global Certificate is issued, except if either Euroclear or Clearstream (or any Alternative Clearing System on behalf of which the Bonds evidenced by the Global Certificate may be held) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

**Transfers**

Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream or any Alternative Clearing System and their respective participants in accordance with the rules and operating procedures of Euroclear and Clearstream or any Alternative Clearing System and their respective participants.

## **USE OF PROCEEDS**

The net proceeds from the issue of the Bonds, estimated to be approximately HK\$5,318 million after deducting expenses (including but not limited to underwriting commission to be charged by the Joint Lead Managers), will be used to finance capital expenditure of the Group, to refinance a portion of the Group's bank borrowings and for working capital and general corporate purposes of the Group.

## CAPITALISATION AND INDEBTEDNESS

As at 31 December 2012, the Company has an authorised share capital of HK\$300.0 million consisting of 3,000,000,000 ordinary shares of HK\$0.10 each and an issued and fully paid-up share capital of approximately HK\$122.9 million consisting of 1,229,027,721 ordinary shares of HK\$0.10 each.

The following table sets forth the consolidated capitalisation and indebtedness of the Group as at 31 December 2012 and adjusted to give effect to the issue of the Bonds and the transactions described in the notes below:

	As at 31 December 2012	
	Actual	As Adjusted
	(in HK\$ million)	(in HK\$ million)
<b>Bank and other borrowings — current portion</b>		
Trust receipt bank loans . . . . .	1,173.5	1,173.5
Long-term bank borrowings . . . . .	850.8	850.8
Short-term bank loans . . . . .	5,416.3	5,416.3
	<u>7,440.6</u>	<u>7,440.6</u>
<b>Bank and other borrowings — non-current portion</b>		
Long-term bank borrowings . . . . .	3,787.2	3,787.2
The Bonds to be issued <sup>(1), (2)</sup> . . . . .	—	5,318.0
	<u>3,787.2</u>	<u>9,105.2</u>
<b>Equity</b>		
Share capital . . . . .	122.9	122.9
Other reserves . . . . .	3,220.1	3,220.1
Retained earnings		
— Proposed final dividend . . . . .	1,167.6	1,167.6
— Unappropriated retained earnings . . . . .	9,567.6	9,567.6
Capital and reserves attributable to the Company's shareholders . .	<u>14,078.2</u>	<u>14,078.2</u>
<b>Total capitalisation<sup>(3)</sup> . . . . .</b>	<u>17,865.4</u>	<u>23,183.4</u>
<b>Total bank and other borrowings and capitalisation . . . . .</b>	<u>25,306.0</u>	<u>30,624.0</u>

*Notes:*

- (1) This balance represents the aggregate principal amount of the Bonds of HK\$5,434.0 million taken up in full by the Joint Lead Managers with net proceeds estimated to be approximately HK\$5,318.0 million. If all the Bonds were converted at the initial conversion price of HK\$120.0825 per Share, up to an additional 45,252,222 Shares would be issuable on conversion.
- (2) In accordance with Hong Kong Accounting Standard 32 “Financial Instruments: Disclosure and Presentation”, a convertible bond should be split into an equity and a liability component. For illustrative purposes only, the aggregate principal amount of the Bonds to be issued, after deduction of commission and expenses, has been presented as a liability in the above table.
- (3) Total capitalisation represents the sum of bank and other borrowings — non-current portion and capital and reserves attributable to the Company's shareholders.

Other than as disclosed above, there has been no material adverse change in the capitalisation and net debt of the Group since 31 December 2012.

# BUSINESS

## BUSINESS OF THE GROUP

### Overview

The Company is an investment holding company which, through its subsidiaries, is primarily engaged in the manufacturing, distribution and sale of personal hygiene products and food and snacks products in the PRC. The Group's products comprise tissue paper, sanitary napkins, disposable diapers, food and snack products and skin care and other products. The Group markets its products under various brands, including its "Hearttex", "Pino" and "Premium" tissue paper, "Anle", "Anerle" and "Space 7" sanitary napkins and "Anerle" and "Q•MO" baby diapers, which command strong brand and customer recognition for superior quality. Other brands marketed under the Group include its "ElderJoy" adult diapers, "MissMay" skin care and cleansing products, "Banitore" first-aid products and "Bandi" enema and "QinQin" snack food products.

The Group derives the majority of its revenues from the manufacturing and sale of tissue paper, sanitary napkins and disposable diapers. For the years ended 31 December 2010, 2011 and 2012, sales attributable to tissue paper represented approximately 45.5%, 47.0% and 49.4%, respectively, of the Group's revenue. Sales attributable to sanitary napkins represented approximately 23.6%, 24.1% and 26.5%, respectively, of the Group's total revenue, and sales attributable to disposable diapers represented approximately 18.2%, 16.0% and 14.5%, respectively, of the Group's revenue. For the years ended 31 December 2010, 2011 and 2012, the Group's food and snacks business accounted for about 9.0%, 9.0% and 7.5% of the Group's total revenue respectively and sales attributable to skin care products and others represented approximately 3.7%, 3.9% and 2.1%, respectively, of the Group's total revenue.

Due to rapid expansion of the overall PRC personal hygiene products market and improvements in the income levels and living standards and accelerating urbanisation in the PRC, the Group has significantly expanded its business and diversified its product offering since it commenced operations in 1985. Its revenue and profit attributable to shareholders increased from approximately HK\$13,431.7 million and HK\$2,438.3 million respectively, for the year ended 31 December 2010 to approximately HK\$18,524.2 million and HK\$3,518.7 million respectively, for the year ended 31 December 2012, representing a compound annual growth rate of about 17.4% and 20.1%, respectively. With an extensive distribution network across the PRC and approximately 33,600 employees, the Group is one of the leading manufacturers of personal hygiene products in the PRC. As at 31 December 2012, the Group's consolidated total assets were approximately HK\$29,204.8 million and its consolidated total equity was approximately HK\$14,408.2 million.

The Company believes that the quality of the Group's products is one of the primary reasons for the Group's success. The Group's main manufacturing facilities and products have obtained ISO 9001:2000 Certifications in recognition of their quality. The Group also places emphasis on product innovation, and seeks to continue to improve the quality and performance of its products through research and development and technological improvement.

The Company was incorporated in the Cayman Islands on 22 July 1998 as a limited liability company. The Company has been listed on the Hong Kong Stock Exchange since December 1998. As at the close of business on 21 June 2013, the Company had a market capitalisation of approximately HK\$92.7 billion.

## **History and Development**

The Group commenced operations in 1985 upon the establishment of Fujian Hengan Holding Co. Ltd., a sino-foreign equity joint venture between Mr. Sze Man Bok, founder and the Chairman of the Company, Fujian Province Jinjiang City Anhai Garment Industrial Co. and Mr. Liu Yuen Hong to manufacture and sell sanitary napkins. The Group had one ordinary sanitary napkin production line and approximately 100 employees, and produced ordinary sanitary napkins under the “Anle” brand. Sales were initially concentrated in Fujian and Guangdong Provinces.

In view of the growing demand in the PRC for personal hygiene products, the Group began to rapidly expand its operations and diversify its product offerings. The Group began to expand to other areas outside Fujian and Guangdong Provinces in the late 1980s. The Group’s geographical expansion has enabled it to reduce its production and transportation costs, as well as enhance its competitiveness. At the same time, the Group also actively expanded its product offering and diversified beyond sanitary napkins into other personal hygiene products. The Group began to offer disposable diapers in 1996, skin care and cleansing products in 2002, tissue paper products in 2003 and first-aid products in 2004. In 2008, the Group acquired QinQin Foodstuffs Group Company Limited, a leading and reputable confectionery manufacturer in the PRC, marking the Group’s first step to establish a presence in the food and snacks market.

The Company was incorporated in the Cayman Islands in July 1998 as a limited liability company and became the holding company of the Group. In December 1998, the Company completed an initial public offering and has since been listed on the Hong Kong Stock Exchange.

## **Competitive Advantages and Key Strengths**

The Group believes that its competitive advantages and key strengths are:

- leader in the PRC tissue paper, sanitary napkins and disposable diapers markets with a well-established brand name and proven track record of superior quality products;
- well positioned to capture upside and strong growth potential in the PRC personal hygiene product market in light of the Group’s established supplier and distribution network;
- extensive nationwide sales and distribution network supported by strategically located production facilities across the PRC, allowing maximum customer coverage nationwide;
- a unique market position to offer higher-end products at competitive prices with a level of quality comparable with international brands;
- an experienced and entrepreneurial management team with extensive experience and industry knowledge;
- emphasis on quality control, production efficiency as well as its cost-effective production process, achieved through economies of scale and continuous improvements in production technology;
- focus on production innovation, optimisation of existing products and increase in the sales of high-end products which enables the Group to continue meeting consumer demand; and
- diversified product portfolio which enables the Group to be more resistant to fluctuations in a particular market and positions the Group to capture future growth opportunities in other product areas.



## PRODUCTS

The Group's products comprise tissue paper products, sanitary napkins, disposable diapers, skin care and cleansing products, first-aid products and food and snacks.

The following tables set forth the contributions from the Group's products to its turnover and segment operating profit before interest income and unallocated items for the periods indicated:

	For the year ended 31 December					
	2010		2011		2012	
	HK\$'000	Percentage of total (%)	HK\$'000	Percentage of total (%)	HK\$'000	Percentage of total (%)
<b>Turnover</b>						
Tissue paper . . . . .	6,114,379	45.5	8,017,520	47.0	9,146,766	49.4
Sanitary napkins . . .	3,169,544	23.6	4,114,425	24.1	4,915,462	26.5
Disposable diapers . .	2,446,901	18.2	2,723,014	16.0	2,685,473	14.5
Food and snacks . . . .	1,202,726	9.0	1,542,511	9.0	1,387,487	7.5
Skin care and others . .	498,138	3.7	653,087	3.9	389,045	2.1
	<b>13,431,688</b>	<b>100.0</b>	<b>17,050,557</b>	<b>100.0</b>	<b>18,524,233</b>	<b>100.0</b>
<b>Segment operating profit before interest income and unallocated items</b>						
Tissue paper . . . . .	962,896	34.5	783,446	27.2	1,410,848	33.3
Sanitary napkins . . .	1,138,211	40.7	1,456,729	50.6	2,128,709	50.2
Disposable diapers . .	503,486	18.0	360,040	12.5	604,135	14.2
Food and snacks . . . .	98,549	3.5	88,501	3.1	51,603	1.2
Skin care and others . .	92,932	3.3	191,295	6.6	46,154	1.1
	<b>2,796,074</b>	<b>100.0</b>	<b>2,880,011</b>	<b>100.0</b>	<b>4,241,449</b>	<b>100.0</b>

### *Tissue Paper Products*

The Group offers a wide range of high-quality tissue paper products under the “*Hearttex*”, “*Pino*” and “*Premium*” brands in the PRC. The Group's tissue paper products include facial tissues, box tissues, pocket handkerchiefs, toilet rolls, wet tissues and sterilised tissues, although the Group focuses on pocket handkerchiefs, box tissue and wet tissues which generally command higher margins than other tissue paper products. The Group's tissue paper products are offered in a variety of sizes, thickness, scents and designs to meet the requirements and preferences of its customers.

