



Jin Cai Holdings Company Limited 金彩控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1250



Sponsor



FIRST SHANGHAI CAPITAL LIMITED
第一上海融資有限公司

Bookrunner and Lead Manager



FIRST SHANGHAI SECURITIES LIMITED
第一上海證券有限公司

IMPORTANT

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



Jin Cai Holdings Company Limited

金彩控股有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PUBLIC OFFER AND PLACING

Number of Offer Shares : 80,000,000 Shares
Number of Public Offer Shares : 8,000,000 Shares (subject to reallocation)
Number of Placing Shares : 72,000,000 Shares (subject to reallocation)
Maximum Offer Price : Not more than HK\$0.9 per Offer Share
(payable in full in Hong Kong dollars upon
application plus brokerage of 1%, SFC
transaction levy of 0.003% and Stock Exchange
trading fee of 0.005% and subject to refund (if
any))
Nominal value : HK\$0.01 each
Stock code : 1250

Sponsor



First Shanghai Capital Limited

Bookrunner and Lead Manager



First Shanghai Securities Limited

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

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

The final Offer Price is expected to be determined by agreement among the Company, the Sponsor and the Lead Manager (for itself and on behalf of the other Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, 27 June 2013 or on such later date as may be agreed among the Company, the Sponsor and the Lead Manager (for itself and on behalf of the other Underwriters) and, in any event, not later than Wednesday, 3 July 2013. **Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lower than the indicative Offer Price range as stated in this prospectus.** The Offer Price will be not more than HK\$0.9 and is currently expected to be not less than HK\$0.7 per Share, unless otherwise announced. Applicants for the Offer Shares are required to pay, on application, the maximum Offer Price of HK\$0.9 for each Public Offer Share together with 1% brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee subject to refund if the Offer Price as finally determined should be lower than HK\$0.9. The Lead Manager (for itself and on behalf of the other Underwriters, and with the consent of the Company and the Sponsor) may reduce the number of Offer Shares being offered under the Share Offer and/or the indicative offer price range that is stated in this prospectus (which is HK\$0.7 to HK\$0.9 per Share) at any time prior to the morning of the last day for the lodging of applications under the Public Offer. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative offer price range will be published in the *South China Morning Post* (in English) and the *Hong Kong Economic Times* (in Chinese) and on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jincaiholding.com) not later than the morning of the day which is the last day for lodging applications under the Public Offer. Further details are set out in the sections headed "Structure and conditions of the Share Offer" and "How to apply for the Public Offer Shares" in this prospectus. If, for whatever reason, the Company, the Sponsor and the Lead Manager (for itself and on behalf of the other Underwriters) are not able to agree on the Offer Price on or before Wednesday, 3 July 2013, the Share Offer will not become unconditional and will lapse.

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

Pursuant to the force majeure provisions contained in the Underwriting Agreements, the Lead Manager (for itself and on behalf of the other Underwriters) has the right in certain circumstances, in its sole and absolute discretion, to terminate the obligations of the Underwriters pursuant to the Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is currently expected to be Friday, 5 July 2013). Further details of the terms of the force majeure provisions are set out in the paragraph headed "Grounds for termination" in the section headed "Underwriting" in this prospectus.

No action has been taken in any jurisdiction other than Hong Kong to permit an offering of the Offer Shares or the distribution of this prospectus and the related Application Forms to the public. Accordingly, this prospectus or the related Application Forms may not be used for the purpose of, and does not (and is not intended to) constitute an offer or invitation in any jurisdiction outside Hong Kong or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus or the related Application Forms and the offering and sales of the Offer Shares in other jurisdictions may be restricted by law and therefore persons who possess this prospectus or any of the related Application Forms should inform themselves about, and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

24 June 2013

EXPECTED TIMETABLE *(Note 1)*

If there is any change in the following expected timetable of the Share Offer, the Company will issue an announcement to be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jincaiholding.com).

Latest time to complete electronic applications under **White Form eIPO** service through the designated website at www.eipo.com.hk *(Note 2)*11:30 a.m. on Thursday, 27 June 2013

Application lists of the Public Offer open *(Note 3)*11:45 a.m. on Thursday, 27 June 2013

Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC *(Note 4)*12:00 noon on Thursday, 27 June 2013

Latest time to complete payment for White Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s)12:00 noon on Thursday, 27 June 2013

Application lists of the Public Offer close *(Note 3)*12:00 noon on Thursday, 27 June 2013

Expected Price Determination Date *(Note 5)*Thursday, 27 June 2013

Announcement of the Offer Price, the level of indication of interests in the Placing, the level of applications and basis of allocation of the Public Offer Shares to be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jincaiholding.com) on or beforeThursday, 4 July 2013

Announcement of the results of allocations (with successful applicants' identification document numbers, where applicable) to be available through a variety of channels including the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.jincaiholding.com as described under the paragraph headed "Publication of results" in the section headed "How to apply for the Public Offer Shares" in this prospectus on or before.Thursday, 4 July 2013

Results of allocations in the Public Offer will be available at www.iporesults.com.hk with a "search by ID" functionThursday, 4 July 2013

EXPECTED TIMETABLE *(Note 1)*

Share certificates in respect of wholly or partially successful applications to be despatched on or before ^(Note 6) Thursday, 4 July 2013

Refund cheques and/or White Form e-Refund payment instructions in respect of wholly successful (where applicable) or wholly or partially unsuccessful applications to be despatched on or before ^(Notes 6 and 7) Thursday, 4 July 2013

Dealings in the Shares on the Main Board to commence at 9:00 a.m. on Friday, 5 July 2013

Notes:

1. All times refer to Hong Kong local time, except as otherwise stated.
2. You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 27 June 2013, the application lists will not open and close on that day. Further information is set out in the paragraph headed “Effect of bad weather on the opening of the application lists” in the section headed “How to apply for the Public Offer Shares” in this prospectus.
4. Applicants who apply by giving electronic application instructions to HKSCC should refer to the paragraph headed “How to apply by giving electronic application instructions to HKSCC” in the section headed “How to apply for the Public Offer Shares” in this prospectus.
5. The Offer Price is expected to be determined at or around 12:00 noon on Thursday, 27 June 2013, and, in any event, not later than Wednesday, 3 July 2013. If, for any reason, the Offer Price is not agreed among the Company, the Sponsor and the Lead Manager (for itself and on behalf of the other Underwriters) on or before Wednesday, 3 July 2013, the Share Offer will not become unconditional and will lapse.
6. Applicants who apply for 1,000,000 Public Offer Shares or more under the Public Offer on **WHITE** Application Forms and have indicated on their Application Forms that they wish to collect refund cheque(s) and/or share certificate(s) in person from the Company’s Hong Kong share registrar may collect refund cheque(s) and/or share certificate(s) in person from the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 4 July 2013. Applicants being corporations who are applying for 1,000,000 Public Offer Shares or more and opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporation’s chop. Identification and (where applicable) authorisation documents acceptable to the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, must be produced at the time of collection. Applicants who apply for 1,000,000 Public Offer Shares or more under the Public Offer on **YELLOW** Application Forms and have indicated on their Application Forms that they wish to collect refund cheque(s) in person may collect their refund cheque(s) (if any) but may not elect to collect their share certificate(s), which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants. Uncollected share certificates and refund cheques will be despatched by ordinary post at the applicants’ own risk to the addresses specified on the relevant Application Forms. Further details are set out in the paragraph headed “Despatch/Collection of share certificates and refund of application monies” in the section headed “How to apply for the Public Offer Shares” in this prospectus.

EXPECTED TIMETABLE *(Note 1)*

7. e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications in the event that the Offer Price is less than the price payable on application. Part of the applicant's Hong Kong Identity Card number/passport number, or, if the application is made by joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant, provided by the applicant may be printed on the applicant's refund cheque(s), if any. Such data would also be transferred to a third party for refund purpose. Banks may require verification of the applicant's Hong Kong Identity Card numbers/passport numbers before encashment of the refund cheque(s). Inaccurate completion of the applicant's Hong Kong Identity Card numbers/passport numbers in the Application Forms may lead to delay in encashment of or may invalidate the refund cheque(s).

Share certificates for the Public Offer Shares are expected to be issued on Thursday, 4 July 2013, but they will only become valid certificates of title at 8:00 a.m. on Friday, 5 July 2013 provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination as described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of the share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

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

CONTENTS

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

	<i>Page</i>
Expected timetable	i
Contents	iv
Summary	1
Definitions	12
Glossary of technical terms	22
Forward-looking statements	23
Risk factors	24
Waiver from strict compliance with the Listing Rules	41
Information about this prospectus and the Share Offer	43
Directors and parties involved in the Share Offer	46
Corporate information	50
Industry overview	52
Laws and regulations	67
History, Corporate Reorganisation and group structure	74
Business	85
Future plans and use of proceeds	133
Directors, senior management and staff	136
Substantial Shareholders	147
Relationship with the Controlling Shareholders	148
Share capital	156
Financial information	159

CONTENTS

	<i>Page</i>
Underwriting	208
Structure and conditions of the Share Offer	215
How to apply for the Public Offer Shares	220
Appendix I — Accountants' report	I-1
Appendix II — Unaudited pro forma financial information	II-1
Appendix III — Property valuation	III-1
Appendix IV — Summary of the constitution of the Company and Cayman Islands company law	IV-1
Appendix V — Statutory and general information	V-1
Appendix VI — Documents delivered to the Registrar of Companies and available for inspection	VI-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares.

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

OVERVIEW

The Group was the second largest cigarette package supplier with market share of approximately 17.7% in terms of the sales value of paper cigarette packages in Jiangxi Province, the PRC in 2012 according to the Euromonitor Reports. Jiangxi Province accounted for approximately 2.4% of the overall cigarette production volume in the PRC in 2012.

The Group is principally engaged in the design, printing and sale of cigarette packages in the PRC. Products of the Group include paper cigarette packages for two of the 30 Key Cigarette Brands, namely Hongtashan (紅塔山) and Jinsheng (金聖), and for Cigarette Brand A, which together with Hongtashan (紅塔山), were two of the four largest cigarette brands in the PRC in terms of retail sales volume in 2011 according to the Euromonitor Reports. Four of the sixteen state-owned provincial tobacco industrial companies in the PRC were the major customers of the Group during the Track Record Period.

For each of the years ended 31 December 2010, 2011 and 2012, the Group generated revenue of approximately RMB162.6 million, RMB179.5 million and RMB183.3 million and recorded profit attributable to owners of the Company of approximately RMB32.8 million, RMB32.6 million and RMB31.0 million, respectively.

MAJOR CUSTOMERS AND PRODUCTS

The Group had altogether nine customers during the Track Record Period, four of which were provincial tobacco industrial companies and their details are as follows:

Name of the customer	Major cigarette brand package produced by the Group during the Track Record Period	Business with the customer commenced since
China Tobacco Jiangxi	Jinsheng (金聖)	2001
China Tobacco Yunnan	Hongtashan (紅塔山)	2004
Customer A	Cigarette Brand A	2009
Customer B	Cigarette Brand B	2010

SUMMARY

Revenue from the four provincial tobacco industrial companies contributed approximately 99.8%, 97.1%, and 97.9% of the total revenue of the Group for each of the years ended 31 December 2010, 2011 and 2012, respectively. China Tobacco Jiangxi was the largest customer of the Group during the Track Record Period and revenue generated from it accounted for approximately 60.5%, 54.9% and 67.3% of the revenue of the Group during each of the years ended 31 December 2010, 2011 and 2012, respectively. During the Track Record Period, the Group supplied cigarette packages for three sub-brands of the Jinsheng (金聖) brand to China Tobacco Jiangxi and has been the sole supplier of packages for these three sub-brands up to the Latest Practicable Date. Since 2011, cigarette manufacturers in the PRC have gradually adopted the tendering process for the selection of cigarette package suppliers as required by the PRC government and the Group participated in the tendering arranged by the provincial tobacco industrial companies and entered into sales contracts with these customers after winning the tenders.

All of the revenue of the Group during the Track Record Period was generated from the sale of paper cigarette packages. The following table sets forth the breakdown of revenue of the Group by cigarette brands during the Track Record Period:

Cigarette brand (Customer)	For the year ended 31 December					
	2010		2011		2012	
	RMB'000	% RMB'000	RMB'000	% RMB'000	RMB'000	%
Jinsheng (金聖) brand						
(China Tobacco Jiangxi [^])	97,589	60.0%	98,573	54.9%	123,477	67.3%
Hongtashan (紅塔山) brand						
(China Tobacco Yunnan)	34,906	21.5%	45,787	25.5%	22,436	12.2%
Cigarette Brand A (Customer A)	19,890	12.2%	23,160	12.9%	25,067	13.7%
Cigarette Brand B (Customer B)	9,121	5.6%	6,809	3.8%	8,542	4.7%
Others	1,069	0.7%	5,180	2.9%	3,825	2.1%
	<u>162,575</u>	100.0%	<u>179,509</u>	100.0%	<u>183,347</u>	100.0%

[^] For the year ended 31 December 2010, the Group's sales to China Tobacco Jiangxi amounted to approximately RMB98.3 million, of which approximately RMB97.6 million was attributable to the Jinsheng (金聖) brand.

PRODUCTION FACILITIES

Shenzhen Production Base

During the Track Record Period, the Group carried out its cigarette package design and production activities solely at the Shenzhen Production Base. Since its commencement of business in 2001, the Shenzhen Production Base has been operated by Shenzhen Oceania, which has been accredited as a High-tech Enterprise in Shenzhen Municipality (深圳市高新技術企業) since 2007 and was one of the Top 500 Small and Medium Growth Industrial Enterprises in Shenzhen Municipality (深圳市成長型中小工業企業500強) in 2010.

SUMMARY

The Shenzhen Production Base is currently leased by the Group and has an aggregate gross floor area of approximately 16,481 sq.m.. As at 31 December 2012, the Shenzhen Production Base had a maximum production capacity of approximately 300,000 cases of cigarette packages per year. Set out in the table below are the details of the production volume, production capacity and capacity utilisation rate at the Shenzhen Production Base for each of the years ended 31 December 2010, 2011 and 2012:

	For the year ended 31 December		
	2010	2011	2012
Production volume (thousand cases)	197.7	218.6	221.7
Production capacity (thousand cases)	300.0	300.0	300.0
Capacity utilisation rate	65.9%	72.9%	73.9%
- Peak season	85.3%	85.7%	82.6%
- Slack season	46.5%	60.1%	65.2%

Note: Further details of the production volume, production capacity and capacity utilisation rate of the Shenzhen Production Base, including the relevant assumptions and calculations, are set out in the paragraph headed “Production facilities — Shenzhen Production Base” in the section headed “Business” in this prospectus.

Huizhou Production Base

As the Shenzhen Production Base has been operating at high utilisation rate during peak seasons and in order to further increase the Group’s production capacity in anticipation of potential business growth, the Group has, since 2012, commenced the construction of phase I of the Huizhou Production Base on the Huizhou Site located at Huizhou City of Guangdong Province, the PRC. The Huizhou Production Base has three planned phases with an estimated aggregate gross floor area of approximately 60,658 sq.m. As at the Latest Practicable Date, the construction work and the relevant completion and acceptance procedures of phase I of the Huizhou Production Base with a gross floor area of approximately 9,644.16 sq.m. have been completed.