For the years ended 31 December 2010, 2011 and 2012, sales attributable to the Group's tissue paper business segment were approximately HK\$6,114.4 million, HK\$8,017.5 million and HK\$9,146.8 million, respectively, accounting for approximately 45.5%, 47.0% and 49.4%, respectively, of the Group's total revenue.

### *Sanitary Napkins*

The Group's sanitary napkin products are broadly categorised into three types, ordinary sanitary napkins, winged sanitary napkins and pantliners. The Group's sanitary napkins are marketed under the “*Anle*” brand, which is a mid- to low-end brand, and the “*Anerle*” brand, which is a mid- to high-end brand. The Group markets its high-end sanitary napkins under the “*Space 7*” brand, which is a sub-brand under the “*Anerle*” brand. The sanitary napkin market in the PRC is highly competitive. In order to maintain its margins and profitability, the Group focuses on manufacturing and promoting higher end sanitary napkins under the “*Anerle*” brand and the “*Space 7*” series. The Group officially launched the high-end “*Space 7 Princess*” series across the PRC in June 2012 in the view that consumers' increasing awareness of personal hygiene will also promote demand for high quality personal hygiene products.

For the years ended 31 December 2010, 2011 and 2012, sales attributable to the Group's sanitary napkins business segment were approximately HK\$3,169.5 million, HK\$4,114.4 million and HK\$4,915.5 million, respectively, accounting for approximately 23.6%, 24.1% and 26.5%, respectively, of the Group's total revenue.

#### ***Disposable Diapers***

The Group's principal disposable diaper products are disposable diapers for babies that are marketed under the "Anerle" brand. The Group also manufactures and sells disposable diapers for adults under the "ElderJoy" brand. The disposable diapers are available in various types and sizes, and with various features to suit the requirements of different customers. The Group plans to increase marketing and brand promotion efforts for its high-end diaper products to boost sales. The Group also plans to strengthen its distribution network management and actively expand its presence in new channels (such as maternity stores, hospitals and online sales channels) to increase market coverage and improve sales efficiency.

For the years ended 31 December 2010, 2011 and 2012, sales attributable to the Group's disposable diapers business segment were approximately HK\$2,446.9 million, HK\$2,723.0 million and HK\$2,685.5 million, respectively, accounting for approximately 18.2%, 16.0% and 14.5%, respectively, of the Group's total revenue.

#### ***Food and Snacks***

The Group's principal food and snack products are fruit jelly, seaweed, prawn crackers and chips, potato chips and candy marketed under the "QinQin" brand. For the years ended 31 December 2010, 2011 and 2012, the food and snacks products business segment contributed approximately HK\$1,202.7 million, HK\$1,542.5 million and HK\$1,387.5 million respectively to the Group's revenue, accounting for approximately 9.0%, 9.0% and 7.5% of the Group's total revenue respectively.

As standards of living improve in the PRC, the Group believes that the snack business in the long term will keep growing. Although revenue from sales of the Group's food and snacks products fell by about 10.1% in 2012 compared to 2011 to about HK\$1,387.5 million following reports in the PRC that certain food products, such as jelly, were manufactured using industrial gelatine, the Group expects revenue contribution from its food and snacks products to recover as the adverse effect of such reports on the industry gradually eases and the Group continues to invest resources to enrich its product portfolio to cater to the different tastes of consumers.

#### ***Skin Care and Cleansing Products***

In 2002, the Group began the manufacture and sale of skin care and cleansing products under the "MissMay" brand. Products offered by the Group include shower gel, soap, facial cleansing and moisturising cream.

#### ***First-aid products***

In 2004, the Group acquired a 70% interest in Hengan Pharmicare Company Limited, which manufactures personal care and pharmaceutical products under the "Banitore" and "Bandi" brands. Products offered by the Group include protective plaster, adhesive tape and gauze pads.

#### ***Raw Materials***

In 2012, the cost of raw materials and consumables used by the Group was HK\$7,746.5 million which represented approximately 75.9% of the Group's total cost of sales. Wood pulp and non-woven fabric are the principal raw materials for the manufacture of tissue paper products. Fluff pulp and petrochemical products such as non-woven fabric, perforated film, casting polyethylene film, super-absorbent polymer and hot melt glue are the principal raw materials for the manufacture of sanitary napkins and disposable diapers.

Wood pulp and fluff pulp are used extensively in the Group's products and are subject to significant price fluctuations due to the cyclical nature of the pulp markets. A number of the Group's products, such as sanitary napkins and disposable diapers, use certain petrochemical materials which are principally derived from petroleum and are subject to price fluctuations based on changes in petroleum prices, availability and other factors. Increases in raw material prices could adversely affect the Group's earnings if selling prices for its finished products are not adjusted or if such adjustments significantly trail the increases in raw material prices.

The Group sources its raw materials from both overseas and domestic suppliers. To ensure a stable supply of raw materials at competitive prices and to retain maximum flexibility and pricing advantages, the Group sources each major raw material from more than one supplier. In order to ensure the stability and consistency of product quality, the Group takes into account the quality of materials, prices and after-sales services provided in choosing its key suppliers. All raw materials are checked and inspected by the quality control department of the Group before they are used for production.

In order to benefit from centralised bulk purchasing, raw material purchase requirements are generally sent by each subsidiary to the Group's headquarters on a periodic basis. The Group then places a single purchase order to its suppliers. Purchases of raw materials are made by reference to monthly inventory reviews and the Group's production schedules. It is the Group's policy to monitor the price movements of raw materials to determine whether any extra purchases should be made to benefit from low prices.

The Group usually maintains stock of raw materials sufficient for around two months' production. The Group's policy is to use letters of credit to pay for the majority of its overseas raw material purchases.

The Group has not experienced difficulties in obtaining raw materials for its continuing operations in the past and does not consider itself dependent on any particular supplier for raw materials or equipment needs.

### **Quality Control**

The Group places strong emphasis on quality control throughout its production process, from the sourcing of raw materials to final packaging. The Group carries out quality checks on its raw materials to ensure that the quality of the products meet the required national hygienic standards set by the Ministry of Public Health. The Group has a quality control team in each of its production facilities, which is responsible for the implementation of the quality control procedures adopted by the Group. The quality control team in each production facility prepares annual quality control reports for the quality control department at the Group's head office, which in turn reports directly to senior management. The quality control department also carries out annual examinations of the quality control procedures within the Group and introduces necessary changes.

The Group places strong emphasis on the training of its quality control staff. The Group sends its employees to training courses on quality management and quality control, and commonly invites Chinese and foreign experts and professors to give lectures to its staff. Advanced automatic testing systems have been installed in certain of the Group's production facilities to ensure quality control during the production process. Apart from the daily quality checks carried out by the Group, it also sends its products to the local Commodity Technology Inspection Departments and Hygiene Inspection Points for quality testing. Random sample checks are also carried out by the National Quality Control Authority every year.

## SALES, DISTRIBUTION AND MARKETING

### Sales

The Group has established a nationwide distribution and sales network in the PRC. The Group's head office is located in Fujian Province. Each provincial head office is responsible for monitoring and co-ordinating the sales within its own province and reports directly to the Group's head office. For statistical purposes, the Group divides its domestic sales into nine regions, namely north-western PRC, northern PRC, north-eastern PRC, eastern PRC, Shandong, central PRC, Fujian and Guangdong, south-western PRC and Sichuan as shown in the following map:



The following table sets forth the breakdown of the Group's turnover by region for the periods indicated.

	For the year ended 31 December					
	2010		2011		2012	
	Revenue (HK\$ million)	Percentage of total revenue (%)	Revenue (HK\$ million)	Percentage of total revenue (%)	Revenue (HK\$ million)	Percentage of total revenue (%)
Fujian and Guangdong PRC . . .	2,685	20.0	3,056	18.0	3,305	17.8
Eastern PRC . . . . .	1,965	14.6	2,451	14.4	2,822	15.2
Central PRC . . . . .	1,992	14.8	2,500	14.7	2,185	11.8
Shandong . . . . .	1,261	9.4	1,759	10.3	1,875	10.1
Northern PRC . . . . .	1,292	9.6	1,690	9.9	1,874	10.1
Sichuan PRC . . . . .	1,170	8.7	1,453	8.5	1,589	8.6
North-eastern PRC . . . . .	1,133	8.4	1,404	8.2	1,487	8.0
Overseas . . . . .	628	4.8	994	5.8	1,394	7.6
South-western PRC . . . . .	668	5.0	885	5.2	997	5.4
North-western PRC . . . . .	638	4.7	859	5.0	996	5.4
	13,432	100	17,051	100	18,524	100

### ***Customers***

The Group divides its principal customers into three major groups:

- supermarkets, hypermarkets and convenience store chains;
- local distributors and wholesalers; and
- other shops.

Sales to local distributors and wholesalers currently account for the majority of the Group's total sales. The Group's sales policy is not to rely on any single customer. For the year ended 31 December 2012, the aggregate amount of sales attributable to the Group's five largest customers accounted for less than 30% of the Group's total sales. The Group generally designates sales areas to its distributors, wholesalers, sales offices, branches and representative offices in order to reduce overlap within the regions in which they operate. No credit terms are granted to local distributors and wholesalers. Credit terms ranging from 30 days to 90 days are usually granted to supermarkets, hypermarkets and convenience store chains.

### ***Distribution and Logistics***

The Group delivers its products mainly by rail and road transport. The Group engages transportation companies for the distribution of large orders or orders to remote places. Transportation expenses are usually borne by the Group.

Orders are placed by the Group's sales offices, branches and representative offices with the head office and the products are manufactured by and delivered from the nearest subsidiary or subsidiaries to the relevant sales offices, branches and representative offices. Therefore, transportation costs and damage which may be incurred during transportation of the products are minimised, thereby increasing profit margins and ensuring timely delivery of the products. The Group's local production and distribution capabilities are important factors in enabling the Group to supply products to inland towns and rural areas.

### ***Marketing***

The Group's current marketing strategies are based on its knowledge and understanding of the unique characteristics of the PRC personal hygiene products market. The Group's marketing strategy is to use its sales force to promote its products directly to its customers, together with advertising and various other marketing and promotional activities.

The Group's marketing division carries out market research, meets with customers on a regular basis and gathers market information in order to assess market conditions and demand for its products in the PRC. This division is also responsible for determining the Group's marketing and sales planning. For each new product, the Group's marketing division will formulate a marketing and promotion strategy. Once the strategy is formulated, the marketing division will organise new product promotional meetings and media coverage to launch the product.