The Directors intend to relocate certain equipment and machinery from the Shenzhen Production Base to phase I of the Huizhou Production Base and procure and install additional equipment and machinery at phase I of the Huizhou Production Base during the second to the third quarters of 2014, being the expected slack season of the Group. After completion of the relocation and the installation of equipment and machinery, the total production capacity of the Group is expected to increase from the existing scale of approximately 300,000 cases to approximately 400,000 cases per year. The Directors intend to commence the construction of phase II of the Huizhou Production Base in the fourth quarter of 2013, upon the completion of which the Company plans to relocate the remaining production facilities at the Shenzhen Production Base to the Huizhou Production Base. Please refer to the paragraph headed “Production facilities — Huizhou Production Base” in the section headed “Business” in this prospectus for further information on the Huizhou Production Base and the relocation plans.

SUMMARY

RAW MATERIALS AND SUPPLIERS

Raw materials required by the Group for cigarette package printing principally include paper, anti-counterfeit labels, aluminium foil and ink. During the Track Record Period, the Group had more than ten major suppliers and all of them are domestic suppliers in the PRC. The Group generally entered into one-year procurement contracts with its suppliers. The Group selects its suppliers based on their pricing, quality, delivery terms, after-sales services and technological understanding. During the Track Record Period, the Group was contractually required to purchase paper from a subsidiary of China Tobacco Yunnan for the manufacture of paper cigarette packages to be supplied to China Tobacco Yunnan. For each of the years ended 31 December 2010, 2011 and 2012, purchases from the largest supplier of the Group represented approximately 21.0%, 21.8% and 20.6% of the total purchases of the Group, respectively and purchases from the five largest suppliers of the Group represented approximately 68.8%, 74.8% and 69.3% of the total purchases of the Group, respectively.

COMPETITIVE STRENGTHS

The Directors believe that the following competitive strengths distinguish the Group from its competitors:

- Approved cigarette package supplier for key cigarette brands in the PRC
- Management team with extensive experience and knowledge in the cigarette package industry
- Possession of technical know-how, equipment and machinery and product design capability
- Implementation of a series of quality control measures
- Provision of comprehensive sales and after-sales services

For details of the competitive strengths of the Group, please refer to the paragraph headed “Competitive strengths” in the section headed “Business” in this prospectus.

BUSINESS STRATEGIES

The major business strategies of the Group are to:

- Strengthen sales and marketing efforts to enhance relationship with existing customers and develop business with potential customers
- Expand production capacity
- Enhance design and development capabilities

SUMMARY

- Strategically explore value-enhancing vertical integration opportunities

- Diversify product mix

For details of the business strategies of the Group, please refer to the paragraph headed “Business strategies” in the section headed “Business” in this prospectus.

RESULTS OF OPERATION

Summary of financial statements

The table below sets out the financial information summary of the combined statements of comprehensive income and the combined statements of financial position of the Group as set out in the accountants’ report in Appendix I to this prospectus.

	For the year ended 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	162,575	179,509	183,347
Gross profit	66,013	71,121	67,073
Other income and gains	1,889	2,715	225
Selling and distribution expenses	(3,031)	(3,701)	(3,098)
Administrative expenses	(9,479)	(13,581)	(9,858)
Listing expenses	—	—	(2,184)
Finance costs	(1,824)	(1,022)	(1,397)
Profit before taxation	53,568	55,532	50,761
Taxation	(12,066)	(14,239)	(15,203)
Profit and total comprehensive income for the year	41,502	41,293	35,558
Profit and total comprehensive income for the year attributable to owners of the Company	32,787	32,621	31,005
	As at 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	63,876	57,640	71,669
Current assets	139,852	129,262	156,843
Current liabilities	84,943	64,250	107,273
Net current assets	54,909	65,012	49,570
Non-current liability	—	—	1,576
Total equity	118,785	122,652	119,663

SUMMARY

The increase in the Group's total revenue from 2010 to 2011 was primarily attributable to the increase in the sales made to China Tobacco Yunnan, where more orders for cigarette packages of the Hongtashan (紅塔山) brand were placed to the Group. The increase in revenue from 2011 to 2012 was primarily due to the increase in sales made to China Tobacco Jiangxi.

Key financial ratios

Set out below are the key financial ratios of the Group:

	As at/for the year ended		
	31 December		
	2010	2011	2012
Gross profit margin ⁽¹⁾	40.6%	39.6%	36.6%
Net profit margin ⁽²⁾	25.5%	23.0%	19.4%
Total trade and bills receivables turnover days ⁽³⁾	180.9	161.3	178.1
Total trade and bills payables turnover days ⁽⁴⁾	186.5	149.6	147.2
Average inventories turnover days ⁽⁵⁾	75.5	82.6	53.3
Current ratio ⁽⁶⁾	1.6	2.0	1.5
Gearing ratio ⁽⁷⁾	9.9%	14.0%	19.8%
Return on equity ⁽⁸⁾	36.3%	34.2%	29.3%

Notes:

1. The decline in gross profit margin for the year ended 31 December 2012 was primarily attributable to (i) the general decrease in average selling prices of products sold by the Group across brands during the year ended 31 December 2012 as a result of the intensified competition in the industry with the adoption of the tendering system by the provincial tobacco industrial company customers of the Group; (ii) a slight increase in unit production cost of the Group; and (iii) the change in product mix for the Hongtashan (紅塔山) brand and Cigarette Brand A, where the Group sold a higher proportion of products with lower gross profit margin during the year ended 31 December 2012.
2. The lower net profit margin for the year ended 31 December 2012 was primarily attributable to the lower gross profit margin for the year.
3. The total trade and bills receivables turnover days were significantly longer than the credit period of 90 days granted by the Group to its customers, mainly because for certain major customers, the Group accepted settlement of trade receivables by bank bills primarily with 90 days maturity. After excluding the bills receivables, the average trade receivables turnover days were approximately 116.9 days, 93.0 days and 95.1 days for each of the years ended 31 December 2010, 2011 and 2012, respectively.
4. The total trade and bills payables turnover days were longer than the credit period of 90 days offered by the suppliers mainly due to (i) the seasonality of the business of the Group, where the Group usually procured greater amount of raw materials in the fourth quarter to meet its increased production needs during the peak seasons; and (ii) the Group's endorsement of bank bills received from its customers to settle trade payables effectively extended its total trade and bills payable turnover days. The decline in total trade and bills payables turnover days in 2011 was primarily attributable to the lower amount of raw material purchases made by the Group in the fourth quarter of 2011, which was in line with the lower turnover of the Group in the fourth quarter of 2011 as compared with that in the fourth quarter of 2010.

SUMMARY

5. Average inventories turnover days increased for the year ended 31 December 2011 primarily due to the lower opening balance of inventories for the year ended 31 December 2010. The lower average inventories turnover days for the year ended 31 December 2012 was mainly attributable to the lower amount of inventories as at 31 December 2012 as a result of the expedited delivery of finished goods in the fourth quarter of 2012.
6. Current ratio increased as at 31 December 2011 primarily due to the reduction in trade and bills payables. Current ratio decreased as at 31 December 2012 mainly due to the increase in bank borrowings and trade and bills payables.
7. Gearing ratio increased during the Track Record Period primarily due to the increases in bank borrowings for, among others, strengthening the liquidity position of the Group.
8. Return on equity decreased for the year ended 31 December 2011 mainly due to the increase in the average total equity of the Group. Return on equity further decreased for the year ended 31 December 2012 primarily due to the lower net profit of the Group for the year ended 31 December 2012.

For further details on the results of operation and the financial ratios of the Group, including but not limited to the reasons of their changes and the calculations of the ratios, please refer to the section headed “Financial information” of, and Appendix I to, this prospectus.

LATEST DEVELOPMENT

The financial performance of the Group is dependent on, among other factors, the condition of the cigarette and cigarette package market in the PRC, particularly in those provinces where the Group sells its products. Subsequent to the end of the Track Record Period and up to the Latest Practicable Date, the results of the Group have not been adversely affected in spite of the consolidation of the industry and the intensified competition. For the three months ended 31 March 2013, the Group recorded unaudited revenue, gross profit and gross profit margin of approximately RMB43.6 million, RMB17.6 million and 40.4%, respectively. The Group’s performance was mainly derived from its operating subsidiary, Shenzhen Oceania, which was consolidated to the financial statements of Meteor River. The Company has been an investment holding company since its incorporation. The financial information for the period from 1 January 2013 to 31 March 2013 as mentioned above was extracted from the unaudited condensed consolidated financial statements of Meteor River prepared by the director of Meteor River in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which were reviewed by Deloitte Touche Tohmatsu, the reporting accountants of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. The comparative financial information for the period from 1 January 2012 to 31 March 2012 has not been reviewed.

The total estimated listing expenses in connection with the Share Offer was approximately RMB17.3 million. For the year ended 31 December 2012, the Group incurred listing expenses of approximately RMB2.2 million, which was fully charged to the profit and loss accounts of the Group for the year ended 31 December 2012. It is estimated that approximately RMB4.3 million fees will be capitalised after the Listing and the remaining RMB10.8 million fees will be charged to the profit and loss accounts of the Group for the year ending 31 December 2013.

SUMMARY

The Group repaid bank borrowings of RMB9.8 million and RMB19.8 million in April 2013 and May 2013 respectively and the guarantees provided by Ms. Huang for such bank loans were released accordingly. In June 2013, the Group obtained new unsecured banking facilities of RMB80.0 million with one-year maturity, of which unsecured bank loan of RMB30.0 million has been drawn down by the Group. No guarantee by any of the Controlling Shareholders is required for such new banking facilities. As a result of the foregoing, the outstanding balance of the Group's bank borrowings increased slightly from RMB29.6 million as at 31 December 2012 to RMB30.0 million as at the Latest Practicable Date.

The Directors confirm that there has been no material adverse change in the financial or trading position or the prospect of the Group since 31 December 2012 and up to the date of this prospectus.

DIVIDEND POLICY

The Group currently does not have a fixed dividend policy. The form, frequency and amount of future dividends on the Shares will be at the discretion of the Board and will depend on factors such as the profitability, financial condition, business development requirements, future prospects and cash requirements of the Group. Moreover, dividend declaration and payment, as well as the amount of dividends, will also be subject to, amongst others, the requirements under the Articles and the Companies Law, including the approval of the Shareholders and the Board.

Historically, no dividend has been paid or declared by the Company since its date of incorporation. Shenzhen Oceania, the principal operating subsidiary of the Company, declared dividends to its then equity owners prior to completion of the Corporate Reorganisation of approximately RMB32.8 million, RMB37.4 million and RMB38.5 million for each of the years ended 31 December 2010, 2011 and 2012, respectively. Subsequent to 31 December 2012 and up to the Latest Practicable Date, the Group did not declare any dividend. Nonetheless, as detailed in the paragraph headed "Future dividend payments" in the section headed "Risk factors" in this prospectus, there is no assurance that the Company will make any dividend payments on the Shares at a similar level as in the past or at all in the future.

CONTROLLING SHAREHOLDERS

Immediately upon completion of the Capitalisation Issue and the Share Offer, without taking into account any Share to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, Ms. Huang, through her wholly-owned company, Ocean Ahead, will be the Controlling Shareholder which owns 75% of the entire issued share capital of the Company.

SUMMARY

SHARE OFFER STATISTICS

	Based on the minimum Offer Price of HK\$0.7	Based on the maximum Offer Price of HK\$0.9
Market capitalisation (<i>Note 1</i>)	HK\$224 million	HK\$288 million
Historical price/earnings multiple (<i>Note 2</i>).	5.7 times	7.4 times
Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share (<i>Note 3</i>).	HK\$0.59	HK\$0.63

Notes:

1. The calculation of the market capitalisation of the Shares is based on the respective Offer Price of HK\$0.7 and HK\$0.9 per Share and 320,000,000 Shares in issue immediately upon completion of the Share Offer and the Capitalisation Issue but does not take into account any Shares which may be (i) issued upon the exercise of any options which may be granted under the Share Option Scheme; or (ii) issued or repurchased under the general mandates given to the Directors to issue and repurchase Shares.
2. The calculation of the historical price/earnings multiple is based on the respective Offer Price of HK\$0.7 and HK\$0.9 per Share and the historical earnings per Share for the year ended 31 December 2012 of approximately RMB0.097 per Share (equivalent to approximately HK\$0.122 per Share), which was derived from profit attributable to owners of the Company for the year ended 31 December 2012 of approximately RMB31.0 million on the assumption that 320,000,000 Shares, comprising Shares in issue as at the date of this prospectus and Shares to be issued pursuant to the Share Offer and the Capitalisation Issue, had been in issue throughout the year.
3. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share has been arrived at after the adjustments referred to in Appendix II to this prospectus and on the basis of 320,000,000 Shares in issue immediately upon completion of the Share Offer and the Capitalisation Issue but does not take into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme.

SUMMARY

FUTURE PLANS AND USE OF PROCEEDS

The Directors intend to apply the net proceeds from the Share Offer to finance the Group's capital expenditure and business expansion, strengthen its capital base and improve the overall financial position of the Group. Based on the Offer Price of HK\$0.8 (being the mid-point of the indicative Offer Price range between HK\$0.7 and HK\$0.9), the net proceeds from the Share Offer and after deduction of the underwriting commission and estimated expenses payable by the Group in relation to the Share Offer, are estimated to be approximately HK\$44.8 million. The Directors currently intend to apply such net proceeds from the Share Offer as follows:

- approximately HK\$26.9 million (equivalent to approximately 60% of the total estimated net proceeds) on the Huizhou Production Base, where (i) approximately HK\$21.4 million (equivalent to approximately RMB17.0 million) will be utilised for the procurement and installation of additional equipment and machinery at phase I of the Huizhou Production Base; and (ii) the remaining balance will be reserved for the construction of phase II of the Huizhou Production Base, which is expected to be commenced in the fourth quarter of 2013;
- approximately HK\$4.5 million (equivalent to approximately 10% of the total estimated net proceeds) on the expansion of the sales and marketing network of the Group in order to enhance the Group's relationship with its existing customers and explore business opportunities with potential customers, including setting up sales offices near each of the major provincial tobacco industrial company customers of the Group, recruiting experienced sales staff, providing training to the sales and marketing staff of the Group, more proactively participating in the design, sample production and tendering arranged by existing and potential customers and exploring opportunities to diversify the product mix of the Group to paper containers other than cigarette packages, which may include paper packages for products such as medicine, wine, tea or other luxury goods and paper cups;
- approximately HK\$4.5 million (equivalent to approximately 10% of the total estimated net proceeds) on the enhancement of the design and development capabilities of the Group, including the hiring of professional design and development staff, purchase of design and development software and hardware, attending national and international design exhibitions and the production of sample batches of innovative products for evaluation by the major customers of the Group;
- approximately HK\$4.5 million (equivalent to approximately 10% of the total estimated net proceeds) on potential vertical integration, which may include, among others, the expansion of operation to cover the manufacture of transfer paper, which is one of the major raw materials used in cigarette package printing. The capability to produce transfer paper could strategically enhance the competitiveness and profitability of the Group. The Group may expand into such businesses through the purchase of relevant equipment and machinery or conduct merger or acquisition of relevant businesses, depending on the then opportunities available to the Group and after the evaluation of the costs and potential synergies to the existing business of the Group. Factors to be considered for the selection of merger and

SUMMARY

acquisition target include its production scale, production quality, historical financial performance, reputation in the industry and proximity to the production facilities of the Group. As at the Latest Practicable Date, the Group was not in negotiation with any specific counterparty and has not identified any acquisition target; and

- approximately HK\$4.4 million (equivalent to approximately 10% of the total estimated net proceeds) for general working capital purposes.

RISK FACTORS

Prospective investors should, before making any investment decision in relation to the Offer Shares, consider all the information set forth in this prospectus carefully and, in particular, consider the risk factors covered in the section headed “Risk factors” in this prospectus. The occurrence of any of these risks may have a material adverse effect on the business, results of operations, financial condition and future prospects of the Group. The trading price of the Shares could decline due to any of these risks and you may be deprived of all or part of your investment.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the meanings set out below. Certain other terms are explained in the section headed “Glossary of technical terms” in this prospectus.

“30 Key Cigarette Brands”	the 30 key cigarette brands across the national market (重點骨幹卷烟品牌) identified by the STMA in 2008
“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s), individually or collectively, as the context may require, or any of them, relating to the Public Offer
“Articles”	the articles of association of the Company adopted on 11 June 2013 and as amended from time to time
“Asia Modern”	Asia Modern (Hong Kong) International Limited (亞先(香港)國際有限公司), a company incorporated in Hong Kong with limited liability on 24 August 1993 and its entire issued share capital was owned by Ms. Huang and Mr. Huang as to 99% and 1% respectively immediately before the Corporate Reorganisation
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Beijing Jingwei”	北京市經緯投資有限公司 (Beijing City Jingwei Investment Company Limited*), a company established in the PRC with limited liability on 21 June 2005 and save as being a former shareholder of Shenzhen Oceania, an Independent Third Party
“Board”	the board of Directors
“Business Day(s)”	any day(s) (other than a Saturday or Sunday or Hong Kong public holiday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the allotment and issue of 239,999,000 Shares to be made upon capitalisation of part of the share premium account of the Company referred to in the paragraph headed “Written resolutions of the sole Shareholder passed on 11 June 2013” in the paragraph headed “Further information about the Company and its subsidiaries” in Appendix V to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China Tobacco”	an official semi-monthly publication administered by the STMA
“China Tobacco Jiangxi”	江西中煙工業有限責任公司 (China Tobacco Jiangxi Industrial Co., Ltd.*), one of the 16 state-owned provincial tobacco industrial companies in the PRC
“China Tobacco Yunnan”	雲南中煙工業有限責任公司 (China Tobacco Yunnan Industrial Co., Ltd.*), one of the 16 state-owned provincial tobacco industrial companies in the PRC
“Cigarette Brand A”	a cigarette brand manufactured by Customer A
“Cigarette Brand B”	a cigarette brand manufactured by Customer B
“CNTC”	中國煙草總公司 (China National Tobacco Corporation*)
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented and/or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time
“Company”	Jin Cai Holdings Company Limited (金彩控股有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 29 November 2012
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to Ms. Huang and Ocean Ahead

DEFINITIONS

“Corporate Reorganisation”	the corporate reorganisation undertaken by the Company in preparation for the Listing as described in the section headed “History, Corporate Reorganisation and group structure” in this prospectus
“Customer A”	one of the sixteen state-owned provincial tobacco industrial companies which is located in Hubei Province, the PRC, being a major customer of the Group
“Customer B”	one of the sixteen state-owned provincial tobacco industrial companies which is located in Sichuan Province, the PRC, being a major customer of the Group
“Director(s)”	the director(s) of the Company
“Euromonitor”	Euromonitor International Ltd, an Independent Third Party, which is a market research company with a focus on industry, country, company and consumer lifestyle research
“Euromonitor Reports”	the four reports prepared by Euromonitor on the cigarette and cigarette packages market in the PRC, all of which were commissioned by the Group
“First Shanghai Capital” or “Sponsor”	First Shanghai Capital Limited, a corporation licensed under the SFO to carry out type 6 regulated activity (advising on corporate finance), being the sponsor to the Share Offer
“First Shanghai Securities” or “Bookrunner” or “Lead Manager”	First Shanghai Securities Limited, a corporation licensed under the SFO to carry out types 1, 4 and 6 regulated activities (dealing in securities, advising on securities and advising on corporate finance), being the bookrunner and the lead manager of the Share Offer
“Group”	the Company and its subsidiaries or, where the context so requires, in respect of the period before the Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were the subsidiaries of the Company at the time
“Hefei Haiyi”	合肥海藝投資顧問有限公司 (Hefei Haiyi Investment Consulting Company Limited*), a company established in the PRC with limited liability on 9 October 2004 and save as being a former shareholder of Shenzhen Oceania, an Independent Third Party
“HKFRSs”	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited

DEFINITIONS

“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Huizhou Jin Cai”	惠州金彩印務有限公司 (Huizhou Jin Cai Printing Company Limited*), a company established in the PRC with limited liability on 20 August 2008 and an indirect wholly-owned subsidiary of the Company
“Huizhou Production Base”	the production base located at the Huizhou Site
“Huizhou Site”	the land located at Huizhou City of Guangdong Province, the PRC with a site area of approximately 54,886 sq.m. owned by Huizhou Jin Cai
“Independent Third Party(ies)”	person(s) or company(ies) who/which is/are independent of and not connected (within the meaning of the Listing Rules) with any of the directors, chief executive and substantial shareholders of the Company and its subsidiaries or any of their respective associates
“Jiangsu Dongfang Century”	江蘇省東方世紀網絡信息有限公司 (Jiangsu Province Dongfang Century Network Information Company Limited*), a company established in the PRC with limited liability on 11 May 2000 and save as being a former shareholder of Shenzhen Oceania, an Independent Third Party
“Jiangxi Feng Cai Li”	江西豐彩麗印刷包裝有限公司 (Jiangxi Fengcaili Printing and Packaging Company Limited*) (formerly known as 江西金聖印刷包裝有限公司 (Jiangxi Jinsheng Printing and Packaging Company Limited*), a company established in the PRC with limited liability on 6 December 2002 and immediately before the disposal by Asia Modern of its interests in Jiangxi Feng Cai Li as detailed in the paragraph headed “Jiangxi Feng Cai Li” in the section headed “Relationship with the Controlling Shareholders” of this prospectus, its equity interest was owned as to 52% by Asia Modern and 48% by Jiangxi Huizhong
“Jiangxi Huizhong”	江西滙眾投資有限公司 (Jiangxi Huizhong Investment Company Limited*), a company established in the PRC with limited liability on 21 July 2006 and is wholly-owned by 南昌卷煙總廠工會 (Workers’ Union of Nanchang Cigarette Factory*), an Independent Third Party

DEFINITIONS

“Latest Practicable Date”	17 June 2013, being the latest practicable date for ascertaining certain information contained in this prospectus prior to its printing
“Leased Properties”	the three 4-storey factory buildings used by the Group as production plant and the three 5-storey dormitory buildings used by the Group as staff quarters located in Longgang District, Shenzhen, Guangdong Province, the PRC, which form part of the Shenzhen Production Base and are leased by the Group from an Independent Third Party
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on 5 July 2013, on which the Shares first commence trading on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented and/or otherwise modified from time to time
“Main Board”	the stock market (excluding the options market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum”	the memorandum of association of the Company as amended from time to time
“Meteor River”	Meteor River Limited (星河有限公司), a company incorporated in BVI with limited liability on 26 January 2011 and a direct wholly-owned subsidiary of the Company
“Mr. Huang”	Mr. Huang Chao (黃超), a non-executive Director, the son of Ms. Huang and the nephew of Mr. Zheng
“Mr. Zheng”	Mr. Zheng Hua (鄭華), the chief executive officer of the Company, an executive Director, the brother-in-law of Ms. Huang and the uncle of Mr. Huang
“Ms. Huang”	Ms. Huang Li (黃莉), the chairman of the Company, an executive Director and one of the Controlling Shareholders. Mr. Huang is her son and Mr. Zheng is her brother-in-law

DEFINITIONS

“Nanjing Jinghui”	南京京匯礦產品實業有限公司 (Nanjing Jinghui Mineral Products Industrial Company Limited*), a company established in the PRC with limited liability on 26 January 2007 and save as being a former shareholder of Shenzhen Oceania, an Independent Third Party
“Ocean Ahead”	Ocean Ahead International Limited (領海國際有限公司), a company incorporated in the BVI with limited liability on 12 January 2011 and its entire issued share capital is owned by Ms. Huang. Ocean Ahead is one of the Controlling Shareholders
“Offer Price”	the offer price per Offer Share (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) at which Shares are offered under the Share Offer, to be determined as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters on behalf of the Company at the Offer Price with institutional and professional investors, details of which are described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Shares”	the 72,000,000 new Shares initially being offered by the Company for subscription at the Offer Price under the Placing, subject to reallocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Underwriter(s)”	the underwriter(s) whose names are set out in the section headed “Underwriting” in this prospectus, being the underwriter(s) of the Placing
“Placing Underwriting Agreement”	the conditional placing underwriting agreement relating to the Placing to be entered into by, among others, the Company and the Placing Underwriters, details of which are set out in the section headed “Underwriting” in this prospectus
“PRC” or “China”	the People’s Republic of China which for the purpose of this prospectus and for geographical reference only, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

DEFINITIONS

“PRC government”	the central government of the PRC including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and organs thereof or, as the context requires, any of them
“PRC Legal Advisers”	Shu Jin Law Firm, the legal advisers to the Company as to PRC laws in connection with the Listing
“Price Determination Agreement”	the price determination agreement to be entered into between the Company, the Sponsor and the Lead Manager (for itself and on behalf of the other Underwriters), on or before the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on 27 June 2013, but in any event no later than 3 July 2013, on which the final Offer Price is determined for the purposes of the Share Offer
“Public Offer”	the offer to the public in Hong Kong for subscription of the Public Offer Shares at the Offer Price, on and subject to the terms and conditions stated in this prospectus and in the Application Forms, details of which are described in the section headed “Structure and conditions of the Share Offer” in this prospectus and in the Application Forms relating thereto
“Public Offer Shares”	the 8,000,000 new Shares initially being offered by the Company for subscription at the Offer Price under the Public Offer, subject to reallocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Public Offer Underwriter(s)”	the underwriter(s) whose names are set out in the section headed “Underwriting” in this prospectus, being the underwriter(s) of the Public Offer
“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement dated 21 June 2013 relating to the Public Offer and entered into by, amongst others, the Company and the Public Offer Underwriters, details of which are set out in the section headed “Underwriting” in this prospectus
“Regulation S”	Regulation S under the U.S. Securities Act
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration

DEFINITIONS

“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented and/or otherwise modified from time to time
“Share Offer”	the Public Offer and the Placing
“Share(s)”	the ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 11 June 2013, the principal terms of which are summarised in the paragraph headed “Share Option Scheme” in Appendix V to this prospectus
“Shenzhen Jiayang”	深圳市嘉洋投資發展有限公司 (Shenzhen City Jiayang Investment Development Company Limited*), a company established in the PRC with limited liability on 5 November 1997 and its entire equity interest was owned by relatives of Ms. Huang during the period when Shenzhen Jiayang was a shareholder of Shenzhen Oceania
“Shenzhen Oceania”	深圳大洋洲印務有限公司 (Shenzhen Oceania Printing Company Limited*) (changed its name to 大洋洲印務(深圳)有限公司 (Oceania Printing (Shenzhen) Company Limited*) on 11 April 2002 and restored its name to 深圳大洋洲印務有限公司 (Shenzhen Oceania Printing Company Limited*) on 28 September 2007), a company established in the PRC with limited liability on 23 March 2000 and an indirect wholly-owned subsidiary of the Company
“Shenzhen Production Base”	the production base located in Shenzhen City of Guangdong Province, the PRC operated by Shenzhen Oceania from time to time
“Shenzhen Shimingyuan”	深圳市視明遠投資諮詢有限公司 (Shenzhen City Shimingyuan Investment Consulting Company Limited*), a company established in the PRC with limited liability on 20 July 2007 and save as being a former shareholder of Shenzhen Oceania, an Independent Third Party
“Shenzhen SITIC”	Science, Industry, Trade and Information Technology Commission of Shenzhen Municipality (深圳市科技工貿和信息化委員會)

DEFINITIONS

“Shenzhen Zitaiyang”	深圳市紫太陽廣告設計有限公司 (Shenzhen City Zitaiyang Advertising Design Company Limited*), a company established in the PRC with limited liability on 3 July 1998 and its equity interest was owned as to 90% by Ms. Huang and 10% by her relative during the period when Shenzhen Zitaiyang was a shareholder of Shenzhen Oceania
“Shenzhen Zhuowei Jiaqi”	深圳市焯威佳奇投資有限公司 (Shenzhen City Zhuowei Jiaqi Investment Company Limited*), a company established in the PRC with limited liability on 9 March 2009 and its entire equity interests were owned by Mr. Han Peng, a former director of Shenzhen Oceania and a member of the senior management of the Group, and Mr. Huang as to 20% and 80% respectively immediately before the Corporate Reorganisation
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“STMA”	the State Tobacco Monopoly Administration (中國國家烟草專賣局), established in 1984 and is a governmental administration responsible for the management of the tobacco industry in the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it in section 2 of the Companies Ordinance
“Super Future”	Super Future Investments Limited (鴻超投資有限公司) (formerly known as Super Finder Limited (展超有限公司)), a company incorporated in Hong Kong with limited liability on 19 January 2011 and an indirect wholly-owned subsidiary of the Company
“Track Record Period”	the period comprising the years ended 31 December 2010, 2011 and 2012
“Underwriters”	the Placing Underwriters and the Public Offer Underwriters
“Underwriting Agreements”	the Placing Underwriting Agreement and the Public Offer Underwriting Agreement, further details of which are set out in the section headed “Underwriting” in this prospectus
“United States” or “U.S.”	the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended

DEFINITIONS

“White Form eIPO”	the application for Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Xinfangjia Investment”	鑫方家投資有限公司 (Xinfangjia Investment Company Limited*), a company established in the PRC with limited liability on 16 March 2006 and save as being a former shareholder of Shenzhen Oceania, an Independent Third Party
“HK\$” or “HK Dollar(s)” and “cents”	Hong Kong dollar(s) and cents, respectively, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollar(s), the lawful currency of the United States
“sq.m.”	square metre(s)
“sq. ft.”	square feet
“%”	per cent

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

$$RMB0.7937 = HK\$1$$

No representation is made that any amounts in RMB or HK\$ were or could have been converted at the above rate or at any other rates or at all.

If there is any discrepancy between the Chinese names or titles of the PRC laws and regulations or other Chinese documents mentioned in this prospectus and their English translations, the Chinese version shall prevail. If there is any inconsistency between the Chinese names of entities or enterprises established in PRC and their English translations, the Chinese names shall prevail. The English translations of company or entity names in Chinese or another language which are marked with “” and the Chinese translations of company names in English which are marked with “*” are for identification purpose only.*

GLOSSARY OF TECHNICAL TERMS

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

“box”	a measuring unit used in the cigarette industry, where a box means 50,000 sticks of cigarettes
“CAGR”	compound annual growth rate
“carton”	a package which typically carries 10 packets of cigarettes
“case”	a measuring unit used in the cigarette package industry, where a case means a set of 250 carton packages and 2,500 packet packages
“packet”	a package which typically carries 20 sticks of cigarettes
“sub-brand”	sub-brand is a brand under an umbrella cigarette brand. When a cigarette manufacturer offers multiple product lines under a cigarette brand, it usually registers an umbrella brand and gives a different sub-brand for each product line to differentiate it from the others. Cigarette under different sub-brands of the same brand might differ in flavour, package layout and price
“VOC”	volatile organic compound, organic chemical compound which may affect the environment and human health

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to the Company and its subsidiaries that are based on the beliefs of the Directors as well as assumptions made by and information currently available to the Directors. When used in this prospectus, the words “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and similar expressions are intended to identify forward-looking statements. Such statements reflect the current views of the Directors with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including those described in the section headed “Risk factors” in this prospectus. Potential investors are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The factors which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- business prospects of the Group;
- future developments, trends and conditions in the industry and markets in which the Group operates;
- strategies, plans, objectives and goals of the Group;
- general economic conditions;
- changes to regulatory and operating conditions in the industry and markets in which the Group operates;
- future development of the Group, including but not limited to the commencement of operation of phase I of the Huizhou Production Base, the proposed relocation of the production facilities of the Group from the Shenzhen Production Base to the Huizhou Production Base and the construction of phase II of the Huizhou Production Base;
- dividend policy of the Company;
- ability of the Group to meet the changing needs of its customers;
- actions and developments of the customers and competitors of the Group; and
- certain statements in the section headed “Financial information” in this prospectus with respect to trends in prices, volumes, operations, margins, market trends and exchange rates.