The Group organises promotional campaigns and seeks to establish a high social and community profile through sponsoring social welfare activities. The Group also conducts joint promotional activities with large wholesalers and distributors, such as product promotional campaigns in hospitals, department stores, supermarkets and hypermarkets, and educational programmes in schools. Apart from concentrating on strengthening collaboration with various supermarkets and hypermarkets, the Group also employs numerous sales and marketing professionals to promote its products.

The Group expects to continue to commit significant resources to its marketing and media campaigns in order to enhance brand awareness and consumer loyalty for its products.

### **Production Facilities**

The Group has multiple production facilities in the PRC. As at the end of 2012, the Group has an annualised production capacity of approximately 900,000 tonnes, which is sufficient for production in 2013. In 2014 and 2015, the Group plans to increase its annualised production capacity by 360,000 tonnes and 120,000 tonnes respectively so as to meet the market demand. The additional capacity involves eight production lines located in Chongqing, Hunan, Shandong and Wuhu, and the total annualised production capacity will reach 1,380,000 tonnes by the end of 2015. The Group believes that this increase in production capacity will enable it to achieve greater economies of scale and stop outsourcing of production activities to third parties, which will enhance the margin for its tissue paper products.

The Group intends to continue to expand its production facilities in the PRC.

### **Research and Development**

The Group places strong emphasis on the development of new technologies and new products as well as applying new technology to its production processes. The Company believes that the ability to supply new products in line with market demand and product trends is important in maintaining the Group's competitive position.

The Group has a research and development department at its headquarters in Fujian Province. The Group's research and development work focuses on the development of new features and quality improvement with a view to increasing the selling prices of the Group's product, as well as developing new products, improving the manufacturing process, improving efficiency of the existing production lines and auxiliary facilities, developing new machinery and upgrading production techniques.

The Group uses its extensive production, sales and marketing networks to provide up-to-date market information to the research and development department. The production team provides feedback to the research and development department in relation to the manufacturing process and machinery and equipment. This is particularly important for reviewing the upgrading or replacement of equipment.

### **Latest Awards**

In 2012, the Group was named by Forbes Magazine as one of the "Forbes Asia's Fabulous 50". It also received a number of other awards, including "2012 China Enterprise Reputation and Credibility Award" and "Asia' Best Employer Brand Award 2012 — China". In addition, Mr Hui Lin Chit, the chief executive officer of the Group received the "Redbud Outstanding Entrepreneur Award" and "2012 RISI Best CEO for Tissue Manufacturing Enterprise — Asia Region" awards and was one of the recipients of the "Forbes China Best CEOs" award. These awards recognise the Group's performance and its market position in the personal hygiene product market in the PRC.

### **Competition**

The market for the Group's principal products is highly competitive. The Group's key competitors include international companies which generally have significant product knowhow, financial resources and research and development capabilities, as well as established global brand recognition. These international companies are also able to capitalise on their overseas experience to compete in the PRC market. The Group also faces competition from other established local producers. In each of the product segments, the Group focuses on various quality grades and therefore competes with different competitors in each product segment. The following table sets forth the key competitors in each of the Group's principal product segments.

<b>Products</b>	<b>Competitors</b>
Tissue Paper . . . . .	Asia Pulp and Paper, Vinda, CNSN, Kimberley Clark
Sanitary Napkins . . . . .	P&G, Uni-Charm, Kimberley Clark, Johnson & Johnson
Disposable Diapers . . . . .	P&G, Uni-Charm, Kimberley Clark, DSG, Everbeauty
Food and snacks . . . . .	Guangdong Strong Group and Labixiaoxin

The principal elements of competition include brand recognition and loyalty, quality, price, and marketing and distribution capabilities. The Company believes that by leveraging its competitive strengths, in particular its well established product brand names and its extensive nationwide sales and distribution network, it will be able to effectively compete with its competitors in the future.



## **Employees**

As at 31 December 2012, the Group employed approximately 33,600 staff members. The Group's remuneration package is determined with reference to the experience and qualifications of the individual employee and general market conditions. Bonuses are linked to the Group's financial results as well as individual performance. The Group also ensures that all employees are provided with adequate training and continued professional opportunities according to their needs.

## **Government Regulations**

The operations of the Group are subject to various laws and regulations in the jurisdictions in which it operates. The Group's products are subject to quality inspection by government authorities, although the majority of the Group's products have been accredited with non-inspection status by the relevant authorities and therefore, are generally subject to less frequent inspections by government officials. The Group's properties are subject to routine inspections by government officials with regard to various safety and environmental issues. The Company believes that the Group is in compliance in all material respects with government regulations currently in effect in the jurisdictions in which it operates. The Company is not aware of significant problems experienced by any member of the Group with respect to compliance with government regulations in relation to its operations which could materially adversely affect its properties or operations, and save as disclosed in this Offering Circular, the Company is not aware of any pending government legislation that might have a material adverse effect on its properties or operations.

## **Environmental Matters**

Operations of the Group involve the use and disposal of certain substances regulated under environmental protection laws. Compliance with local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, are not expected to have a material adverse effect upon earnings or the competitive position of the Group. The Group has not been subject to any material fines or legal action involving non-compliance with any relevant environmental regulations, nor is it aware of any threatened or pending action by any environmental regulatory authority in any of the jurisdictions where it operates, which would have a material impact on its business or operations.

## **Insurance**

The Group is covered by insurance policies which substantially cover losses in respect of damages to its properties, inventories and facilities, and maintains insurance in respect of its motor vehicles and medical and employee insurance policies for some of its employees. The Group does not have any product liability insurance, business interruption insurance, insurance for loss of senior management personnel or other key employees, or any third party liability insurance for claims in respect of personal injury or property damage arising from accidents on the Group's property or relating to the Group's operations or products. The Group believes that its properties are covered with adequate insurance provided by reputable independent insurance companies in the relevant jurisdiction and with commercially reasonable deductibles and limits on coverage, which are normal for the type and location of the properties to which they relate. Notwithstanding such insurance coverage, damage to the buildings, facilities, equipment or other properties as a result of occurrences such as fire, flood, water damage, explosion, power loss, typhoons and other natural disasters or terrorism, or any decline in the Group's business as a result of any threat of war, outbreak of disease or epidemic, may potentially have a material adverse effect on the Group's financial condition and results of operations.

## **Intellectual Property**

The Group has registered trademarks in relation to its tissue paper products, sanitary napkin, disposable diaper products, food and snacks products and skin care products in the PRC.

As the Group's brand names are relatively well-known and popular in the PRC, the Group has discovered incidences of counterfeiting of its products in the PRC. The Group puts strong emphasis on the protection of its trademarks and combats counterfeiting activities through reporting them to the relevant government and judicial authorities which then take appropriate action against the offenders.



## Litigation

Neither the Company nor any of its subsidiaries is involved in any litigation or arbitration proceedings which are material in the context of the Bonds nor is the Company aware that any such proceedings are pending or threatened.

## Related Party Transactions

The Group currently engages in, and expects from time to time in the future to engage in, financial and commercial transactions with its related parties. All such transactions are conducted on an arm's length and commercial basis. See note 37 to the Company's audited consolidated financial statements for the year ended 31 December 2012.

## Subsidiaries

The following table sets forth the subsidiaries of the Company as at 31 December 2012 which, in the opinion of the Directors of the Company, principally affected the results for the year or formed a substantial proportion of the net assets of the Group for the year.

Company	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/registered capital	Interest held (%)
<i>Direct subsidiaries:</i>				
Hengan International Holdings Limited . . . . .	British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 ordinary share of US\$1 each	100
Hengan Mega Jumbo Investments Ltd. . . . .	Hong Kong, limited liability company	Investment holding, trading and procurement in Hong Kong	9,000 ordinary shares of HK\$1 each	100
Ever Town Investments Limited . . . . .	British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 ordinary share of US\$1 each	100
<i>Indirect subsidiaries:</i>				
Anhai (Macao Commercial Offshore) Limited . . . . .	Macau, limited liability company	Trading and procurement in Macau	MOP100,000	100
Hengan (China) Investment Co., Ltd. . . . .	PRC, wholly foreign-owned enterprise	Investment holding in the PRC, trading and procurement in the PRC	RMB800,000,000	100
Hengan Industrial (Hong Kong) Limited . . . . .	Hong Kong, limited liability company	Trading and procurement in Hong Kong	2 ordinary shares of HK\$1 each	100
Hengan Pharmicare Company Limited . . . . .	Hong Kong, limited liability company	Trading, procurement and distribution of hygiene products in Hong Kong	10,000 ordinary shares of HK\$1 each	70
Fujian Hengan Holding Xiamen Business Trade Co., Ltd. . . . .	PRC, sino-foreign equity joint venture	Trading in the PRC	RMB100,000,000	100

Company	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/registered capital	Interest held (%)
Fujian Hengan Holding Co., Ltd.	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of personal hygiene products in the PRC	RMB511,407,600	99.02
Guangzhou Xingshi Professional Equipments Co., Ltd. . . . . .	PRC, wholly foreign-owned enterprise	Manufacturing, distribution and sale of personal hygiene equipments in the PRC	US\$18,000,000	100
Hengan (Jinjiang) Household Products Co., Ltd. . . . . .	PRC, wholly foreign-owned enterprise	Manufacturing, distribution and sale of personal hygiene products in the PRC	US\$15,800,000	100
Hengan (Jiangxi) Hygiene Products Co., Ltd. . . . . .	PRC, wholly foreign-owned enterprise	Manufacturing, distribution and sale of personal hygiene products in the PRC	HK\$6,958,000	100
Hengan (Sichuan) Hygiene Products Co. Ltd. . . . . .	PRC, wholly foreign-owned enterprise	Manufacturing, distribution and sale of personal hygiene products in the PRC	US\$1,380,000	100
Hengan (Tianjin) Hygiene Supplies Co., Ltd. . . . . .	PRC, wholly foreign-owned enterprise	Manufacturing, distribution and sale of personal hygiene products in the PRC	US\$3,000,000	100
Hengan (Weifang) Hygiene Products Co., Ltd. . . . . .	PRC, wholly foreign-owned enterprise	Manufacturing, distribution and sale of personal hygiene products in the PRC	US\$3,410,000	100
Fujian Hengan Hygiene Material Co., Ltd. . . . . .	PRC, wholly foreign-owned enterprise	Manufacturing, distribution and sale of personal hygiene products in the PRC	US\$40,000,000	100
Jinjiang Hengan Antimicrobial Science and Technology Development Co., Ltd. . . . . .	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of personal hygiene products in the PRC	RMB11,100,000	90.1
Hengan (Sichuan) Household Products Co., Ltd. . . . . .	PRC, wholly foreign- owned enterprise	Manufacturing, distribution and sale of personal hygiene products in the PRC	US\$3,000,000	100

Company	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/registered capital	Interest held (%)
Hengan (Weifang) Household Products Co., Ltd. . . . . .	PRC, wholly foreign-owned enterprise	Manufacturing, distribution and sale of personal hygiene products in the PRC	HK\$10,000,000	100
Hengan (Xiaogan) Family Products Co., Ltd. . . . . .	PRC, wholly foreign-owned enterprise	Manufacturing, distribution and sale of personal hygiene products in the PRC	HK\$10,000,000	100
Hengan (Sichuan) Household Products Co., Ltd. . . . . .	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of personal hygiene products in the PRC	US\$15,000,000	100
Hengan (Fushun) Household Products Co., Ltd. . . . . .	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of personal hygiene products in the PRC	RMB24,000,000	100
Hengan (Hubei) Household Products Co., Ltd. . . . . .	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of personal hygiene products in the PRC	RMB33,600,000	100
Hengan (Jiangxi) Household Products Co., Ltd. . . . . .	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of personal hygiene products in the PRC	HK\$20,000,000	100
Hengan (Shangyu) Hygiene Products Co., Ltd. . . . . .	PRC, wholly foreign-owned enterprise	Manufacturing, distribution and sale of personal hygiene products in the PRC	US\$5,000,000	100
Hengan (Hefei) Living Co., Ltd. . . . . .	PRC, sino-foreign foreign-owned enterprise	Manufacturing, distribution and sale of packaged tissue paper products in the PRC	RMB114,300,000	100
Hunan Hengan Paper Co., Ltd. . . . . .	PRC, wholly foreign-owned enterprise	Manufacturing, distribution and sale of packaged tissue paper products in the PRC	US\$39,980,000	100
Hengan (Chongqing) Paper Products Co., Ltd. . . . . .	PRC, wholly foreign-owned enterprise	Manufacturing, distribution and sale of packaged tissue paper products in the PRC	HK\$2,500,000	100

Company	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/registered capital	Interest held (%)
Hengan (China) Paper Products Co., Ltd. . . . . .	PRC, wholly foreign-owned enterprise	Manufacturing, distribution and sale of packaged tissue paper products in the PRC	US\$98,880,000	100
Hengan (China) Hygiene Products Co., Ltd. . . . . .	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of personal hygiene products in the PRC	US\$12,000,000	100
Hengan Zhejiang Paper Co., Ltd.	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of personal hygiene products in the PRC	US\$30,000,000	100
Hengan (Tianjin) Paper Co., Ltd. . . . . .	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of packaged tissue paper products in the PRC	RMB80,900,000	100
Hengan Guangxi Paper Co., Ltd. . . . . .	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of packaged tissue paper products in the PRC	RMB161,400,000	100
Hengan (Hubei) Hearttex Paper Products Co., Ltd. . . . . .	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of packaged tissue paper products in the PRC	RMB32,000,000	100
Hengan (Hunan) Tissue Paper Co., Ltd. . . . . .	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of packaged tissue paper products in the PRC	RMB79,000,000	100
Hunan Hengan Living Paper Products Co., Ltd. . . . . .	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of packaged tissue paper products in the PRC	RMB402,280,000	100
Hengan (Chongqing) Living Paper Products Co., Ltd. . . . . .	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of packaged tissue paper products in the PRC	RMB409,200,000	100

Company	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/registered capital	Interest held (%)
Hengan (Shaanxi) Paper Products Co., Ltd. . . . . .	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of packaged tissue paper products in the PRC	US\$9,980,000	100
Jinjiang Hengan Hearttex Paper Products Co., Ltd. . . . . .	PRC, wholly foreign-owned enterprise	Manufacturing, distribution and sale of packaged tissue paper products in the PRC	US\$12,000,000	100
Jinjiang Hengan Household Tissue Products Co., Ltd. . . . . .	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of packaged tissue paper products in the PRC	US\$12,000,000	100
Shandong Hengan Paper Co., Ltd. . . . . .	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of packaged tissue paper products in the PRC	US\$55,800,000	100
Shandong Hengan Hearttex Paper Products Co., Ltd. . . . . .	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of packaged tissue paper products in the PRC	US\$35,880,000	100
Chongqing Hengan Hearttex Paper Co., Ltd. . . . . .	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of packaged tissue paper products in the PRC	US\$6,000,000	100
Fushun Hengan Hearttex Paper Co., Ltd. . . . . .	PRC, wholly foreign-owned enterprise	Manufacturing, distribution and sale of packaged tissue paper products in the PRC	US\$3,000,000	100
Fushun Hengan Tissue Co., Ltd. . . . . .	PRC, wholly foreign-owned enterprise	Manufacturing, distribution and sale of packaged tissue paper products in the PRC	US\$3,000,000	100

Company	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/registered capital	Interest held (%)
Hengan Li Ren Tang (Jian) Cosmetics Co., Ltd. . . . . .	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of skin care products and daily personal necessities in the PRC	RMB32,000,000	70
Hengan Wuhu Paper Co., Ltd. . . . . .	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of packaged tissue paper products in the PRC	RMB204,000,000	100
Junichi (Xiamen) Maternal and Child Articles Co., Ltd. . . . . .	PRC, wholly foreign-owned enterprise	Trading pregnant women, infants and kid's products in the PRC	HK\$24,000,000	100
Junichi Co., Ltd. . . . . .	Japan, limited liability company	Trading the products for ladies and babies in Japan	JPY100,000	100
Hengan (Henan) Hygiene Products Co., Ltd. . . . . .	PRC, wholly foreign-owned enterprise	Manufacturing, distribution and sale of packaged tissue paper products in the PRC	RMB82,000,000	100
恒安(昌吉)紙業有限公司 . . . . .	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of packaged tissue paper products in the PRC	RMB82,000,000	100
Hengan (Zhejiang) Homecare Products Co., Ltd. . . . . .	PRC, wholly foreign-owned enterprise	Distribution and sale of packaged tissue paper and personal hygiene products in the PRC	USD35,000,000	100
廈門恒安物業有限公司 . . . . .	PRC, limited liability company	Property management	RMB500,000	100
QinQin Foodstuffs Group Company Limited . . . . .	British Virgin Islands limited liability company	Investment holding in Hong Kong	135,946,900 Ordinary shares of HK\$0.001 each	51
QinQin Foodstuffs Group (Hong Kong) Limited . . . . .	Hong Kong limited liability	Investment holding in Hong Kong	1 ordinary share of HK\$1 each	51



Company	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/registered capital	Interest held (%)
Fushun Nanfang Food Industry Co., Ltd. . . . . .	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in the PRC	RMB10,000,000	51
Fushun QinQin Food Industry Development Co., Ltd. . . . . .	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in the PRC	RMB22,000,000	51
Luohe Linying QinQin Food Industry Co., Ltd. . . . . .	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in the PRC	RMB100,000,000	51
Qin Qin Incorporated Co., Ltd. (Fujian) . . . . .	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in the PRC	RMB70,000,000	51
Quanzhou QinQin Foodstuff Co., Ltd. . . . . .	PRC, wholly foreign-owned enterprise	Manufacturing, distribution and sale of snack foods in the PRC	RMB130,000,000	51
Taian QinQin Food Co., Ltd. . . . . .	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in the PRC	RMB5,000,000	51
Xiantao QinQin Food Industry Co., Ltd. . . . . .	PRC, sino-foreign equity joint venture	Manufacturing, distribution and sale of snack foods in the PRC	RMB10,000,000	51
Xianyang Qin Qin Foods Stuff Co., Ltd. . . . . .	PRC, wholly foreign-owned enterprise	Manufacturing, distribution and sale of snack foods in the PRC	RMB5,000,000	51
Qin Qin Business Trade Co., Ltd. . . . . .	PRC, limited liability company	Trading and procurement in PRC	RMB5,000,000	51

## DIRECTORS AND MANAGEMENT

The members of the board of directors and senior management of the Company as at the date of this Offering Circular are as follows:

### Executive Directors

Mr. Sze Man Bok (*Chairman*)

Mr. Hui Lin Chit (*Deputy Chairman and Chief Executive Officer*)

Mr. Hung Ching Shan

Mr. Xu Shui Shen

Mr. Xu Da Zuo

Mr. Xu Chun Man

Mr. Sze Wong Kim

Mr. Hui Ching Chi

Mr. Loo Hong Shing Vincent

### Independent Non-executive Directors

Mr. Chan Henry

Mr. Wang Ming Fu

Ms. Ada Ying Kay Wong

Mr. Ho Kwai Ching Mark

Mr. Zhou Fang Sheng

### Senior Management

Mr. Cheng Yong

Mr. Xu Lian Pi

Mr. Wang Xiang Yang

Mr. Xu Wen Mo

Mr. Xu Zi Dan

Mr. Xie Gang Yi

Ms. Liu Ying

Mr. Zhu Jian Shui

Mr. Pan Jia Hong

Mr. Wang Gui Zong

Mr. Zhu Hong Bo

The biographies of the Executive Directors, Independent Non-executive Directors and senior management at the date of this Offering Circular are as follows:

### Executive Directors

#### Mr. Sze Man Bok

(*Chairman*)

Mr. Sze Man Bok, aged 63, is the Chairman of the Group. He is responsible for the Group's overall corporate direction and business strategy. Mr. Sze is one of the founding shareholders and a member of the Nomination Committee of the Company. He is the father of Mr. Sze Wong Kim, an executive Director of the Company.

#### Mr. Hui Lin Chit

(*Deputy Chairman and Chief Executive Officer*)

Mr. Hui Lin Chit, aged 59, is the Deputy Chairman and Chief Executive Officer of the Group. He is responsible for strategic planning, human resources and the overall management of the Group. Mr. Hui is one of the founding shareholders of the Company, and is also a member of the Company's Nomination Committee and Remuneration Committee. Mr. Hui has the title of senior economist in the PRC and is a deputy chairman of All-China General Chamber of Industry and Commerce and also Political Consultative Conference in Quanzhou City. He is also the deputy chairman of Fujian Province Industry and Trade Association and the chairman of Quanzhou City Trade Association. He is the father of Mr. Hui Ching Chi, an executive Director of the Company.

**Mr. Hung Ching Shan**

Mr. Hung Ching Shan, aged 63, is responsible for supervising the Group's purchasing tender assignments. He has over 33 years of experience in raw materials procurement as well as in import and export trading. Mr. Hung is one of the founding shareholders of the Company.

**Mr. Xu Shui Shen**

Mr. Xu Shui Shen, aged 44, was appointed as Deputy Chief Executive Officer of the Group on 26 March 2013. He is also the Chief Operating Officer and the Director of Business Development Department of the Group. He is responsible for the development and implementation of the Group's sales strategy, operation and business management. He joined the Group in 1985 and has over 28 years of experience in quality control management and business development. He graduated from the business administration department of the Hua Qiao University and holds the title of economist in the PRC. Mr. Xu is the younger brother of Mr. Xu Da Zuo and Mr. Xu Lian Pi, an executive Director and a senior officer of the Company, respectively.