Subject to the requirements of applicable laws, rules and regulations, the Company does not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way the Directors expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in the section headed “Risk factors” in this prospectus.

RISK FACTORS

Prospective investors should, before making any investment decision in relation to the Offer Shares, consider all the information set forth in this prospectus carefully and, in particular, consider the following risks and special considerations in connection with an investment in the Company. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial condition and future prospects of the Group. The trading price of the Shares could decline due to any of these risks and you may be deprived of all or part of your investment.

RISK FACTORS RELATING TO THE BUSINESS OF THE GROUP

The Group has a limited number of customers and revenue from its five largest customers accounted for over 99% of the Group's total revenue during the Track Record Period. Any substantial reduction of orders placed by the Group's five largest customers may have an adverse effect on the Group's business, operations and financial results

The Group relied on its major customers, in particular its largest customer, for a significant portion of its revenue during the Track Record Period. For each of the years ended 31 December 2010, 2011 and 2012, the Group had seven, seven and seven customers, respectively. For each of the years ended 31 December 2010, 2011 and 2012, revenue from the largest customer of the Group represented approximately 60.5%, 54.9% and 67.3% and revenue from the five largest customers of the Group in aggregate represented approximately 99.9%, 99.8% and 99.9% of the total revenue of the Group, respectively. The Group has established long-term business relationships with its existing major customers and will continue to rely on the business with these customers. However, there is no assurance that any of the Group's major customers, including its largest customer, will continue to place orders with the Group in the future, or if so, at the same level in terms of quantity or at the same prices, as in previous periods. Should any of its major customers, in particular the largest customer, substantially reduce its orders placed with the Group for any reason and the Group is not able to procure any new customers to compensate for such shortfall on an expedited basis, the business, results of operations, financial condition and future prospects of the Group could be adversely affected.

Most of the customers of the Group do not have long term purchase commitment or minimum purchase obligation to the Group

Except for the sales contracts with certain provincial tobacco industrial company customers, the details of which are set out in the paragraph headed "Major sales contracts" in the section headed "Business" in this prospectus, the Group generally does not enter into long-term contracts with its customers and consequently, most of its customers do not have any long term purchase commitment to the Group. There is no assurance that these customers would renew their respective sales contracts with the Group upon their expiry and continue to conduct business with the Group. Should these customers cease to conduct business with the Group or significantly reduce the orders to be placed with the Group, the results of operations, financial condition and future prospects of the Group could be materially and adversely affected.

RISK FACTORS

The Group has entered into sales contracts with its provincial tobacco industrial company customers, which are the major customers of the Group. However, some of these contracts either do not specify the quantity of products to be supplied by the Group or provide that the quantity of products to be supplied will be subject to further confirmation by the customer in the form of monthly purchase orders. There is thus no assurance that actual business volume of the Group would be the same as indicated by the sales contracts. If these customers do not purchase the quantity up to the indicative quantity as stated in the sales contracts (where applicable) or do not purchase from the Group at all, the results of operations, financial condition and future prospects of the Group could be materially and adversely affected.

The Group's business development depends on certain key management team members and the loss of their service without proper replacement may have an adverse effect on the Group's operations

The business development of the Group is dependent on certain key management team members, in particular Ms. Huang, the chairman, an executive Director and the founder of the Group. The success of the Group will, to a certain extent, depend on whether the Group can continue to attract and retain such competent management team members. If the Group loses the service of any of the key management team members, or if the Group fails to replace any potential loss of such key management team members with qualified personnel, the business, results of operations, financial condition and future prospects of the Group could be adversely affected.

Please refer to the section headed "Directors, senior management and staff" in this prospectus and the paragraph headed "Further information about substantial Shareholders, Directors and experts" in Appendix V to this prospectus for details of the working experience of the executive Directors and their service agreements with the Company, respectively.

Trade and bills receivables represented a significant portion of the Group's total assets during the Track Record Period and the Group may incur impairment losses if a significant portion of these receivables is not settled for any reason

Sales of the Group are generally made on credit. Trade and bills receivables of the Group as at 31 December 2010, 2011 and 2012 amounted to approximately RMB88.9 million, RMB69.7 million and RMB108.8 million, representing approximately 43.6%, 37.3% and 47.6% of the total assets of the Group, respectively. The total trade and bills receivables turnover days were approximately 180.9, 161.3 and 178.1 days for each of the years ended 31 December 2010, 2011 and 2012, respectively. Trade and bills receivables represented a significant portion of the total assets of the Group during the Track Record Period.

The payments of the majority of the sales of the Group are received upon the satisfaction of the products by the customers of the Group, in particular the provincial tobacco industrial companies, which are PRC state-owned enterprises. Under the sales contracts between the Group and some of its customers, there is no agreed term to strictly govern the credit period and there is no assurance that

RISK FACTORS

the Group can fully recover all its trade receivables in a timely manner. If a significant portion of the trade and bills receivables of the Group is not settled for any reason, the Group may incur impairment losses and the results of operations and financial condition of the Group could be materially and adversely affected.

Licences and permits are required for the production of cigarette packages in the PRC and any failure to comply with the relevant PRC laws and regulations may have material and adverse impact on the Group's business and operations

The Group is required to possess the printing operation permit (印刷經營許可證) for its cigarette package printing business in the PRC and the current printing operation permit of Shenzhen Oceania and Huizhou Jin Cai will both expire on 31 December 2013. The PRC government may promulgate new laws or regulations to regulate the cigarette package printing industry in the PRC, where additional licences and permits may be required and the Group may have to devote further resources to comply with such laws and regulations. Should the Group fail to fully comply with the relevant PRC laws and regulations from time to time or renew its printing operation permit, the Group may be penalised or may not be able to continue its cigarette package printing business in the PRC, which may have material and adverse impact on the business, results of operations, financial condition and future prospects of the Group.

Adoption of tendering system by cigarette manufacturers in the PRC

As required by the PRC government, cigarette manufacturers in the PRC have adopted the tendering process for the selection of their cigarette package suppliers. As at the Latest Practicable Date, all the provincial tobacco industrial company customers of the Group have adopted the tendering system. The Group and its competitors have to submit tender documents that contain, amongst others, information on the (i) information and background of the supplier; (ii) unit prices of the products under bidding; (iii) equipment and machinery possessed by the supplier; and (iv) information on the production and quality control process of the supplier. Based on these factors, cigarette manufacturers will determine the tender results at their sole discretion.

There is no assurance that the Group would succeed in winning tenders for existing products and new products in future tenders and if it does not, the Group may lose significant amount or all of its sales. The tendering system may also intensify the price competition in the industry, as a result of which the Group may have to narrow its profit margin in order to secure production orders from cigarette manufacturers.

The Group's operation and financial results might be negatively affected if it is not able to secure a stable supply of raw materials or if there is an increase in raw material prices

The success of the Group's business depends on its ability to obtain sufficient quantities of quality raw materials, such as paper, anti-counterfeit labels, aluminium foil and ink on commercially acceptable terms and in a timely manner. If, for whatever reasons, any of the Group's major suppliers ceases to supply raw materials to the Group with sufficient amount and in a timely manner and the

RISK FACTORS

Group is not able to source these raw materials in a reasonable period of time, it might cause disruption and delay to the Group's production and/or delivery of goods to its customers. In these events, the Group's business, results of operations, financial condition and prospects might be adversely affected.

Cost of materials accounted for approximately 78.0%, 78.3% and 80.2% of the total cost of sales of the Group for each of the years ended 31 December 2010, 2011 and 2012, respectively. Paper is the major raw material of the Group, where procurement of paper accounted for approximately 64.4%, 67.8% and 59.6% of the total amount of raw material purchase of the Group for each of the years ended 31 December 2010, 2011 and 2012, respectively. Should the Group experience any significant inflation in raw material prices, especially the prices of paper, the Group may not be able to pass all or any of such increased costs to its customers and the business, results of operations, financial condition and prospects of the Group might be adversely affected. In addition, as a majority of the Group's procurement of raw materials is under fixed-price contracts with one-year term, the Group might not be able to effectively manage its cost of raw materials by bargaining the purchase prices of the raw materials with its suppliers.

The Group's purchases from its five largest suppliers accounted for over 68% of the Group's total purchases during the Track Record Period and any delay or cessation in the supply of the raw materials of the Group's products from them without timely replacement may interrupt the Group's operations

For each of the years ended 31 December 2010, 2011 and the 2012, purchases from the largest supplier of the Group represented approximately 21.0%, 21.8% and 20.6% of the total purchases of the Group and purchases from the five largest suppliers of the Group represented approximately 68.8%, 74.8% and 69.3% of the total purchases of the Group, respectively. During the Track Record Period, the Group did not enter into long-term supply contracts with its suppliers, as the Group intended to maintain the flexibility to procure quality materials at competitive prices. Should any of the major suppliers delay or cease to supply raw materials to the Group and the Group is not able to procure necessary raw materials from other suppliers in a timely manner, the production of the Group may be interrupted and its business, financial condition, results of operations and future prospects may be materially and adversely affected.

Reliance on a limited number of production bases

The Group does not have a large number of production bases to diversify its risks in relation to production. All products produced by the Group were produced at the Shenzhen Production Base during the Track Record Period. The Directors expect that the Group will primarily rely on the Shenzhen Production Base and, after the commencement of operation at phase I of the Huizhou Production Base, the Huizhou Production Base. Should the business operation of the Shenzhen Production Base or the Huizhou Production Base be disrupted by any events, which include but not limited to natural disasters, the Group may not be able to deliver sufficient quantities of products to meet the demand of its customers, which in turn could have a material and adverse effect on the business, results of operations, financial condition and future prospects of the Group.

RISK FACTORS

The Group experienced drop in its gross profit margin and profit and total comprehensive income during the Track Record Period and may not be able to maintain its profit margin and profit in the future

Gross profit margin of the Group for each of the years ended 31 December 2010, 2011 and 2012 was approximately 40.6%, 39.6% and 36.6%, respectively. The decline in gross profit margin for the year ended 31 December 2012 as compared with that for the year ended 31 December 2011 was primarily attributable to (i) the general decrease in the average selling prices of products sold by the Group across brands during the year ended 31 December 2012 as a result of the intensified competition in the industry with the adoption of the tendering system by the provincial tobacco industrial company customers of the Group; (ii) a slight increase in the unit production cost of the Group; and (iii) the change in the product mix for certain brands including Hongtashan (紅塔山) and Cigarette Brand A, where the Group sold a higher proportion of products with lower gross profit margin during the year ended 31 December 2012. Profit and total comprehensive income attributable to owners of the Company for each of the years ended 31 December 2010, 2011 and 2012 was approximately RMB32.8 million, RMB32.6 million and RMB31.0 million, respectively. The lower profit and total comprehensive income attributable to owners of the Company for the year ended 31 December 2012 was primarily attributable to the drop in the Group's gross profit margin for the same period.

There is no assurance that the Group will continue to maintain its current gross profit margin and level of profit attributable to owners of the Company in the future if the average selling prices of the Group's products continue to decrease or the Group's production costs further increase. Furthermore, products sold to different customers, or even products for different sub-brands of the same cigarette brand, may have different gross profit margins. It cannot be guaranteed that the Group is able to maintain the current product mix and the current gross profit margin in the future. Changes in the selling prices, production costs or product mix may affect the profitability of the Group.

The Group may not be able to continue to occupy and conduct operation at the Shenzhen Production Base

The Leased Properties at the Shenzhen Production Base were leased by the Group from an Independent Third Party. However, the lessor does not possess the relevant valid building ownership certificates and construction permits for the Leased Properties. According to the relevant regulations, the Leased Properties have been registered as illegal buildings left over from the process of rural urbanisation (農村城市化歷史遺留違法建築) in Shenzhen. As advised by the PRC Legal Advisers, by reason of such title defects, the relevant leases may be held invalid and unenforceable under the PRC law and hence, the Group may not be able to continue to occupy and conduct operation at the Shenzhen Production Base if the Leased Properties are ordered to be demolished by the relevant PRC governmental authorities as illegal buildings.

As detailed in the paragraph headed "Production facilities — Huizhou Production Base" in the section headed "Business" in this prospectus, the Group has commenced the construction of the Huizhou Production Base and intends to, by two phases, relocate the production facilities at the Shenzhen Production Base to the Huizhou Production Base. The Phase I Relocation (as defined in the paragraph headed "Production facilities — Huizhou Production Base" in the section headed "Business" in this prospectus) is expected to be carried out during the second to the third quarters of

RISK FACTORS

2014 and the Phase II Relocation (also as defined in the paragraph headed “Production facilities — Huizhou Production Base” in the section headed “Business” in this prospectus) will be carried out after completion of the construction of phase II of the Huizhou Production Base. It is estimated by the Group that the total expenses (not including the cost of procuring additional equipment and machinery) of the two-phase relocation will amount to approximately RMB1.2 million. If the Group is required to move out from the Shenzhen Production Base prior to the intended time for the Phase I Relocation, the Group will have to implement a contingency relocation plan. In such event, the Group will procure certain equipment including automatic die-cutter and foil stamping machines to supplement the relocation. The Directors estimate that the contingency relocation could be completed within four months and would cost approximately RMB7.2 million, including approximately RMB6 million for the procurement of supplemental machinery and RMB1.2 million for relocation and machinery testing expenses. Please refer to the paragraph headed “Production facilities — Huizhou Production Base — Relocation plans” in the section headed “Business” in this prospectus for more details of the contingency relocation plan. The Directors do not expect any significant loss of revenue as a result of the contingency relocation. However, there is no guarantee that the contingency relocation could be implemented as planned by the Group or within such time frame or at such cost estimated by the Directors, and if it does not, the Group’s business, financial condition, results of operations and future prospects might be adversely affected. Please refer to the paragraphs headed “Production facilities” and “Properties” in the section headed “Business” in this prospectus for more details on the Leased Properties, the title defects of the Leased Properties and the relocation plans of the Group.

Failure to commence operation at the Huizhou Production Base on time would have a material adverse effect on the business, financial condition, results of operations and future prospects of the Group

The future success of the Group depends, to a certain extent, on the productivity of the production facilities at the Huizhou Production Base. Construction of the Huizhou Production Base is planned to take place in three phases. As at the Latest Practicable Date, the construction work and the relevant completion and acceptance procedures of phase I of the Huizhou Production Base have been completed. It is the intention of the Group to relocate certain existing production facilities at the Shenzhen Production Base to phase I of the Huizhou Production Base and to procure and install new equipment and machinery during the second to the third quarters of 2014, which would result in an increase in the total production capacity of the Group. If there is any delay in the commencement of operations at the Huizhou Production Base, the Group will not be able to achieve its production capacity expansion as planned and consequently, the Group may not be able to meet its future production needs, especially during the peak seasons.