**Mr. Xu Da Zuo**

Mr. Xu Da Zuo, aged 46, is the Group's Deputy Director of Finance and is responsible for overseeing and monitoring the accounting and finance functions of the Group. Mr. Xu joined the Group in 1985 and has over 28 years of experience in accounting and internal audit. He holds the title of senior accountant in the PRC. Mr. Xu is the vice-chairman of the Youth Trade Association in Fujian province, China. He is the brother of Mr. Xu Lian Pi and Mr. Xu Shui Shen, a member of the senior management team of the Group and an executive Director of the Company, respectively.

**Mr. Xu Chun Man**

Mr. Xu Chun Man, aged 38, is the General Manager of Hengan (Shaanxi) Hygiene Products Co., Ltd and Hengan (Shaanxi) Paper Products Co., Ltd., subsidiaries of the Group located in Shaanxi Province. He is responsible for the overall management, business development and operations of the said subsidiaries. He joined the Group after graduating from Fujian Jinjiang Vocational Institute in 1991. Mr. Xu has over 20 years of experience in business development and customer service management.

**Mr. Sze Wong Kim**

Mr. Sze Wong Kim, aged 37, is responsible for devising overall strategy of the Group. Before joining the Group, Mr. Sze worked in two accountancy firms in Australia and gained extensive experience in assurance and business advisory work. He started his own business in 2005 operating wholesale and distribution of branded electronic components and computer accessories products in Hong Kong and overseas markets. Mr. Sze graduated from the University of Technology, Sydney with a Bachelor Degree of Business majoring in accounting and obtained a Master's Degree of Commerce in finance from the University of New South Wales, Australia. He is a member of CPA Australia and a fellow member of the Hong Kong Institute of Certified Public Accountants. He is the son of Mr. Sze Man Bok, the Chairman and an executive Director of the Company.

**Mr. Hui Ching Chi**

Mr. Hui Ching Chi, aged 28, is responsible for merger and acquisition projects of the Group. Mr. Hui worked in a major international bank in London prior to joining the Group in February 2008. Mr. Hui holds a Law Degree from the London University. He is a son of Mr. Hui Lin Chit, the Chief Executive Officer and an executive Director of the Company.

**Mr. Loo Hong Shing Vincent**

Mr. Loo Hong Shing Vincent, aged 47, is the Chief Financial Officer, the Company Secretary and authorised representative of the Company. Before joining the Company in 2004, Mr. Loo worked in an international firm of accountants in Hong Kong. He has substantial experience in assurance and business advisory work, company listing and merger and acquisition work both in Hong Kong and in the PRC. He graduated from the Hong Kong Polytechnic University and is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

## **Independent Non-executive Directors**

### **Mr. Chan Henry**

Mr. Chan Henry, aged 47, is an Independent Non-executive Director of the Company appointed in 1998. He is also a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

Mr. Chan has over 26 years of experience in the financial market and is the Managing Director of Sanfull Securities Limited. He was a Director of the Hong Kong Stock Exchange and was also a member of the Advisory Committee of the Securities and Futures Commission. Mr. Chan is currently the Permanent Honorary President of Hong Kong Stockbrokers Association Limited, a supervisory committee member of The Chinese Gold & Silver Exchange Society, an independent non-executive director of Luen Thai Holdings Limited, a company listed on the Main Board of the Hong Kong Stock Exchange which engages in the manufacturing and trading of garment and textile products. Mr. Chan is also a committee member of the Chinese People's Political Consultative Conference in Xiamen, Fujian Province, China. Mr. Chan holds a Master degree in Business Administration.

### **Mr. Wang Ming Fu**

Mr. Wang Ming Fu, aged 47, is an Independent Non-executive Director of the Company appointed on 1 January 2010. He is also a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. Currently, he is the chairman of He Jun Consulting Co., Ltd. He was a managing director of Security Research Institute and a general manager of the merger and acquisitions department of Junan Securities Co., Ltd. from 1993 to 1998, and was an executive director of Institute of Finance and Security, Renmin University of China from 1999 to 2003. He has been a director of New Oriental Education Fund from 2007. In addition, he was an independent non-executive director of Shenzhen Airport Co., Ltd. and Hainan Minsheng Gas Corporation. He has been appointed as an independent non-executive director of Beiqi Foton Motor Co., Ltd. since April 2010.

He obtained a bachelor degree in Political Education from the East China Normal University, a Master of Law degree from the Nanjing University and a doctorate degree in Economics from the Remin University of China. He was a senior visiting scholar of University of Illinois. Mr. Wang is a reputable strategist and investment banker in China providing long-term strategy, corporate culture, corporate governance, merger and acquisitions professional consulting services for the government, corporations, listed companies and institutional investors, and has over 19 years of working experience.

### **Ms. Ada Ying Kay Wong**

Ms Ada Ying Kay Wong, JP, aged 53, is an Independent Non-executive Director of the Company appointed in 1998. She is also a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

Ms. Wong, a practicing solicitor, is a partner of Philip K. H. Wong, Kennedy Y. H. Wong & Co., Solicitors & Notaries. She is also a culture and creative education advocate. She is the supervisor of HKICC Lee Shau Kee School of Creativity and the council member of Hong Kong Shue Yan University. She was the Chairman of the Wanchai District Council (2004–2007), and is currently a member of the Consultation Panel of the West Kowloon Cultural District Authority, the Art Museum Advisory Panel and Board of the Hong Kong Design Centre. Currently, she is an independent non-executive director of Pak Fah Yeow International Limited, a company listed on the Main Board of the Hong Kong Stock Exchange.

### **Mr. Ho Kwai Ching Mark**

Mr. Ho Kwai Ching Mark, aged 51, is an Independent Non-executive Director of the Company appointed on 1 January 2013. He is also a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. He has been the Chief Compliance Officer of Hong Kong Mercantile Exchange Limited (“HKMEx”) since December 2008. Prior to joining HKMEx, he was the Director of Business Development of Sun Hung Kai Securities Limited and a Director of Phillip Securities (HK) Limited. He was also previously Vice President of Corporate Strategy of Hong Kong Exchanges and Clearing Limited and Head of Compliance of Hong Kong Futures Exchange Limited. He has more than 18 years of experience in the securities and futures industry.

Mr. Ho received a Bachelor Degree in Social Sciences from the University of Hong Kong in 1984 and is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

**Mr. Zhou Fang Sheng**

Mr. Zhou Fang Sheng, aged 63, is an Independent Non-executive Director of the Company appointed on 1 January 2013. He is also a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. He has more than 20 years of management experience. From 1991 to 1997, Mr. Zhou served as deputy division director and division director of the State-owned Assets Administration Bureau, and deputy director of the Stated-owned Assets Administration Research Institute. From 1997 to 2001, Mr. Zhou worked as deputy director in the difficulty relief working office for state-owned enterprises of the State Economic and Trade Commission. From 2001 to 2003, Mr. Zhou served as director of the Stated-owned Assets Administration Research Section of the Research Institute for Fiscal Science of the Ministry of Finance. From 2003 to 2009, Mr. Zhou worked as Vice Counsel in charge of stated-owned enterprise restructuring and business management in the Enterprise Reform Bureau of the State-owned Assets Supervision and Administration Commission of the State Council. Mr. Zhou has been appointed as a supervisor of Sinotrans Limited, a company listed on the Main Board of the Hong Kong Stock Exchange since 19 November 2011 and is an independent non-executive director of Beijing BDStar Navigation Co., Ltd, a company listed on the Shenzhen Stock Exchange since 16 January 2012.

**SENIOR MANAGEMENT**

**Mr. Cheng Yong**

Mr. Cheng Yong, aged 49, is the Chief Executive Officer of Qin Qin Incorporated Co., Ltd (Fujian), a non-wholly owned subsidiary of the Group. He is responsible for the overall management, business development and operations of the said subsidiary. Before transferring to the subsidiary, he was the Chief Operating Officer responsible for the Group's daily operations management. Prior to joining the Group in 2001, he worked in several high profile corporations in the PRC and has over 23 years of experience in operations management and specialises in production management and quality control. Mr. Cheng graduated with a bachelor degree in automation-control from the Harbin Engineering University and received a MBA from Xiamen University. He has the title of electrical engineer in the PRC.

**Mr. Xu Lian Pi**

Mr. Xu Lian Pi, aged 52, is responsible for the Group's daily operations management. Mr. Xu joined the Group in 1985 and has over 27 years of experience in human resources management, administration, marketing and sales of fast moving consumer products. He has the title of senior economist in the PRC. He is the elder brother of Mr. Xu Da Zuo and Mr. Xu Shui Shen, executive Directors of the Company.

**Mr. Wang Xiang Yang**

Mr. Wang Xiang Yang, aged 44, is the Director of Supply Chain Management for the Group. He is responsible for the overall strategy relating to the Group's planning and purchasing of raw materials and logistics management. Prior to joining the Group in 1999, he was a manager of the international business department at Jinjiang branch of the Construction Bank of China. Mr. Wang graduated from Hua Qiao University with a degree in Science. He holds the title of senior economist in the PRC.

**Mr. Xu Wen Mo**

Mr. Xu Wen Mo, aged 47, is the Director of the Tissue Paper Products Development Department for the Group. He is responsible for the overall management and business development of paper products for the Group. Mr. Xu joined the Group in 1985 and has over 24 years of experience in management, marketing and sales of consumer products. He has the title of senior economist in the PRC.

**Mr. Xu Zi Dan**

Mr. Xu Zi Dan, aged 46, is the Director of the Napkin Products Development Department for the Group and is responsible for the overall management and business development of napkin products for the Group. Mr. Xu joined the Group in 1985 and has over 27 years of experience in management, marketing and sales of consumer products. He obtained his MBA from University of North Virginia in the US and has the title of financial economist in the PRC.

**Mr. Xie Gang Yi**

Mr. Xie Gang Yi, aged 47, is the Assistant to the Chief Financial Officer of the Group. Prior to joining the Group in 2006, he was a supervisor of the electronic banking department at Jinjiang branch of the Industrial and Commercial Bank of China. Mr. Xie has over 28 years of experience in finance and auditing. He graduated from Xiamen University with a degree in Finance and has the titles of certified internal auditor, certified accountant, corporate legal consultant, senior economist and financial management economist in the PRC.

**Ms. Liu Ying**

Ms. Liu Ying, aged 45, is the Vice-President of the Human Resources Department and is responsible for the Group's human resources management. Joining the Group in 1995, she has over 26 years of experience in human resources management and administration. Ms. Liu is a graduate from Peking University with a degree in Administration Management. She has the title of senior economist in the PRC.

**Mr. Zhu Jian Shui**

Mr. Zhu Jian Shui, aged 39, is the General Manager of the Internal Audit Department. He joined the Group in 1998 and has over 17 years of experience in finance and auditing. He graduated from Tianjin University of Commerce with a degree in International Accounting and also holds a Bachelor Degree in Law from the Southwest University in China. He also has the title of China certified tax agent, certified auditor, senior economist and corporate legal consulat.

**Mr. Pan Jia Hong**

Mr. Pan Jia Hong, aged 39, is the Vice President of the Trade Development Department and is responsible for sales management and development. He joined the Group in 1996 and has over 17 years of experience in sales and operation management. Mr. Pan graduated from the Huaqiao University specializing in Accounting.

**Mr. Wang Gui Zhong**

Mr. Wang Gui Zhong, aged 39, is the Vice-President of the Diaper Products Development Department of the Group. He is responsible for the overall management and business development of diaper products for the Group. Before taking up this position, he held the position of sales and marketing general manager of the Tissue Paper Products Development Department of the Group, responsible for marketing and brand management of the Group's tissue paper products. Mr. Wang joined the Group in 1999 and has over 14 years of experience in sales and marketing of consumer products. Mr. Wang graduated from Hua Qiao University with a degree in Electronic Engineering and Liming Vocational University with a degree in Corporate Management.

**Mr. Zhu Hong Bo**

Mr. Zhu Hong Bo, aged 51, is the Strategic Development Director of the Group and is responsible for corporate development and investment. He has held senior management positions in several listed companies and has over 29 years of experience in marketing promotion and corporate management. Mr. Zhu graduated from the Tianjin Normal University in 1984.



## SUBSTANTIAL SHAREHOLDERS' AND DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

### Directors' interests

As at 31 May 2013, the interests of each Director in the Shares, short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO were as follows:

### Ordinary Shares

#### Long Positions

Name	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)	Number of unlisted shares (Note 1) Personal interests	Total interests	Total interests as a percentage of the relevant issued Share capital
						Total interests
Mr. Sze Man Bok (Note 2) . . . . .	228,804,599	—	—	20,000	228,824,599	18.583%
Mr. Hui Lin Chit (Note 3) . . . . .	224,669,751	—	—	148,000	224,817,751	18.257%
Mr. Hung Ching Shan (Note 4) . . . . .	7,000,000	—	—	20,000	7,020,000	0.570%
Mr. Xu Shui Shen . . . . .	—	33,030	—	180,000	213,030	0.017%
Mr. Sze Wong Kim . . . . .	151,700	—	—	20,000	171,700	0.014%
Mr. Hui Ching Chi . . . . .	40,000	—	—	20,000	60,000	0.005%
Mr. Xu Da Zuo (Note 5) . . . . .	19,777,321	—	—	108,000	19,885,321	1.615%
Mr. Xu Chun Man (Note 6) . . . . .	15,867,445	—	—	20,000	15,887,445	1.290%
Mr. Loo Hong Shing Vincent . . . . .	125,000	—	—	140,000	265,000	0.022%

#### Note:

- (1) Unlisted shares represent share options granted to directors pursuant to share option scheme of the Company.
- (2) Out of the 228,804,599 ordinary shares, Tin Lee Investments Limited ("Tin Lee") holds 228,228,999 ordinary shares while Mr. Sze Man Bok has personal interests in 575,600 ordinary shares in the Company. Tin Lee is a company incorporated in the British Virgin Islands and is a wholly owned subsidiary of Tin Wing Holdings Limited ("Tin Wing"). Tin Wing is a company incorporated in the Bahamas and owned by Seletar Limited and Serangoon Limited as nominee in trust for Credit Suisse Trust Limited ("Credit Suisse"), the trustee of the Sze's Family Trust. Mr. Sze Man Bok is the settlor and beneficiary of the Sze's Family Trust.
- (3) An Ping Holdings Limited holds 224,669,751 shares in the Company. It is a company incorporated in the Bahamas and is a wholly owned subsidiary of An Ping Investments Limited ("An Ping Investments"). An Ping Investments is a company incorporated in the Bahamas and owned by Seletar Limited and Serangoon Limited as nominee in trust for Credit Suisse, the trustee of the Hui Family Trust. Mr. Hui Lin Chit is the settlor and beneficiary of the Hui Family Trust.
- (4) Wan Li Company Limited holds 7,000,000 shares in the Company. It is a company incorporated in the British Virgin Islands and is a wholly owned subsidiary of Manley Investments Limited ("Manley"). Manley is a company incorporated in the Bahamas and owned by Seletar Limited and Serangoon Limited as nominee in trust for Credit Suisse, the trustee of the Wan Li Trust. Mr. Hung Ching Shan is the settlor and beneficiary of the Wan Li Trust.
- (5) Out of the 19,777,321 ordinary shares, Skyful Holdings Limited holds 17,270,000 shares in the Company. It is a company incorporated in the British Virgin Islands and is a wholly owned subsidiary of Charter Towers Limited ("Charter Towers"). Charter Towers is a company incorporated in the Bahamas and owned by Seletar Limited and Serangoon Limited as nominee in trust for Credit Suisse, the trustee of the Xu Family Trust. Mr. Xu Da Zuo is the settlor and beneficiary of the Xu Family Trust. The remaining 2,507,321 shares are held by Hengan International Investments Limited ("HIIIL"), a nominee company holding shares of the Company on behalf of certain directors and senior management of the Group and their family members.
- (6) Out of the 15,867,445 ordinary shares, Zhong Shen Investment Holdings Limited holds 11,700,000 shares in the Company. It is a company incorporated in the British Virgin Islands and is a wholly owned subsidiary of Zhong Shen Holdings Limited ("Zhong Shen"). Zhong Shen is a company incorporated in the British Virgin Islands and owned by HSBC International Trustee Limited as nominee and being the trustee of Zhong Shen Trust. Mr. Xu Chun Man is the settlor and beneficiary of Zhong Shen Trust. The remaining 4,167,445 shares are held by HIIIL.



### Substantial shareholders' interests

The register of substantial shareholders maintained under Section 336 of the SFO shows that, as at 31 May 2013, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors.

Name of substantial Shareholder	Note	Capacity	Number of ordinary shares beneficially held	Approximate percentage of shareholding
Tin Lee Investments Limited . . . . .	(1)	Beneficial owner	228,228,999 (L)	18.53%
Tin Wing Holdings Limited . . . . .	(1)	Interests of controlled corporation	228,228,999 (L)	18.53%
An Ping Holdings Limited . . . . .	(2)	Beneficial owner	224,669,751 (L)	18.25%
An Ping Investments Limited . . . . .	(2)	Interests of controlled corporation	224,669,751 (L)	18.25%
Serangoon Limited . . . . .	(1), (2) & (3)	Interests of controlled corporation	487,168,750 (L)	39.56%
Seletar Limited . . . . .	(1), (2) & (3)	Interests of controlled corporation	487,168,750 (L)	39.56%
Credit Suisse Trust Limited . . . . .	(3)	Trustee	487,168,750 (L)	39.56%

(L) denotes long positions

#### Notes:

- (1) Tin Lee Investments Limited is a company incorporated in the British Virgin Islands and is a wholly owned subsidiary of Tin Wing Holdings Limited. Tin Wing Holdings Limited is a company incorporated in the Bahamas and owned by Seletar Limited and Serangoon Limited as nominee in trust for Credit Suisse Trust Limited, the trustee of the Sze's Family Trust.
- (2) An Ping Holdings Limited, a company incorporated in the Bahamas, is a wholly owned subsidiary of An Ping Investments Limited. An Ping Investments Limited is a company incorporated in the Bahamas and owned by Seletar Limited and Serangoon Limited as nominee in trust for Credit Suisse Trust Limited, the trustee of the Hui Family Trust.
- (3) Credit Suisse Trust Limited is the trustee of the Sze's Family Trust, the Hui Family Trust, the Xu Family Trust, the Wan Li Trust and others and is deemed to be interested in the shares held by these trusts.

Apart from the above, as at 31 May 2013, none of the Directors had any interests or short positions in any shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

Apart from the above, so far as is known to any of the Directors, the Company had not been notified of any other person (other than the Directors) who had an interest or a short position in the Shares or underlying shares of the Company which was recorded in the register maintained under Section 336 of the SFO.

## DESCRIPTION OF THE SHARES

*Set out below is certain information concerning the Shares and a summary of certain provisions of the Company's Articles of Association (the "Articles") and certain other information concerning the Company. Such summary does not purport to be complete and is qualified in its entirety by reference to the full Articles.*

### **Annual general meetings**

The Company shall in each year hold a general meeting as its general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months shall elapse between the date of one annual general meeting of the Company and that of the next.

### **Voting rights (generally, on a poll and right to demand a poll)**

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of Shares, at any general meeting where a show of hands is allowed every member of the Company who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) shall have one vote, and on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each Share registered in his name in the register of members of the Company.

In the case of joint holders of any share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the ground that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote, whether on a show of hands or on a poll, by any person authorised in such circumstances to do so and such person may vote on a poll by proxy.

No member shall, unless the Directors otherwise determine, be entitled to vote, or be reckoned in a quorum, at any general meeting in respect of any Share unless he is registered as a shareholder of the Company at the date of such meeting and all calls which have been made by the Directors, or other sums presently payable by him, in respect of such Share have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided on a poll, save that the chairman of the meeting may, in good faith, allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

On a poll votes may be given either personally or by proxy and a person entitled to more than one vote on a poll need not use all his votes or cast all the votes he uses in the same way.

If a recognised clearing house (or its nominee) is a member of the Company it may appoint such person or persons as its proxy or proxies or appoint such person or persons as it thinks fit to act as its representative or representatives at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so appointed or authorised, the authorisation shall specify the number and class of Shares in respect of which each such person is so authorised. A person appointed or authorised pursuant to this provision shall be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee) which he represents as that clearing house (or its nominee) could exercise if it were an individual shareholder of the Company including the right to vote individually on a show of hands.

### **Variation of rights of existing Shares or classes of shares**

If at any time the share capital of the Company is divided into different classes of Shares, all or any of the special rights attached to any class (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law (2012 Revision) of the Cayman Islands (the “Companies Law”), be varied 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 meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

### **Alteration of Capital**

The Company in general meeting may, from time to time, whether or not all the Shares for the time being authorised shall have been issued and whether or not all the Shares for the time being issued shall have been fully paid up, by ordinary resolution increase its share capital by the creation of new Shares, such new capital to be of such amount and to be divided into Shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (i) consolidate and divide all or any of its share capital into shares of larger amount than its existing Shares. On any consolidation of fully paid Shares and division into shares of larger amount, the board of Directors of the Company (the “Board”) may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of Shares to be consolidated determine which particular Shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company’s benefit;
- (ii) cancel any Shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the Shares so cancelled subject to the provisions of the Companies Law; and
- (iii) sub-divide its Shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association of the Company, subject nevertheless to the provisions of the 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 the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital, any capital redemption reserve or any share premium account in any manner authorised and subject to any conditions prescribed by the Companies Law.