Furthermore, as detailed in the paragraphs headed “Production facilities” and “Properties” in the section headed “Business” in this prospectus, there are title defects in respect of the properties at the Shenzhen Production Base and the Group may not be able to continue to occupy and conduct operation at such properties.

RISK FACTORS

In addition, the Group may require additional funding to develop the Huizhou Production Base to implement its business strategies, including but not limited to the procurement of additional equipment and machinery and the construction work of phase II of the Huizhou Production Base. In the event that the Group is unable to internally generate funds or obtain external financing, the progress of the development of the Huizhou Production Base might be affected, which in turn might have a material and adverse effect on the business, financial condition, results of operations and future growth of the Group.

All of the Group's products were sold in the PRC market during the Track Record Period and any material adverse change in the PRC may affect the Group's operations and future prospects

During the Track Record Period, all of the Group's products were sold to customers in the PRC. In the foreseeable future, the Directors expect that the PRC market will continue to be the principal market of the Group. Should there be any material adverse change in the political, economic, legal or social conditions in the PRC and the Group is unable to divert sales to markets outside of the PRC or the demand for the Group's products does not grow as expected or at all in the PRC, the business, results of operations, financial condition and future prospects of the Group may be adversely affected.

The Group only produces and sells one category of products and any material deterioration of the market condition for such product category may have adverse effect on the Group's business and financial results

During the Track Record Period, the Group produced and sold only one category of products, namely cigarette packages. Should there be any material deterioration to the cigarette or cigarette package market due to, amongst others, the factors as mentioned in the paragraph head "Risk factors relating to the industry" in this section, and the Group is not able to procure sufficient businesses from other categories of products in time, the business, results of operations, financial condition and future prospects of the Group could be adversely affected.

Provincial tobacco industrial companies accounted for approximately 86.2% of the total cigarette market in the PRC in 2012 and they procure cigarette packages primarily from their own approved suppliers. The Group may face difficulties in expanding its customer base

According to the Euromonitor Reports, the sixteen provincial tobacco industrial companies altogether accounted for approximately 86.2% of the total cigarette market in terms of sales volume in the PRC in 2012. In general, the provincial tobacco industrial companies procure cigarette packages primarily from their approved suppliers. The Group is an approved supplier of four of the sixteen provincial tobacco industrial companies in the PRC. Should the Group wish to expand its cigarette package production business to other provinces in the PRC, the Group may have to go through a lengthy process in order to be recognised as an approved supplier by other provincial tobacco industrial companies. There is no assurance that the Group will succeed in becoming an approved supplier of other provincial tobacco industrial companies in the PRC and if it does not, the expansion of the Group's business to other provinces might be hindered which might have an adverse impact on the growth and future prospects of the Group.

RISK FACTORS

The Group may face difficulties in expanding its business to markets other than the cigarette package industry

As detailed in the paragraph headed “Business strategies” in the section headed “Business” in this prospectus, the Group intends to expand its business into markets other than cigarette packages, including paper packages for medicine, wine, tea or other luxury goods and paper cups. However, these industries might have very different market conditions and competitive landscape from the cigarette package industry and the Group has never conducted business in these industries before. As at the Latest Practicable Date, the Group has not procured any sales order from any potential customer in these new markets and there is no assurance that the Group will be successful in procuring new customers or obtaining new business in these markets in the future. Should such expansion plan be unsuccessful, the future growth of the Group may be hindered.

The implementation of the future plans and the prospects of the Group are subject to uncertainties and risks

As detailed in the section headed “Future plans and use of proceeds” in this prospectus, a substantial portion of the net proceeds from the Share Offer will be used to finance the capital expenditure on the Huizhou Production Base, to fund the vertical integration opportunities by purchasing relevant equipment and machinery or conducting merger or acquisition of relevant businesses and to expand into markets other than the cigarette package market. The successful implementation of the future plans of the Group is subject to factors including, among others, the general economic condition in the PRC and the prospects of the cigarette manufacturing and other industries which are uncertain. There is no assurance that all of the business plans and strategies of the Group would be successfully implemented as planned. For example, the setting up of the production facilities at phase I of the Huizhou Production Base and the construction of the remaining phases of the Huizhou Production Base is subject to delay, unforeseeable engineering problems and labour shortages in the PRC. Moreover, there is no assurance that the Group is able to identify suitable acquisition target, or execute the acquisition at a favourable price. It is also uncertain whether the Group will be able to effectively integrate newly established or acquired business with its existing operations. There is also no assurance that the Group can successfully expand its business into the markets other than the cigarette package market. Should the Group experience any difficulty in implementing its future plans and strategies, the future prospects, business growth and financial performance of the Group may be adversely affected.

The Group did not timely make required unemployment social insurance contributions for its employees in the PRC and thus may be subject to penalty imposed by the relevant PRC regulatory authorities

Under the PRC laws and regulations, Shenzhen Oceania is required to make unemployment social insurance contributions for its entitled employees. However, Shenzhen Oceania did not timely make the required contributions for its employees according to relevant PRC social insurance regulations prior to August 2011. As advised by the PRC Legal Advisers, if any employer fails to make unemployment social insurance contributions on time, the authorities have the right to issue a notice to order such employer to make unemployment social insurance contributions within thirty days from the receipt of the notice by the employer, plus a late payment surcharge of the unpaid amount. The

RISK FACTORS

total amount of unpaid unemployment social insurance contributions during the Track Record Period and late payment surcharge amounted to approximately RMB0.2 million as at the Latest Practicable Date. As such, the Group may be required to settle the unpaid social insurance and penalty imposed by the relevant PRC regulatory authorities for its failure to make the required social insurance contributions.

Potential liability in connection with industrial accidents at production facilities

The business of the Group involves the operation of equipment and machinery that could result in industrial accidents causing injuries or deaths. Industrial accidents, whether due to the malfunction of equipment and machinery or other reasons, may occur at the production facilities of the Group from time to time. In such event, the Group may be liable for loss of life and property, medical expenses, medical leave payments as well as fines and penalties for violation of applicable PRC laws and regulations. In addition, the Group may also experience interruptions in its operations and may be required to change the manner in which it operates as a result of governmental investigations or the implementation of safety measures as a result of such industrial accidents. Any of the foregoing could adversely affect the business, results of operations and financial condition of the Group.

Potential product liability claims

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) and the Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》), the Group may be subject to product liability claims in the event that any of the products of the Group is alleged to have caused any personal injury or other adverse effects. However, it is not an industry norm for cigarette package manufacturers to maintain product liability insurance and the Group has not maintained any product liability insurance policy. Up to the Latest Practicable Date, the Group has not received any claims from its customers against the Group in respect of product liability. In the event that the Group is held liable for any damages arising from any product liability claims, the results of operations and financial condition of the Group may be adversely affected.

RISK FACTORS RELATING TO THE INDUSTRY

Tightened tobacco control measures in the PRC may limit the growth of the cigarette industry and the cigarette package industry

The Tobacco Monopoly Law of the PRC (《中華人民共和國煙草專賣法》) came into effect on 1 January 1992. This law sets out various tobacco control measures in the PRC, which include the prohibition or restriction of smoking in public transportation vehicles and public areas and the banning of smoking by primary and secondary school students. Moreover, for the protection of health and to alert the public of the social, environmental and economic consequences of tobacco consumption and exposure to tobacco smoke, the PRC signed the WHO Framework Convention on Tobacco Control (《世界衛生組織煙草控制框架公約》) in 2003, which provides the framework for tobacco control measures. After the WHO Framework Convention on Tobacco Control has come into effect in the PRC in 2006, various tobacco control measures have been implemented in the PRC. The Provisions of Regulating the Packaging and Labeling of Tobacco in Domestic Sales (《關於規範境內銷售捲煙包裝標識的規定》), which came into effect in 2006, require, amongst others, the warning statement of

RISK FACTORS

“Smoking is harmful” (“吸煙有害健康”) on cigarette packages. The Implementing Rules of the Administration Regulations on the Hygiene in Public Places (《公共場所衛生管理條例實施細則》), which came into effect in 2011, prohibit, amongst others, the placing of cigarette vending machines in public areas. Furthermore, the STMA issued the Notice Concerning Further Strengthening the Works on the Research and Development on Low-tar Cigarette (《關於進一步加強低焦油捲煙研發工作有關要求的通知》) in November 2011, which requires cigarette manufacturers to further increase their research and development on low-tar cigarette, and issued the Notice Concerning Adjustment to the Upper Limit of Cigarette Tar-level (《關於調整卷煙盒焦油最高限量的通知》) in April 2012 to disqualify and prohibit the sale and import of, cigarettes which carry tar-level of over 11 milligrams per stick from 1 January 2013. Should the smoking population in the PRC reduce their consumption of cigarettes or, should the cigarette brands to which the Group currently supplies packages drop out of the market as a result of the new requirement on tar level, the business and results of operations of the Group might be adversely affected.

The performance and growth of the cigarette package industry rely on the cigarette industry in the PRC, which in turn could be adversely affected by the tobacco control measures adopted by the PRC government. Hence, should the PRC government tighten the tobacco control measures in the PRC, the business, results of operations, financial condition and future prospects of the Group could be adversely affected.

Public health awareness

The global trend of increasing awareness of health and the health hazards associated with cigarette smoking might negatively influence the sales of cigarettes, which in turn would affect the Group’s sales of cigarette packages. Given that cigarettes are generally considered hazardous to health, there is no assurance that consumers will not, in the future, change their habits and reduce consumption of cigarettes. As all revenue and profits of the Group were contributed from the production and sale of cigarette packages during the Track Record Period, in the event that the consumer markets for cigarettes shrink significantly and the Group is unable to promptly shift its product mix to maintain its sales, the business, results of operations, financial condition and future prospects of the Group might be adversely affected.

Projected slow down of growth of the cigarette and the cigarette package industries

As detailed in the section headed “Industry overview” in this prospectus, Euromonitor projected the growth of the cigarette and the cigarette package industries to slow down in the upcoming years. Retail sales volume of cigarettes in the PRC recorded CAGR of approximately 3.3% during the period from 2008 to 2012, but the CAGR is expected to slow down to approximately 1.9% during the period from 2012 to 2017. The market size of cigarette packages in the PRC recorded CAGR of approximately 3.5% during the period from 2008 to 2012, but the CAGR is expected to slow down to approximately 1.5% during the period from 2012 to 2017. Should the Group fail to diversify its revenue stream to products other than cigarette packages and the growth of the industries slow down as projected or more severely than projected, the results of operations, financial condition and future prospects of the Group could be adversely affected.

RISK FACTORS

Sales are subject to seasonality

The Group's products are solely used in the cigarette industry and hence, its production season fluctuates with that of the cigarette industry. As discussed in the section headed "Industry overview" in this prospectus, the peak season of the cigarette package industry in the PRC is around the first and the fourth quarters of the year, as cigarettes are often used as gifts during the Mid-Autumn Festival and the Chinese New Year. During slack seasons, the Group may not be able to obtain sufficient amount of production orders from its customers to fully utilise its production capacity, whereupon the labour, equipment and machinery of the Group may be idled instead of generating revenue for the Group. On the other hand, during peak seasons, the Group may not have sufficient production capacity to meet all the demands of its customers, which in turn may limit the revenue of the Group and may even adversely affect the business relationship between the Group and its customers. Accordingly, the seasonality of the sales of the Group could have a material adverse effect on the business and the results of operations of the Group.

Competition

Despite the existence of entry barriers as detailed in the paragraph headed "Competition" in the section headed "Business" in this prospectus, the Directors are of the view that the cigarette package industry in the PRC is competitive and fragmented with both large-scaled and small-scaled competitors. Should these competitors equip themselves with, among other things, industry knowledge, technical know-how, equipment and machinery, product design capability or business relationship with cigarette manufacturers that are comparable to or better than those of the Group, the Group might not be able to maintain its competitive edges and the Group's business, results of operations, financial condition and future prospects might be adversely affected.

Consolidation of manufacturers and brands in the cigarette industry

The cigarette industry in the PRC is highly regulated and has undergone restructuring and consolidation in the recent decade, details of which are set out in the section headed "Industry overview" in this prospectus. As a result of the efforts on industry consolidation, the number of cigarette manufacturers reduced from 146 in 2001 to 26 in 2011 and the number of cigarette brands reduced from 1,183 in 2001 to 124 in 2011. Should the customers of the Group, being the PRC cigarette manufacturers, or their cigarette brands be consolidated, the Group may experience loss of major customers or key products, which may in turn have a material adverse effect on the business, results of operations, financial condition and future prospects of the Group.

Intellectual property infringement claims

The cigarette packages designed or produced by the Group may involve intellectual properties, which include, amongst others, copyright of artwork and health warning signs that are owned by third parties. In the event of any intellectual property rights disputes, the Group may become a party to such disputes. The Group may have to devote substantial resources or incur significant costs to resolve such disputes, which in turn may have a material adverse effect on the business, results of operations and financial condition of the Group.

RISK FACTORS

Environmental protection

The Directors are aware of the importance of environmental protection and hence, the Group pays close attention to ensure that its operations comply with the environmental protection laws and regulations in the PRC. The PRC government, however, may take additional steps towards more rigorous enforcement of applicable laws and adopt more stringent environmental standards. Violations to these laws and regulations may lead to, amongst others:

- fees for the discharge of waste substances;
- levy of fines and payments for causing serious environmental damages; and
- allowing the PRC government, at its discretion, to close down any facilities that fails to comply with government orders and require the operator of such facilities to rectify or stop operations.

Should the PRC national or local authorities enact additional laws and regulations or enforce new laws and regulations in a more rigorous manner, the Group may be required to incur additional expenditures on environmental protection facilities, which could have an adverse impact on the results of operations and financial condition of the Group.

RISK FACTORS RELATING TO THE PRC

Political structure and economic considerations

Annual and five year plans are adopted by the PRC government in connection with the development of the economy. Many of the reforms or policies are unprecedented or experimental and may be subject to refinement, change or reversal based upon the outcome of such experiments. There is no assurance that the PRC government will continue to pursue a policy of economic reform in the present form of such policy or otherwise. The business of the Group is substantially conducted in the PRC and the Group may not in all or any cases be able to capitalise on the economic reform measures adopted by the PRC government. The business, results of operations, financial condition and future prospects of the Group could be adversely affected by political, economic and social conditions or changes in the policies of the PRC government, such as changes in laws and regulations (or the interpretation or implementation thereof), measures which may be introduced to control inflation, changes in the rate or method of taxation, imposition of additional restrictions on currency conversion and the imposition of additional import restrictions.

Uncertainties with respect to the PRC legal system

The business of the Group is primarily conducted in the PRC and can be significantly influenced by the PRC legal system. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance,

RISK FACTORS

commerce, taxation and trade, with a view to developing a comprehensive system of commercial laws. However, due to the fact that these laws and regulations have not been fully developed because of the limited volume of published cases and their non-binding nature, and as a result of other factors (including the influence political considerations can have in legal matters), the implementation of PRC laws and regulations involves a degree of uncertainty. The Group cannot predict the future development of the PRC legal system, including any promulgation of new laws, change to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws, and the effect it may have on the Group.