**Special resolution — majority required**

A “special resolution” is defined in the Articles to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the 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 of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to receive notice of and to attend and vote at a general meeting of the Company in one or more counterparts. Any such resolution shall be deemed to have been passed at a meeting held on the date on which it was signed by the last shareholder to sign.

**Auditors**

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting and shall fix his or their remuneration provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors. The removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members of the Company in general meeting.

**Transfer of Shares**

All transfers of Shares may be effected by an instrument of transfer in the usual common form or in the standard transfer form prescribed by the Hong Kong Stock Exchange or in any other form which the Directors may approve.

The instrument of transfer of a Share shall be signed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the Share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer, when registered, shall be retained by the Company.

The Directors may decline to register any transfer of any Share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any other Shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the Shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of Share;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the Share is to be transferred does not exceed four;
- (e) the Shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such maximum as the Hong Kong Stock Exchange may from time to time determine (or such lesser sum as the Directors may from time to time require) is paid to the Company.

If the Directors refuse to register a transfer they shall, within two months after the date on which the instrument of transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days’ notice being given by advertisement published on the Hong Kong Stock Exchange’s website or, subject to the Listing Rules, by electronic communication or by advertisement published in certain newspapers be suspended at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of Shares, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any

year (or such longer period as the members may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

#### **Power of the Company to purchase its own Shares**

Subject to the provisions of the Companies Law and the Memorandum of Association of the Company, and to any special rights conferred on the holders of any Shares or attaching to any class of Shares, Shares may be issued on the terms that they may be, or at the option of the Company or the holders are, liable to be redeemed on such terms and in such manner, including out of capital, as the Board may deem fit.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all shareholders alike.

The purchase or redemption of any Share shall not be deemed to give rise to the purchase or redemption of any other Share.

The holder of the Shares being purchased, surrendered or redeemed shall be bound to deliver up to the Company at its principal place of business in Hong Kong or such other place as the Board shall specify the certificate(s) thereof for cancellation and thereupon the Company shall pay to him the purchase or redemption monies in respect thereof.

#### **Dividends and other methods of distributions**

Except in so far as the rights attaching to, or the terms of issue of, any Share otherwise provide, all dividends shall (as regards Shares which are not fully paid up) be apportioned and paid pro rata according to the amounts paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid, but no amount paid up on a Share in advance of calls shall be treated for this purpose as paid up on the Share.

The Directors may also pay any dividend which is payable on any Shares half-yearly or on any other dates, whenever the position of the Company, in the opinion of the Directors, justifies such payment.

The Directors may retain any dividends or other moneys payable on or in respect of a Share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend or other monies payable by the Company on or in respect of any Share shall bear interest against the Company.

In respect of any dividend proposed to be paid or declared on the share capital of the Company, the Directors may resolve:

- (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 shall 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.

The Company may upon the recommendation of the Board by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the provisions of paragraph (a) a dividend may be satisfied wholly in the form of an allotment of Shares credited as fully paid without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend or bonus 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 the Company in respect of the Shares at his address as appearing in the register or addressed to such person and to 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 of members of the Company 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 good discharge by the Company.

Any dividend unclaimed after a period of six years from the date of declaration of such dividend shall be forfeited and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct payment or satisfaction of any dividend wholly or in part by the distribution of specific assets, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may issue fractional certificates, disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

#### **Calls on Shares and forfeiture of Shares**

The Directors may from time to time make calls upon the members of the Company in respect of any moneys unpaid on their Shares (whether on account of the nominal amount of the Shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times and each member shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment) pay to the Company at the time and place so specified the amount called on his Shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the Shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a Share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a Share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15 per cent. per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any Share after the day appointed for payment thereof, the Directors may at any time serve a notice on the holder of such Shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment on or before the day and at the place appointed, the Shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.



If the requirements of such notice are not complied with, any Share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited Shares and not actually paid before the forfeiture. A forfeited Share shall be deemed to be the property of the Company and may be sold, re-allotted, cancelled or otherwise disposed of.

A person whose Shares have been forfeited shall thereupon cease to be a member of the Company in respect of the forfeited Shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the Shares, together with interest thereon at such rate not exceeding 15 per cent. per annum from the date of forfeiture until payment, and the Directors may enforce payment without being under any obligation to make any allowance for the value of the Shares forfeited, at the date of forfeiture.

### **Procedure on liquidation**

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of Shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the Shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the Shares held by them respectively.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any 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 sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

### **Pre-emption Rights**

The Articles do not contain any pre-emptive rights in respect of the issue of Shares. However, the listing agreement between the Company and the Hong Kong Stock Exchange provides that the Directors may not, without the prior approval of the Company in general meeting, exercise any power of the Company to allot shares otherwise than under an offer made pro rata by the Company to its shareholders. As a matter of practice, the Company adopts in each year a general mandate authorising the Directors to allot and issue and otherwise dispose of shares, during a specified period, up to the level, currently 20 per cent. of the issued share capital in issue at the time of passing the resolution, permitted by the Listing Rules without the requirement for any such authority. Such a mandate was given at the annual general meeting of the Company's shareholders on 22 May 2012 which can be utilised at any time up until the Company's next annual general meeting.

## MARKET PRICE INFORMATION

The Shares have been listed on the Hong Kong Stock Exchange since 8 December 1998. The table below sets forth the closing prices and the average daily trading volume of the Shares on the Hong Kong Stock Exchange for the periods indicated:

	Closing Share Price			Average Daily Trading
	High	Low	Period End	Volume of Shares
	HK\$	HK\$	HK\$	('000)
<b>2010</b>				
First Quarter . . . . .	58.45	50.35	57.90	2,346
Second Quarter . . . . .	65.10	50.55	63.55	2,386
Third Quarter . . . . .	77.35	61.15	77.35	1,584
Fourth Quarter . . . . .	77.70	66.15	67.05	2,066
<b>2011</b>				
First Quarter . . . . .	69.80	55.10	57.70	3,377
Second Quarter . . . . .	69.90	56.85	69.80	3,711
Third Quarter . . . . .	72.85	60.60	62.95	3,551
Fourth Quarter . . . . .	75.00	57.35	72.65	2,234
<b>2012</b>				
First Quarter . . . . .	78.50	68.10	78.50	2,568
Second Quarter . . . . .	82.65	71.00	74.95	2,050
Third Quarter . . . . .	80.35	69.95	73.30	2,453
Fourth Quarter . . . . .	75.55	67.45	69.95	2,720
<b>2013</b>				
First Quarter . . . . .	81.75	71.40	75.95	3,047
April . . . . .	80.20	75.10	80.20	2,586
May . . . . .	88.95	80.00	86.10	2,497
June (through 21 June 2013) . . . . .	83.25	75.25	75.25	2,866

Source: Bloomberg

## EXCHANGE RATES

The Hong Kong dollar is freely convertible into other currencies (including the U.S. dollar).

Since 17 October 1983, the Hong Kong dollar has been pegged to the U.S. dollar at the rate of HK\$7.80 to U.S.\$1.00. The central element in the arrangement which gave effect to this peg is that, by agreement between the Hong Kong Government and the three Hong Kong banks that issue Hong Kong dollar banknotes, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank and Bank of China (Hong Kong) Limited, certificates of indebtedness (which are issued by the Hong Kong Government Exchange Fund to the banknote issuing banks to be held as cover for their banknote issue) are issued and redeemed only against payment in U.S. dollars, at the fixed exchange rate of U.S.\$1.00 to HK\$7.80. When banknotes are withdrawn from circulation, the banknote issuing banks surrender the certificates of indebtedness to the Hong Kong Government Exchange Fund and are paid the equivalent amount of U.S. dollars at the fixed rate of exchange.

The market exchange rate of the Hong Kong dollar against the U.S. dollar continued to be determined by the forces of supply and demand in the foreign exchange market. In light of the fixed rate for the issue of Hong Kong currency in the form of banknotes, as described above, the market exchange rate has not deviated significantly from the level of HK\$7.80 to U.S.\$1.00 since 17 October 1983. In May 2005, the Hong Kong Monetary Authority broadened the 22-year old trading band from the original rate of HK\$7.80 per U.S. dollar to a rate range of HK\$7.75 to HK\$7.85 per U.S. dollar.

The Hong Kong Government has stated its intention to maintain the link at that rate, and it, acting through the Hong Kong Monetary Authority, has a number of means by which it may act to maintain exchange rate stability. Under the Basic Law, the Hong Kong dollar will continue to circulate and remain freely convertible. The Hong Kong Government has also stated that it has no intention of imposing exchange controls in Hong Kong and that the Hong Kong dollar will remain freely convertible into other currencies, including the U.S. dollar. However, no assurance can be given that the Hong Kong Government will maintain the link within the range of HK\$7.75 to HK\$7.85 per U.S. dollar or at all, or will not in the future impose exchange controls.

The following table sets forth the average, high, low and period-end exchange rates between the Hong Kong dollar and the U.S. dollar (in HK\$ per U.S.\$1.00) at the noon buying rate in New York City for cable transfers in foreign currencies for the periods indicated (the Noon Buying Rate).

Year	Noon Buying Rate			
	Low	Average	High	Period End
				(HK\$ per US\$)
2010 . . . . .	7.7501	7.7687	7.8040	7.7810
2011 . . . . .	7.7634	7.7841	7.8087	7.7663
2012 . . . . .	7.7493	7.7569	7.7699	7.7507
December 2012 . . . . .	7.7493	7.7501	7.7518	7.7507
2013				
January 2013 . . . . .	7.7503	7.7530	7.7585	7.7560
February 2013 . . . . .	7.7531	7.7552	7.7580	7.7546
March 2013 . . . . .	7.7551	7.7592	7.7640	7.7629
April 2013 . . . . .	7.7606	7.7631	7.7652	7.7606
May 2013 . . . . .	7.7587	7.7614	7.7639	7.7625
June 2013 (through 14 June 2013) . . . . .	7.7610	7.7628	7.7654	7.7612

The PBOC sets and publishes daily a central parity exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the

previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. Although Chinese governmental policies were introduced in 1996 to reduce restrictions on the exchangeability of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital account items, such as foreign direct investment, loans or securities, requires the approval of SAFE and other relevant authorities. 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 20 June 2010, the PBOC announced that it intends to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate.

The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, and makes it the central parity rate for trading against the Renminbi on the following business day. The central parity rate of the Renminbi rose to RMB6.1737 to US\$1.00 on 31 December 2010, bringing the currency's total appreciation to approximately 18.34% since reform of the exchange rate system began in July 2005. The PRC Government may adopt further reforms of its exchange rate system, including making the Renminbi freely exchangeable in the future.

The following table sets forth, for the periods indicated, certain information concerning the exchange rates between the Renminbi and the U.S. dollar.