Failure to comply with SAFE regulations relating to the establishment of offshore special purpose companies by PRC residents, particularly SAFE Circular No. 75, may subject the PRC resident Shareholders or the PRC subsidiaries of the Company to liabilities or penalties, limit the ability of the Group to inject capital into its PRC subsidiaries or limit the ability of the PRC subsidiaries to distribute profits to the Company

SAFE issued a public notice in October 2005, namely “Notice on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investment via Overseas Special Purpose Companies” (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (“SAFE Circular No. 75”), pursuant to which PRC residents are required to register with the local SAFE branch before establishing or controlling any company outside of the PRC for the purpose of capital financing with assets or equities of PRC companies, referred to in the notice as an “offshore special purpose company”. According to SAFE Circular No. 75, PRC residents that are shareholders of offshore special purpose companies established before 1 November 2005 were required to register with the local SAFE branch before 31 March 2006. In addition, any PRC resident that is a shareholder of an offshore special purpose company is required to amend its SAFE registration with respect to that offshore special purpose company in connection with any increase or decrease of capital, transfer of shares, merger, division, equity investment, creation of any security interest over any assets located in the PRC or any other material change in share capital.

According to the PRC Legal Advisers after their consultation with the Shenzhen SAFE branch, as Ms. Huang, a Controlling Shareholder, has obtained the Hong Kong identity card since December 1992 and has been a Hong Kong permanent resident since September 2000, Ms. Huang is not subject to the registration process under the SAFE Circular No. 75. However, there is no assurance that the PRC government will not have a different interpretation of SAFE Circular No. 75 in the future. Moreover, the Group may not be fully informed of the identities of all the future Shareholders who are PRC residents. The Group does not have control over the Shareholders and cannot assure you that all of the PRC resident Shareholders will comply with SAFE Circular No. 75. Failure of the PRC resident Shareholders to register or amend their SAFE registrations in a timely manner pursuant to SAFE Circular No. 75 may subject such Shareholders and/or the PRC subsidiaries of the Company to fines and legal sanctions. Failure to comply with SAFE Circular No. 75 may also limit the ability of the Group to contribute additional capital to its PRC subsidiaries, limit the ability of the PRC subsidiaries to distribute dividends to the Company or otherwise materially and adversely affect the business of the Group.

RISK FACTORS

Fluctuation in the currency exchange rate of RMB

Operating revenues and expenses of the Group have been and are expected to continue to be primarily denominated in RMB and the Group is exposed to the risks associated with the fluctuation in the currency exchange rate of RMB. Should RMB appreciate against other currencies, the value of the proceeds from the Share Offer and any future financings, which are to be converted from HK Dollar or other currencies into RMB, would be reduced and might accordingly hinder the business development of the Group due to the lessened amount of funds raised. On the other hand, in the event of the devaluation of RMB, the dividend payments of the Company, which are to be paid in HK Dollars after the conversion of the distributable profit denominated in RMB, would be reduced. Furthermore, the devaluation of RMB would also increase the costs of the Group to import overseas equipment and machinery for the enhancement of its operations. Hence, substantial fluctuation in the currency exchange rate of RMB may have a material adverse effect on the business, operations and financial position of the Group and the value of your investment in the Shares.

RMB is not freely convertible and reliance on dividend payments from PRC subsidiaries

RMB is not a freely convertible currency, where the conversion of RMB into any other currency is strictly regulated by the PRC government. In general, foreign investment enterprises are permitted to convert RMB to foreign currencies for current account transactions (including, for example, distribution of profits and payment of dividends to foreign investors) through designated foreign exchange banks following prescribed procedural requirements. On the other hand, control over conversion of RMB to foreign currencies for capital account transactions (including, for example, direct investment, loan and investment in securities) is more stringent and such conversion is subject to a number of limitations.

The Company is a holding company incorporated in the Cayman Islands with business operations primarily conducted through its PRC subsidiaries. The Company relies on dividends and other distributions made by its PRC subsidiaries for, amongst others, the payment of dividends to the Shareholders and the settlement of any debt or costs that may be incurred. As entities established in the PRC, the PRC subsidiaries of the Company are subject to limitations with respect to dividend payments. Should the PRC subsidiaries be unable to pay dividends due to government policies or regulations, the Company may not be able to pay dividends to the Shareholders and settle any debt or costs that may be incurred, which may have a material adverse effect on the business, operations and financial position of the Group.

Dividends payable to foreign investors and gain on the sale of the Shares may be subject to the PRC tax

Under the Enterprise Income Tax Law and its implementation regulations, a PRC withholding tax at the rate of 10% is applicable to dividends payable to investors which are “non-resident enterprises” that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with such establishment or place

RISK FACTORS

of business to the extent such dividends have their source within the PRC unless there is an applicable tax treaty between the PRC and the jurisdiction in which an overseas holder resides which reduces or exempts the relevant tax. According to the Arrangements between the Mainland China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion With Respect To Taxes On Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), the profit derived by a foreign investor residing in Hong Kong from its wholly owned PRC enterprise is subject to the tax rate of 5%. However, Shenzhen Oceania, as a wholly-owned PRC enterprise, should get an approval from the local tax bureau for the application of the reduced 5% tax rate. If such an approval has not been obtained, Super Future will still be subject to the 10% withholding tax rate on the dividends it receives from Shenzhen Oceania. In addition, any gain realised on the transfer of shares by such investors is subject to a 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. Since it is uncertain whether the Company will be considered a PRC “resident enterprise”, dividends payable to the foreign investors of the Company with respect to the Shares, or the gain the foreign investors of the Company may realise from the transfer of the Shares, may be treated as income derived from sources within the PRC and be subject to the PRC tax.

Service of process and enforcement of judgments in the PRC may be difficult to obtain and effect

Substantially all of the Group’s assets are located in the PRC, and most of the Directors and executive officers reside in the PRC. As a consequence, it may be difficult for investors to effect service of process upon the Directors and the Group’s executive officers who are resided in the PRC. The PRC has not entered into any treaty providing for the reciprocal recognition and enforcement of judgments with many regions or countries, including the United Kingdom and the United States. As a result, recognition and enforcement in the PRC of judgments of courts in those jurisdictions may be difficult or impossible.

Acts of God, acts of war, natural disasters, pandemic and other disasters in the PRC

The Group’s suppliers, production premises and customers are all located in the PRC. Hence, acts of God, acts of war, natural disasters, pandemic and other disasters affecting the PRC that are beyond the control of the Group may materially and adversely affect the business, results of operations, financial condition and future prospects of the Group. For instance, some cities in the PRC may be under the threat of tsunami, flood, earthquake, sandstorm or drought. Moreover, several countries in Asia, including the PRC, have reported cases of avian influenza or bird flu. Furthermore, the Huizhou Site is situated closely to the nuclear power station at Daya Bay in Guangdong Province, the PRC and may be materially and adversely impacted by any nuclear catastrophe at the power station.

RISK FACTORS

RISK FACTORS RELATING TO THE SHARE OFFER AND THE SHARES

There has been no prior public market for the Shares

Prior to the Share Offer, there was no public market for the Shares. The Offer Price was the result of negotiations among the Company, the Sponsor and the Lead Manager (for itself and on behalf of the other Underwriters). Investors should not view the Offer Price as any indication of the price of the Shares that will prevail in the trading market following the Share Offer, where the market price for the Shares may decline below the Offer Price. In addition, despite the Company has applied to list and deal in the Shares on the Stock Exchange, a listing on the Stock Exchange does not guarantee that an active and liquid trading market for the Shares will develop or be sustained following the Share Offer or in the future.

The market price and trading volume of the Shares may be volatile following the Share Offer

The market price and trading volume of the Shares may be highly volatile in response to, among others, the following factors:

- fluctuations in the financial results of the Group;
- modifications to the financial estimates of the Group or its competitors by securities analysts;
- variations in the international investment environment;
- addition or departure of the Directors and senior management of the Group;
- new policies in the cigarette or cigarette package industry in the PRC;
- liquidity of the market for the Shares; and
- general economic conditions and other factors.

Future dividend payments

Shenzhen Oceania declared dividends of approximately RMB32.8 million, RMB37.4 million and RMB38.5 million to its then equity owners during each of the years ended 31 December 2010, 2011 and 2012, respectively. However, there is no assurance that the Company or any of its subsidiaries will pay dividends at a similar level in the future as in the past or at all, and potential investors should be aware that the amount of dividends the Group distributed in the past should not be used as a reference or basis upon which future dividends are determined. Whether dividends will be distributed and the amount to be distributed will depend on factors such as the profitability, financial condition, business development requirements, future prospects and cash requirements of the Group. Moreover, dividend declaration and payment, as well as the amount of dividends, will also be subject to, amongst others,

RISK FACTORS

the requirements under the Articles and the Companies Law, including the approval of the Shareholders and the Directors. For details of the dividend policy of the Group, please refer to the paragraph headed “Dividend policy” in the section headed “Financial information” in this prospectus.

Sale, or perceived sale, of substantial amounts of the Shares could adversely affect the market price of the Shares

The Shares held by the Controlling Shareholders are subject to certain lock-up periods, details of which are set out in the section headed “Underwriting” in this prospectus. Sale, or perceived sale, of substantial amounts of the Shares by a Controlling Shareholder after the lock-up periods or by any other Shareholder following the Share Offer could adversely affect the market price of the Shares.

Potential dilution of Shareholders’ interest

The Group may need to raise additional funds in the future to finance expansion of or new developments relating to its existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pro rata basis to Shareholders’ existing interests, the percentage ownership of the Shareholders may be reduced, and Shareholders may experience subsequent dilution, and in addition, such new securities may have preferred rights, options and pre-emptive rights senior to the Offer Shares.

Potential unreliability of facts and statistics in this prospectus

Facts and statistics in this prospectus relating to the general economy and the cigarette and cigarette package production industries are derived from publications of governmental agencies and Independent Third Parties. However, the facts and statistics in this prospectus may not be reliable in terms of their completeness, accuracy and fairness given those information have not been independently verified by the Company, the Sponsor, the Lead Manager and Bookrunner, the Underwriters or any of their respective directors, officers, affiliates, advisers or representatives, or any other party involved in the Public Offer, and such information may not be consistent with other publicly available information. The Company, the Sponsor, the Lead Manager and Bookrunner, the Underwriters or any of their respective directors, officers, affiliates, advisors or representatives, or any other party involved in the Public Offer make no representation as to the completeness, accuracy or fairness of those information. Accordingly, the facts and statistics in this prospectus should not be unduly relied upon.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, the Company must have a sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Given that substantially all assets and the business and operations of the Group are located, managed and conducted in the PRC and Ms. Huang, one of the two executive Directors, is ordinarily resident in Hong Kong, the Directors consider that it is not necessary for the Group to appoint any additional executive Director who is ordinarily resident in Hong Kong to the Board in order to supervise and/or manage the Group's operations. The Company does not and will not, in the foreseeable future, have a sufficient management presence in Hong Kong.

Accordingly, the Company has applied to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. The Stock Exchange has granted the requested waiver to the Company from strict compliance with the requirements under Rule 8.12 of the Listing Rules on condition that the Company would adopt the following arrangements to maintain regular communication with the Stock Exchange:

- (a) the Company has appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as the Company's principal channel of communication with the Stock Exchange. The two authorised representatives appointed by the Company are Ms. Huang, an executive Director, and Ms. Lam Kit Yan, the company secretary to the Company, both being ordinarily resident in Hong Kong. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong upon reasonable short notice and will be readily contactable by telephone, facsimile or email. Each of the authorised representatives is authorised to communicate on behalf of the Company with the Stock Exchange;
- (b) both of the authorised representatives have the means to promptly contact all members of the Board (including the non-executive Director and the independent non-executive Directors) and of the senior management team of the Group at all times as and when the Stock Exchange wishes to contact them or any of them for any matters. To enhance the communication between the Stock Exchange, the authorised representatives and the Directors, the Company will implement a number of policies that (i) each of the executive Directors, non-executive Director and independent non-executive Directors shall provide his/her mobile phone numbers, residential phone numbers, office phone numbers, fax numbers (if available) and email addresses to the authorised representatives; (ii) in the event that an executive Director or a non-executive Director or an independent non-executive Director expects to travel and be out of office, he/she shall provide the phone number of the place of his/her accommodation to the authorised representatives; and (iii) all the Directors and authorised representatives will provide their respective mobile phone numbers, residential phone numbers, office phone numbers, fax numbers (if available) and email addresses to the Stock Exchange;

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (c) if the circumstances require, meetings of the Board can be convened and held in such manner as permitted under the Articles at a short notice to discuss and address any issue with which the Stock Exchange is concerned in a timely manner;
- (d) a compliance adviser will be appointed by the Company before Listing pursuant to Rule 3A.19 of the Listing Rules to provide the Company with professional advice on continuing obligations under the Listing Rules, and to act at all times, in addition to the two authorised representatives of the Company, as the Company's additional channel of communication with the Stock Exchange for the period commencing on the Listing Date and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of the Company's financial results for the first full financial year commencing after the Listing Date;
- (e) meetings between the Stock Exchange and the Directors can be arranged through the authorised representatives or the compliance adviser, or directly with the Directors within a reasonable time frame. The Company will inform the Stock Exchange promptly of any change in the authorised representatives or the compliance adviser; and
- (f) all the Directors have confirmed that they possess or can apply for valid travel documents to travel freely to Hong Kong and would be able to come to Hong Kong and meet with the Stock Exchange upon reasonable short notice.

The Company has received from the Stock Exchange a waiver from compliance with Rule 8.12 of the Listing Rules subject to the above arrangements being put in place.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Public Offer, which forms part of the Share Offer. Details of the terms of the Share Offer are described in the section headed "Structure and conditions of the Share Offer" in this prospectus and in the related Application Forms.

The Share Offer is sponsored and lead managed by First Shanghai Capital and First Shanghai Securities, respectively. The Public Offer is fully underwritten by the Public Offer Underwriters and the Placing is expected to be fully underwritten by the Placing Underwriters pursuant to the Public Offer Underwriting Agreement and the Placing Underwriting Agreement, respectively. For further information relating to the underwriting arrangements, please see the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER OF SHARES

No action has been taken in any jurisdiction other than Hong Kong to permit an offering of the Offer Shares or the distribution of this prospectus and the related Application Forms to the public. Accordingly, this prospectus or the related Application Forms may not be used for the purpose of, and does not (and is not intended to) constitute an offer or invitation in any jurisdiction outside Hong Kong or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus or the related Application Forms and the offering and sales of the Offer Shares in other jurisdictions may be restricted by law and therefore persons who possess this prospectus or any of the related Application Forms should inform themselves about, and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the applicable securities laws.

Foreign selling restrictions

No action has been taken to register or qualify the Offer Shares or the Share Offer, or otherwise to permit a public offering of the Offer Shares, in any jurisdiction outside Hong Kong.

The distribution of this prospectus and the related Application Forms in jurisdictions outside Hong Kong may be restricted by law and therefore persons into whose possession this prospectus or any of the related Application Forms comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the applicable securities laws.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Each person acquiring the Offer Shares will be required to confirm, or be deemed by his or her or its acquisition of the Offer Shares to have confirmed, that he or she or it is aware of the restrictions on offer of the Offer Shares described in this prospectus.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including the Offer Shares, any Shares which may be issued pursuant to the Capitalisation Issue and the exercise of any options that may be granted under the Share Option Scheme.

Except as disclosed in this prospectus, no part of the share or loan capital of the Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Companies Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by the Stock Exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the tax implications of subscription for, purchasing, holding, disposal of or dealing in the Shares under the laws of the place of your operations, domicile, residence, citizenship or incorporation.

None of the Company, the Lead Manager, the Sponsor, the Underwriters, any of their respective directors, agents or advisers or any other person involved in the Share Offer accepts responsibility for your tax effects or liabilities resulting from your subscription for, purchase, holding, disposal of or dealing in the Offer Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

HONG KONG SHARE REGISTER AND STAMP DUTY

All Shares issued pursuant to applications made in the Share Offer will be registered on the Company's Hong Kong register of members to be maintained in Hong Kong.