Year	Noon Buying Rate			
	Low	Average	High	Period End
				(RMB per US\$)
2010 . . . . .	6.6000	6.7696	6.8330	6.6000
2011 . . . . .	6.2939	6.4630	6.6364	6.2939
2012 . . . . .	6.2221	6.3093	6.3879	6.2301
December 2012 . . . . .	6.2251	6.2328	6.2502	6.2301
2013				
January 2013 . . . . .	6.2134	6.2215	6.2302	6.2186
February 2013 . . . . .	6.2213	6.2323	6.2438	6.2213
March 2013 . . . . .	6.2105	6.2154	6.2246	6.2108
April 2013 . . . . .	6.1647	6.1861	6.2078	6.1647
May 2013 . . . . .	6.1213	6.1416	6.1665	6.1340
June 2013 (through 14 June 2013) . . . . .	6.1276	6.1321	6.1359	6.1306

## DIVIDENDS

Subject to the Companies Law and the Articles, the Company in general meeting may declare dividends but no dividends shall exceed the amount recommended by the Board. The Board may from time to time pay such interim dividends to the members of the Company as may appear to the Board to be justified by the profits of the Company. No dividend shall be paid otherwise than out of the profits or reserves of the Company lawfully available for distribution including share premium. No dividends shall carry interest.

The table below sets out certain statistics on ordinary dividends declared by the Company on Shares in respect of the financial years indicated:

<b>Year ended 31 December</b>	<b>Interim Ordinary Dividend per Share</b>	<b>Final Ordinary Dividend per Share</b>	<b>Total Ordinary Dividend per Share</b>	<b>Interim Ordinary Dividend</b>	<b>Final Ordinary Dividend</b>	<b>Total Ordinary Dividend</b>
<b>(HK\$ million, except per share data)</b>						
2010 .....	0.60	0.70	1.30	734.5	857.0	1,591.5
2011 .....	0.60	0.75	1.35	737.4	921.8	1,659.2
2012 .....	0.75	0.95	1.70	921.8	1,167.6	2,089.4

## TAXATION

*The following summary of certain tax consequences of the purchase, ownership and disposition of Bonds and Shares is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds or Shares and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Bonds should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of Bonds and Shares.*

Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.

### **Cayman Islands**

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Bonds. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Payments of interest and principal on the Bonds and dividends and capital in respect of the Shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal or a dividend or capital to any holder of the Bonds or Shares, as the case may be, nor will gains derived from the disposal of the Bonds or Shares be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable in respect of the issue of the Bonds. The Global Certificate or an instrument of transfer in respect of a Bond is stampable if executed in or brought into the Cayman Islands.

No stamp duty is payable in respect of the issue of the Shares or on an instrument of transfer in respect of a Share.

The Company has been incorporated under the laws of the Cayman Islands as an exempted company and, as such, has obtained an undertaking from the Governor in Cabinet of the Cayman Islands in the following form:

### **The Tax Concessions Law (1995 Revision) Undertaking as to Tax Concessions**

In accordance with the provision of Section 6 of the Tax Concession Law (1995 Revision), the Governor in Cabinet undertakes with Hengan International Group Company Limited ("the Company")

1. That no Law which is hereafter enacted in the Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
2. In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable
  - 2.1. on or in respect of the shares, debentures or other obligations of the Company; or
  - 2.2. by way of the withholding in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1995 Revision).
3. These concessions shall be for a period of 20 years from 4 August 1998.



## **Hong Kong**

### *Withholding Tax*

No withholding tax in Hong Kong is payable on payments of principal in respect of the Bonds or in respect of any capital arising from the sale of the Bonds.

### *Profits Tax*

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Sums derived from the sale, disposal or redemption of Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

### *Stamp Duty*

No Hong Kong stamp duty will be chargeable upon the issue, transfer (for so long as the register of holders of the Bonds is maintained outside Hong Kong) or conversion of a Bond.

## **EU Directive on the taxation of savings income**

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

On 13 November 2008 the European Commission published a proposal for amendments to the Directive, which included a number of suggested changes which, if implemented, would broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

**The proposed financial transactions tax (“FTT”)**

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**).

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

The Company has entered into a subscription agreement with Deutsche Bank AG, Hong Kong Branch, J.P. Morgan Securities plc, The Hongkong and Shanghai Banking Corporation Limited, UBS AG, Hong Kong Branch and Nomura International (Hong Kong) Limited (together, the “**Joint Lead Managers**”) dated 20 May 2013 (the “**Subscription Agreement**”), pursuant to which, and subject to certain conditions contained therein, the Company agreed to sell to the Joint Lead Managers, and the Joint Lead Managers severally agreed to subscribe for, the aggregate principal amount of the Bonds set out opposite their names respectively:

<b>Joint Lead Manager</b>	<b>Principal Amount of Bonds to be Subscribed</b>
Deutsche Bank AG, Hong Kong Branch . . . . .	HK\$2,011,000,000
J.P. Morgan Securities plc . . . . .	HK\$2,011,000,000
The Hongkong and Shanghai Banking Corporation Limited . . . . .	HK\$543,000,000
UBS AG, Hong Kong Branch . . . . .	HK\$761,000,000
Nomura International (Hong Kong) Limited . . . . .	HK\$108,000,000

The Company has agreed in the Subscription Agreement that neither the Company nor any of its subsidiaries or affiliates over which it exercises management or voting control, nor any person acting on its or their behalf will, for a period from 20 May 2013 up to 90 days after the Closing Date, without the prior written consent of the Joint Lead Managers (such consent not to be unreasonably withheld or delayed), issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal) any Shares or securities convertible or exchangeable into or exercisable for Shares or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the Shares, including equity swaps, forward sales and options representing the right to receive any Shares (whether or not such contract is to be settled by delivery of Shares or such other securities, in cash or otherwise) save for Shares issued (i) pursuant to the conversion provisions of the Bonds or (ii) pursuant to the exercise of any options under the employee share option schemes adopted by the Company on 2 May 2003 and on 26 May 2011.

In addition, each of Mr. Sze Man Bok and Mr. Hui Lin Chit has also undertaken to the Joint Lead Managers that for a period from 20 May 2013 up to 90 days from the Closing Date, he will not sell any Shares or enter into other transactions with a similar effect as described in the preceding paragraph.

The Subscription Agreement provides that the Company will indemnify the Joint Lead Managers against certain liabilities. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Company. The Company has agreed to indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Bonds.

The Joint Lead Managers or its affiliates may purchase the Bonds for its own account and enter into transactions, including (i) credit derivatives, including asset swaps, repackaging and credit default swaps relating to the Bonds and/or the Company’s securities or (ii) equity derivatives and stock loan transactions relating to the Shares at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds).

The Joint Lead Managers and certain of its subsidiaries or affiliates have performed certain investment banking and advisory services for the Company and/or its subsidiaries from time to time for which they have received customary fees and expenses. The Joint Lead Managers may, from time to time, engage in transactions with and perform services for the Company and/or its subsidiaries in the ordinary course of their business. In addition, the Joint Lead Managers and certain of their subsidiaries and affiliates may hold Shares as beneficial owners, on behalf of clients or in the capacity of investment advisors.

**General**

No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular or any amendment or supplement thereto or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. The Joint Lead Managers are not authorised to make any representation or use any information in connection with the issue, subscription and sale of the Bonds other than as contained in this Offering Circular or any amendment or supplement thereto.

**United States**

The Bonds and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the Securities Act or any state securities law and, subject to certain exceptions, may not be offered or sold within the United States.

The Bonds are being offered and sold outside the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of the Bonds or the Shares to be issued upon conversion of the Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

**United Kingdom**

Each Joint Lead Manager has represented, warranted and agreed that:

- (1) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and
- (2) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

**Cayman Islands**

The public in the Cayman Islands may not be invited to subscribe directly or indirectly for the Bonds unless at the time of such invitation the Company is listed on the Cayman Islands Stock Exchange.

**Hong Kong**

Each Joint Lead Manager has represented and agreed that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to “professional investors” as defined in the SFO and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under that Ordinance.

**Singapore**

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented, warranted and agreed that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell such Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or

distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

Where Bonds are subscribed or purchased under Section 275 by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulation 2005 of Singapore.

## **Japan**

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (the “**Financial Instruments and Exchange Act**”). Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

## GENERAL INFORMATION

1. **Clearing Systems:** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code number 093673719 and the International Securities Identification Number for the Bonds is XS0936737195.
2. **Listing of Shares:** Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares arising on conversion of the Bonds.
3. **Listing of Bonds:** Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Company shall appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that the Global Certificate is exchanged for Bonds in definitive form. In addition, in the event that the Global Certificate is exchanged for Bonds in definitive form, an announcement of such exchange shall be made through the SGX-ST and such announcement will include all material information with respect to the delivery of the Bonds in definitive form, including details of the paying agent in Singapore.
4. **Authorisations:** The Company has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by resolutions of the Board of Directors of the Company passed on 20 May 2013.
5. **No Material Adverse Change:** Except as disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position of the Company and the Group since 31 December 2012 and no material adverse change in the financial position or prospects of the Group since 31 December 2012.
6. **Litigation:** Save as disclosed in this Offering Circular, neither the Company nor any of its subsidiaries is involved in any litigation or arbitration proceedings which are material in the context of the Bonds nor is the Company aware that any such proceedings are pending or threatened.
7. **Available Documents:** Copies of the latest annual report and consolidated accounts of the Company and the latest unaudited interim consolidated accounts of the Company may be obtained free of charge, and copies of the Trust Deed and the Agency Agreement will be available for inspection, at the specified office of the Company at Unit 2101D, 21st Floor, Admiralty Centre Tower 1, 18 Harcourt Road, Hong Kong during normal business hours, so long as any of the Bonds is outstanding. The Company publishes unaudited consolidated interim financial statements for the six months ended 30 June every year.
8. **Indemnification of the Trustee:** The Trustee is entitled under the Trust Deed to rely without liability to the Bondholders on certificates prepared by the Directors of the Company, which may be accompanied by a certificate or report prepared by an internationally recognised firm of accountants to the Company whether or not addressed to the Trustee, and whether or not the internationally recognised firm of accountants' liability in respect thereof is limited by a monetary cap or otherwise limited or excluded, and shall be obliged to do so where the certificate or report is delivered pursuant to the obligation of the Company to procure such delivery under the Terms and Conditions of the Bonds and the Terms and Conditions of the Bonds so require. Any such certificate or report relied on by the Trustee shall be conclusive and binding on the Company, the Trustee and the Bondholders.
9. **Auditor:** The consolidated financial statements of the Company for each of the years ended 31 December 2010, 2011 and 2012 incorporated by reference in this Offering Circular have been audited by PricewaterhouseCoopers, certified public accountants, as stated in their reports appearing therein.

**COMPANY**

**Hengan International Group Company Limited**

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**恒安國際集團有限公司**

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