Dealings in the Shares registered in the Company's Hong Kong register of members to be maintained in Hong Kong will be subject to Hong Kong stamp duty.

Dividends payable in Hong Kong dollars in respect of the Shares will be paid to the Shareholders listed on the Company's Hong Kong register of members to be maintained in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedure for the Public Offer Shares is set out in the section headed "How to apply for the Public Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE SHARE OFFER

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

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. As a result, any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding. Where information is presented in thousands or millions of units, amounts may have been rounded up or down.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

BOARD OF DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Ms. Huang Li	Flat C, 32/F, Tower 1, The Leighton Hill, 2B, Broadwood Road, Causeway Bay, Hong Kong	Chinese
Mr. Zheng Hua	Flat 2C, Block 2B, Bijiashan-Yilan Garden, Shenzhen City, PRC	Chinese
<i>Non-executive Director</i>		
Mr. Huang Chao	Flat C, 32/F, Tower 1, The Leighton Hill, 2B, Broadwood Road, Causeway Bay, Hong Kong	Australian
<i>Independent non-executive Directors</i>		
Mr. Zeng Shiquan	Flat 5D, Block 6 Shuixie Huadu Shenzhen City, PRC	Chinese
Professor Lam Sing Kwong Simon	Flat 5A, Block 2, Pine Court, 23 Sha Wan Drive, Pok Fu Lam, Hong Kong	Chinese
Mr. Tam Tak Kei Raymond	Flat A, 12/F, King Tien Mansion, Tai Koo Shing, Hong Kong	British

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

OTHER PARTIES INVOLVED

Sponsor

First Shanghai Capital Limited
19th Floor
Wing On House
71 Des Voeux Road Central
Hong Kong

Lead Manager and Bookrunner

First Shanghai Securities Limited
19th Floor
Wing On House
71 Des Voeux Road Central
Hong Kong

Public Offer Underwriters

First Shanghai Securities Limited
19th Floor
Wing On House
71 Des Voeux Road Central
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited
Rooms 5808-12
The Center
99 Queen's Road Central
Hong Kong

Placing Underwriters

First Shanghai Securities Limited
19th Floor
Wing On House
71 Des Voeux Road Central
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited
Rooms 5808-12
The Center
99 Queen's Road Central
Hong Kong

Yue Xiu Securities Company Limited
24th Floor
Siu On Centre
188 Lockhart Road
Wanchai
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal advisers to the Company

As to Hong Kong law:

Loong & Yeung
Suites 2001-2005
20th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

As to Cayman Islands law:

Appleby
2206-19 Jardine House
1 Connaught Place
Central
Hong Kong

As to PRC law:

Shu Jin Law Firm
24th Floor
Aerospace Skyscraper
4019 Shennan Road
518048
Shenzhen
The PRC

**Legal advisers to the Sponsor
and the Underwriters**

As to Hong Kong law:

F. Zimmern & Co.
Rooms 1002-1003
10th Floor
York House
The Landmark
15 Queen's Road Central
Central
Hong Kong

As to PRC law:

Hills & Co.
11th Floor
Central Business Building
No. 88 Fu Hua 1st Road
Fu Tian Central Business District
Shenzhen
The PRC

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Auditors and reporting accountants

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor
One Pacific Place
88 Queensway
Hong Kong

Property valuer

DTZ Debenham Tie Leung Limited
16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

Receiving banker

Standard Chartered Bank (Hong Kong) Limited
15/F, Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong
Hong Kong

CORPORATE INFORMATION

Registered office	Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Headquarters and principal place of business in the PRC	No.21 Jianlong Street, Bao'an Community, Henggang Sub-district, Longgang District, Shenzhen City, Guangdong Province, PRC
Principal place of business in Hong Kong	Suite 2312, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Company secretary	Ms. Lam Kit Yan <i>FCPA</i>
Website address	<u>www.jincaiholding.com</u> <i>(information contained on the website does not form part of this prospectus)</i>
Authorised representatives	Ms. Huang Li Flat C, 32/F, Tower 1, The Leighton Hill, 2B Broadwood Road, Causeway Bay, Hong Kong Ms. Lam Kit Yan Flat B, 24/F, Block 3, Connaught Garden, 155 Connaught Road West, Sai Ying Pun, Hong Kong
Audit committee	Mr. Tam Tak Kei Raymond (Chairman) Mr. Huang Chao Professor Lam Sing Kwong Simon
Remuneration committee	Professor Lam Sing Kwong Simon (Chairman) Mr. Huang Chao Mr. Zeng Shiquan

CORPORATE INFORMATION

Nomination committee	Ms. Huang Li (Chairman) Mr. Tam Tak Kei Raymond Mr. Zeng Shiquan
Compliance adviser	First Shanghai Capital Limited 19 th Floor Wing On House 71 Des Voeux Road Central Hong Kong
Principal bankers	Ping An Bank Company Ltd. Shenzhen Branch 1/F, Block A; 8/F, Block B, Eastern Commercial Mansion Lanshan Road, Hi-Tech Industry Park North Zone Nanshan District, Shenzhen Guangdong Province, the PRC China Construction Bank Corporation Shenzhen Henggang Branch 1/F, Building No. 6, Xinyi Jinxiu Garden Henggang Sub-district Longgang District, Shenzhen, the PRC China Merchants Bank Shenzhen Meilong Branch Jinxiu Jiangnan 4 Qi Business Street Meilong Road Longhua, Shenzhen, the PRC
Principal share registrar and transfer office	Appleby Trust (Cayman) Ltd. Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Hong Kong share registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

INDUSTRY OVERVIEW

This section contains statistics, industry data or other information which have been extracted and derived, in part, from various governmental or other published sources, as well as the Euromonitor Reports. The Company believes that the sources of such information are appropriate and has taken reasonable care in extracting and reproducing such information. The Company has no reason to believe that such information is false or misleading in any material aspect. The information set out in this section have not been independently verified by the Company, the Sponsor, the Lead Manager, the Underwriters or any of their respective directors, officers, affiliates, advisers or representatives, or any other party involved in the Share Offer. The Company, the Sponsor, the Lead Manager, the Underwriters or any of their respective directors, officers, affiliates, advisers or representatives, or any other party involved in the Share Offer make no representation as to the completeness, accuracy or fairness of such information.

SOURCES OF INFORMATION

Euromonitor

Euromonitor is a market research company with a focus on industry, country, company and consumer lifestyle research and is an Independent Third Party. Euromonitor was commissioned by the Group to prepare the Euromonitor Reports in respect of the cigarette industry and the cigarette package industry in the PRC for an aggregate fee of RMB660,000. Information disclosed in this prospectus which is attributable to Euromonitor has been extracted from the Euromonitor Reports, which were prepared in the ordinary course of business of Euromonitor, and published with the consent of Euromonitor. Euromonitor is not an official government source for such information, but the Sponsor and the Directors have exercised reasonable care in reproducing such information and have no reasonable ground to conjecture that any such information being included in this prospectus is untrue.

National Bureau of Statistics of China

The National Bureau of Statistics of China is an agency directly under the State Council and is in charge of statistics and economic accounting in the PRC. Information disclosed in this prospectus and attributed to the National Bureau of Statistics of China is official public information prepared in the ordinary course of business of the National Bureau of Statistics of China. The Group did not commission the National Bureau of Statistics of China for the production or disclosure of such information.

International Monetary Fund

The International Monetary Fund is an organisation that intends to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth and reduce poverty in the world. Information disclosed in this prospectus and attributed to the International Monetary Fund is public information prepared by its staff economists. The Group did not commission the International Monetary Fund for the production or disclosure of such information.

China Tobacco

China Tobacco is an official semi-monthly publication administered by the STMA, which is a governmental administration that is responsible for the management of the tobacco industry in the PRC. Selected contents of China Tobacco can be freely accessed on its official website. The Group is a fee-based subscriber to China Tobacco.

INDUSTRY OVERVIEW

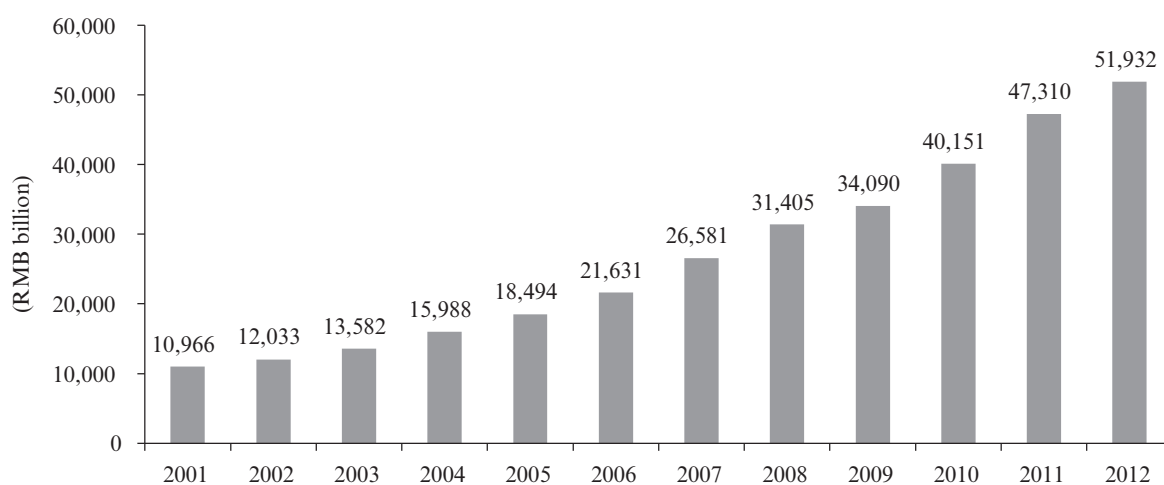
INTRODUCTION

A cigarette generally refers to a paper cylinder filled with tobacco for smoking purposes. Cigarette packages are usually in the form of rectangular paper boxes that can be printed with brand name, logo, artwork, anti-counterfeit label and health warning message. According to Euromonitor, the PRC is the world's largest cigarette market in terms of the number of smokers and cigarette production volume in 2012.

OVERVIEW OF THE GROWTH OF THE PRC ECONOMY

The PRC economy has been expanding in the recent decade since its accession to the World Trade Organization in 2001. According to information published by the National Bureau of Statistics of China, nominal gross domestic product of the PRC increased from approximately RMB10,966 billion in 2001 to a preliminary estimate of approximately RMB51,932 billion in 2012, representing a CAGR of approximately 15.2% during the period. The following chart sets out the nominal gross domestic product of the PRC from 2001 to 2012.

Gross domestic product of the PRC (2001 - 2012)



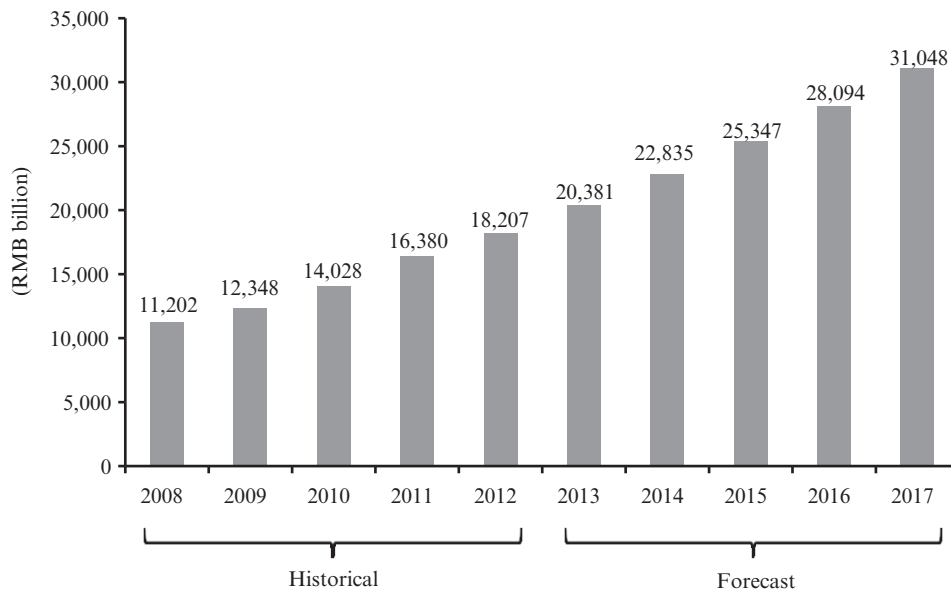
Source: National Bureau of Statistics of China

INDUSTRY OVERVIEW

The PRC economy is anticipated to continue to grow. According to the October 2012 edition of the World Economic Outlook published by the International Monetary Fund, the real gross domestic product of the PRC is projected to expand at a CAGR of approximately 8.5% from 2012 to 2016, where such projected growth rate is higher than the majority of those of the other developing Asian countries as categorised by the International Monetary Fund.

Consumer expenditure is expected to increase along with the rise of the general economy in the PRC. Total consumer expenditure in the PRC grew from approximately RMB11,202 billion in 2008 to approximately RMB18,207 billion in 2012, representing a CAGR of approximately 12.9% during the period, and is expected to continue to grow steadily from approximately RMB18,207 billion in 2012 to approximately RMB31,048 billion in 2017, representing a CAGR of approximately 11.3% during the forecast period.

Consumer expenditure in the PRC (2008-2017)



Source: Euromonitor

INDUSTRY OVERVIEW

OVERVIEW OF THE PRC CIGARETTE INDUSTRY

The PRC has the largest smoking population in the world, accounting for over one-third of the global smoking population in 2012. The PRC is also the largest cigarette manufacturer, which accounted for over 40% of the global production volume in 2012.

Cigarette consumption and sales volume in the PRC

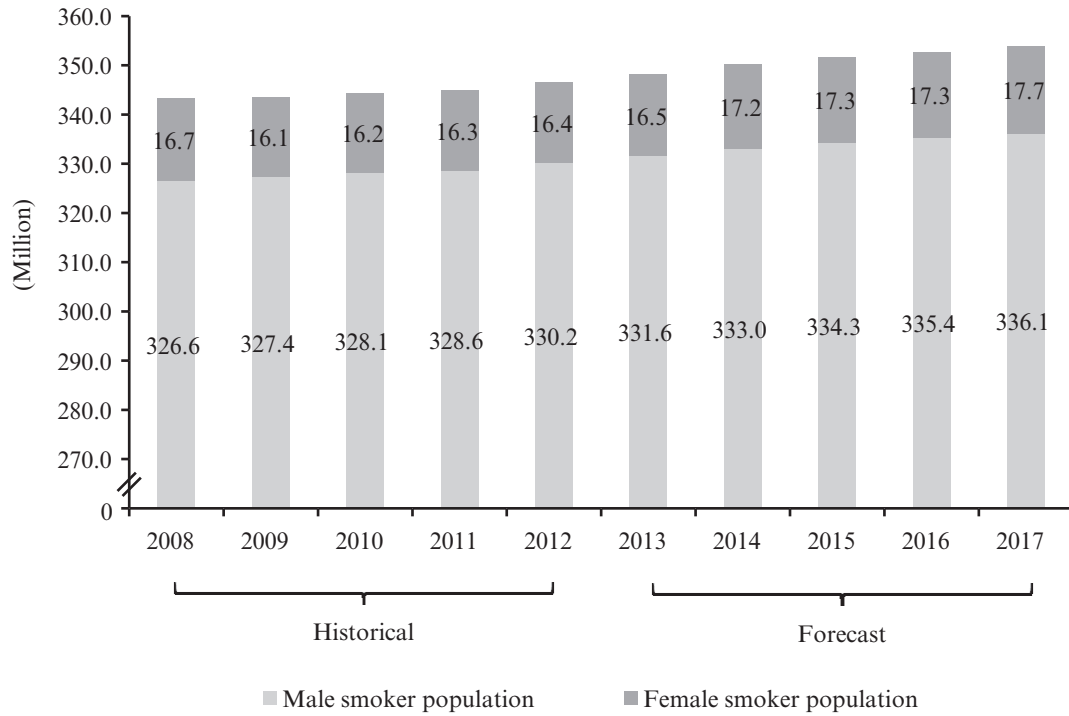
For the protection of health, social, environmental and economic consequences of tobacco consumption and exposure to tobacco smoke, the PRC signed the WHO Framework Convention on Tobacco Control in 2003, which provided a framework for tobacco control measures and came into effect in the PRC in 2005. Measures under the convention relating to the reduction of demand for tobacco include, among other things, (i) regulation of the contents of tobacco products; (ii) restriction on tobacco advertising, promotion and sponsorship; (iii) restriction on packaging and labeling of tobacco products; and (iv) price and tax measures. Furthermore, the STMA issued the Notice Concerning Further Strengthening the Works on the Research and Development on Low-tar Cigarette (《關於進一步加強低焦油捲煙研發工作有關要求的通知》) in November 2011, which required cigarette manufacturers to further increase their research and development on low-tar cigarette, and issued the Notice Concerning Adjustment to the Upper Limit of Cigarette Tar-level (《關於調整卷煙盒焦油最高限量的通知》) in April 2012 to disqualify, and prohibit from selling and importing of, cigarettes from 1 January 2013 which carry tar-level of over 11 milligrams per stick. According to Euromonitor, the PRC cigarette market has long been dominated by Virginian-type cigarette (烤煙型捲煙). Such type of cigarette has the intrinsic characteristics of having high-tar and strong flavour, so a drastic reduction in tar level will lighten its flavour and probably make it difficult for consumers to accept. As such, it will be important for tobacco manufacturers to find an appropriate way of meeting the mandatory tar-reduction requirement and meanwhile keeping a flavour that can be accepted by consumers who have been accustomed to Virginian-type cigarette. Responding to the new requirement on tar level, cigarette manufacturers have completed certain preparatory works such as utilizing new materials, adjusting formula and technical improvement for the new requirement, so it would not be too difficult for them to abide by the new rule.

According to Euromonitor, although the PRC had demonstrated its commitment to tobacco control, tobacco control has little negative impact on the PRC cigarette market given (i) the team to facilitate the above-mentioned framework is led by the Ministry of Industry and Information Technology, whose affiliates include the STMA and the CNTC. Hence, both tobacco production and tobacco control are managed by the same organisation; (ii) the fiscal revenue of the PRC government relies heavily on the tobacco industry, which contributes approximately 8% of the total tax revenue of the government; and (iii) cigarette is not simply consumer goods in the PRC but also part of the PRC culture, where cigarettes are treated as gifts during festivals and are consumed at social functions such as wedding parties or during business discussions.

INDUSTRY OVERVIEW

The total smoker population in the PRC grew from approximately 343.3 million in 2008 to approximately 346.6 million in 2012 and is estimated to continue to grow to approximately 353.8 million in 2017. During the review period from 2008 to 2017, male smokers comprise around 95% of the total smoker population in the PRC. The chart below sets out the historical and estimated male and female smoker population in the PRC.

Male and female smoker population in the PRC (2008-2017)

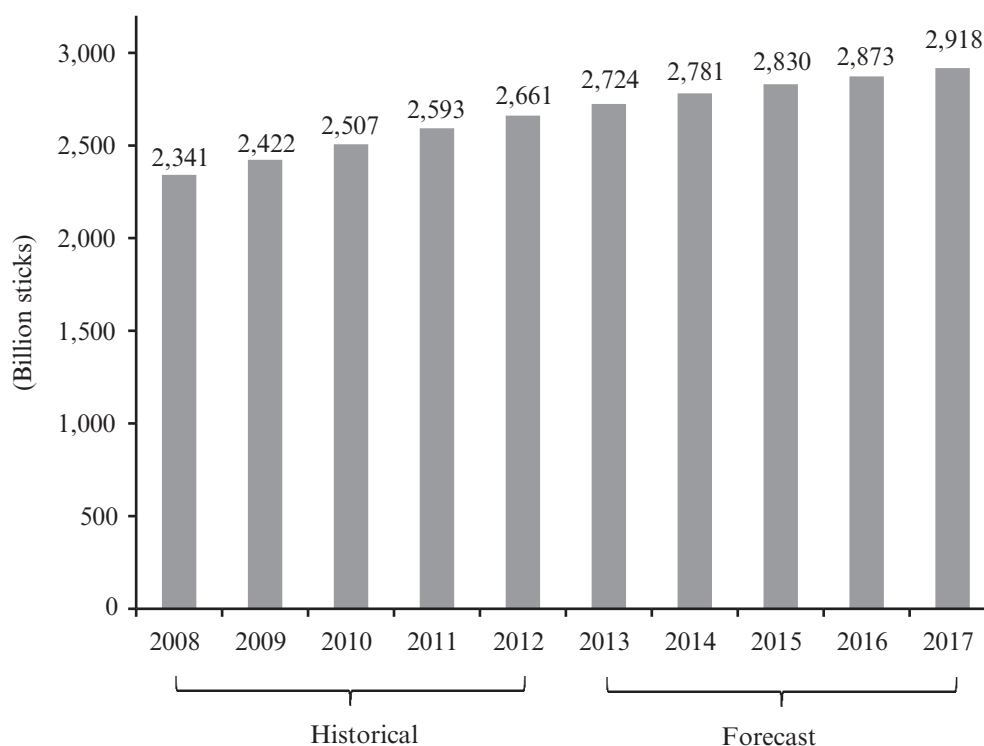


Source: Euromonitor

INDUSTRY OVERVIEW

The overall PRC cigarette industry seemed to be immune to tobacco control regulations in the past few years, but the cigarette industry may eventually slow down production and consumption in the long run. Retail sales volume of cigarettes (including both duty paid and non-duty paid) grew from approximately 2,341 billion sticks in 2008 to approximately 2,661 billion sticks in 2012, representing a CAGR of approximately 3.3% during the period, and is expected to continue to grow steadily from approximately 2,661 billion sticks in 2012 to approximately 2,918 billion sticks in 2017, representing a CAGR of approximately 1.9% during the forecast period.

Retail sales volume of cigarettes in the PRC (2008-2017)



Source: Euromonitor

Cigarette manufacturing in the PRC

The PRC government regulates the tobacco industry in the PRC, where such structure was first bolstered via the promulgation of the Regulation on Tobacco Monopoly (《煙草專賣條例》) by the State Council in 1983. The STMA is a governmental administration that is responsible for the management of the tobacco industry in the PRC.

The tobacco industry has undergone restructuring and consolidation in the recent decade. In order to facilitate the central management of industry production which was highly fragmented, 16 provincial tobacco industrial companies (省級中煙工業公司) were established between 2003 and 2004, whose duties include the management of cigarette manufacturers in the PRC. Policies were implemented to facilitate the consolidation of cigarette manufacturers, for instance, small cigarette manufacturers with annual production volume of less than 100,000 boxes of cigarettes were closed

INDUSTRY OVERVIEW

down and those with annual production volume between 100,000 boxes to 300,000 boxes of cigarettes were consolidated. In respect of the consolidation of cigarette brands, the STMA published the List of 100 Brands for Cigarette Products (100個卷烟牌號目錄) in 2004 which planned to reduce the number of cigarette brands within two to three years. Furthermore, the STMA identified the 30 Key Cigarette Brands in 2008. The following table sets forth the names and manufacturers of the 30 Key Cigarette Brands:

Identity	Brand name (in English)	Brand name (in Chinese)	Company name (in English)	Company name (in Chinese)
20 key national backbone cigarette brands	Chunghwa	中華	Shanghai Tobacco Group Co., Ltd	上海煙草(集團)有限責任公司
	Yunyan	雲煙	China Tobacco Yunnan Industrial Co., Ltd	雲南中煙工業有限責任公司
	Furongwang	芙蓉王	China Tobacco Hunan Industrial Co., Ltd	湖南中煙工業有限責任公司
	Yuxi	玉溪	China Tobacco Yunnan Industrial Co., Ltd	雲南中煙工業有限責任公司
	Baisha	白沙	China Tobacco Hunan Industrial Co., Ltd	湖南中煙工業有限責任公司
	Hongtashan	紅塔山	China Tobacco Yunnan Industrial Co., Ltd	雲南中煙工業有限責任公司
	Su Yan	蘇煙	China Tobacco Jiangsu Industrial Co., Ltd	江蘇中煙工業有限責任公司
	Liqun	利群	China Tobacco Zhejiang Industrial Co., Ltd	浙江中煙工業有限責任公司
	Honghe	紅河	China Tobacco Yunnan Industrial Co., Ltd	雲南中煙工業有限責任公司
	Huanghelou	黃鶴樓	China Tobacco Hubei Industrial Co., Ltd	湖北中煙工業有限責任公司
	Septwolves	七匹狼	China Tobacco Fujian Industrial Co., Ltd	福建中煙工業有限責任公司
	Huangshan	黃山	China Tobacco Anhui Industrial Co., Ltd	安徽中煙工業有限責任公司
	Nanjing	南京	China Tobacco Jiangsu Industrial Co., Ltd	江蘇中煙工業有限責任公司
	Shuangxi	雙喜	China Tobacco Guangdong Industrial Co., Ltd	廣東中煙工業有限責任公司
	Double Happiness	紅雙喜	Shanghai Tobacco Group Co., Ltd	上海煙草(集團)有限責任公司
	Hongmei	紅梅	China Tobacco Yunnan Industrial Co., Ltd	雲南中煙工業有限責任公司
	Pride	嬌子	China Tobacco Chuanyu Industrial Co., Ltd	川渝中煙工業有限責任公司
	Huangguoshu	黃果樹	China Tobacco Guizhou Industrial Co., Ltd	貴州中煙工業有限責任公司
	Zhenlong	真龍	China Tobacco Guangxi Industrial Co., Ltd	廣西中煙工業有限責任公司
	Dihao	帝豪	China Tobacco Henan Industrial Co., Ltd	河南中煙工業有限責任公司
The other 10 key cigarette brands	Taishan	泰山	China Tobacco Shandong Industrial Co., Ltd	山東中煙工業有限責任公司
	Diamond	鑽石	China Tobacco Hebei Industrial Co., Ltd	河北中煙工業有限責任公司
	Jinsheng	金聖	China Tobacco Jiangxi Industrial Co., Ltd	江西中煙工業有限責任公司
	Haomao	好貓	China Tobacco Shanxi Industrial Co., Ltd	陝西中煙工業有限責任公司
	Lanzhou	蘭州	Gansu Tobacco Industry Co., Ltd	甘肅煙草工業有限責任公司
	Changbaishan	長白山	Jinlin Tobacco Industry Co., Ltd	吉林煙草工業有限責任公司
	Zhongnanhai	中南海	Shanghai Tobacco Group Co., Ltd	上海煙草(集團)有限責任公司
	Derby	都寶	China Tobacco Anhui Industrial Co., Ltd	安徽中煙工業有限責任公司
	Golden Bridge	金橋	China Tobacco Fujian Industrial Co., Ltd	福建中煙工業有限責任公司
	Guiyan	貴煙	China Tobacco Guizhou Industrial Co., Ltd	貴州中煙工業有限責任公司

Source: STMA

As a result of the efforts on industry consolidation, the number of cigarette manufacturers reduced from 146 in 2001 to 26 in 2011 and the number of cigarette brands reduced from 1,183 in 2001 to 124 in 2011. In respect of market concentration, the market share of top ten cigarette manufacturers

INDUSTRY OVERVIEW

in terms of sales volume increased from approximately 31% in 2002 to approximately 80% in 2011 and the market share of top ten cigarette brands in terms of retail sales volume increased from approximately 16% in 2002 to approximately 47% in 2011. The 16 provincial tobacco industrial companies (省級中煙工業公司) altogether accounted for approximately 86.2% of the total market share in terms of sales volume in 2012. The tables below set out the market share percentages of the top five cigarette manufacturers and cigarette brands in the PRC by retail sales volume.

Market share percentages of the top five cigarette manufacturers in the PRC by retail sales volume in 2011 and 2012

	2011	2012
China Tobacco Yunnan	22.3%	17.7%
China Tobacco Guangdong Industrial Co., Ltd (廣東中煙工業有限責任公司)	7.3%	8.5%
China Tobacco Hunan Industrial Co., Ltd (湖南中煙工業有限責任公司)	8.9%	6.7%
Shanghai Tobacco Group Co., Ltd (上海煙草(集團)有限責任公司)	Not within top 5	6.6%
China Tobacco Henan Industrial Co., Ltd (河南中煙工業有限責任公司)	6.9%	6.6%
China Tobacco Hubei Industrial Co., Ltd (湖北中煙工業有限責任公司)	6.8%	Not within top 5

Source: Euromonitor

Market share percentages of the top five cigarette brands in the PRC by retail sales volume in 2011 and 2012

	2011	2012
Shuangxi · Double Happiness (雙喜·紅雙喜)	Not applicable <i>(Note)</i>	8.0%
Hongtashan (紅塔山)	6.4%	5.8%
Baisha (白沙)	6.3%	5.7%
Yunnan (雲煙)	4.8%	5.6%
Furongwang (芙蓉王)	Not within top 5	5.3%
Cigarette Brand A	4.9%	Not within top 5

Note: Shuangxi (雙喜) was one of the top five cigarette brands in the PRC by retail sales volume with market share of approximately 6.3% in 2011. Double Happiness (紅雙喜) was not within the top five cigarette brands in the PRC by retail sales volume in 2011. Shuangxi (雙喜) merged with Double Happiness (紅雙喜) and became Shuangxi·Double Happiness (雙喜·紅雙喜) towards the end of 2011.

Source: Euromonitor

INDUSTRY OVERVIEW

The industry consolidation process sets to be ongoing and is one of the drivers of the future growth of the major cigarette manufacturers in the PRC. In 2010, the STMA announced the “532” and “461” plans to further the consolidation process and enhance the business scale of the top-tier cigarette brands. The “532” plan aims to have five cigarette brands achieving annual production volume of over two million boxes, three cigarette brands with annual production volume of over three million boxes and two cigarette brands with annual production volume of over five million boxes by 2015, implying an aggregate annual production volume of at least 29 million by the top ten cigarette brands in 2015. On the other hand, the “461” plan aims to have twelve cigarette brands achieving annual revenue of over RMB40 billion, among which six cigarette brands achieving annual revenue of over RMB60 billion and one cigarette brand achieving annual revenue of over RMB100 billion by 2015, implying an aggregate annual revenue of at least RMB660 billion by the twelve largest cigarette brands in 2015.

However, the growth of the PRC cigarette industry may be hampered by counterfeit cigarettes, which are injected into the market due to the high margin of cigarette sales and strong demand from cigarette smokers. According to China Tobacco, approximately 382,000 pieces of counterfeit cigarettes and 806 sets of counterfeit cigarette manufacturing equipment were confiscated in the PRC in 2011. In light of the prevalence of counterfeit cigarettes in the market, one of the measures adopted by the cigarette manufacturers in the PRC was to use higher quality cigarette packages with anti-counterfeit features, such as holographic images, to facilitate customers in distinguishing counterfeit cigarettes from genuine cigarettes.

OVERVIEW OF THE PRC CIGARETTE PACKAGE INDUSTRY

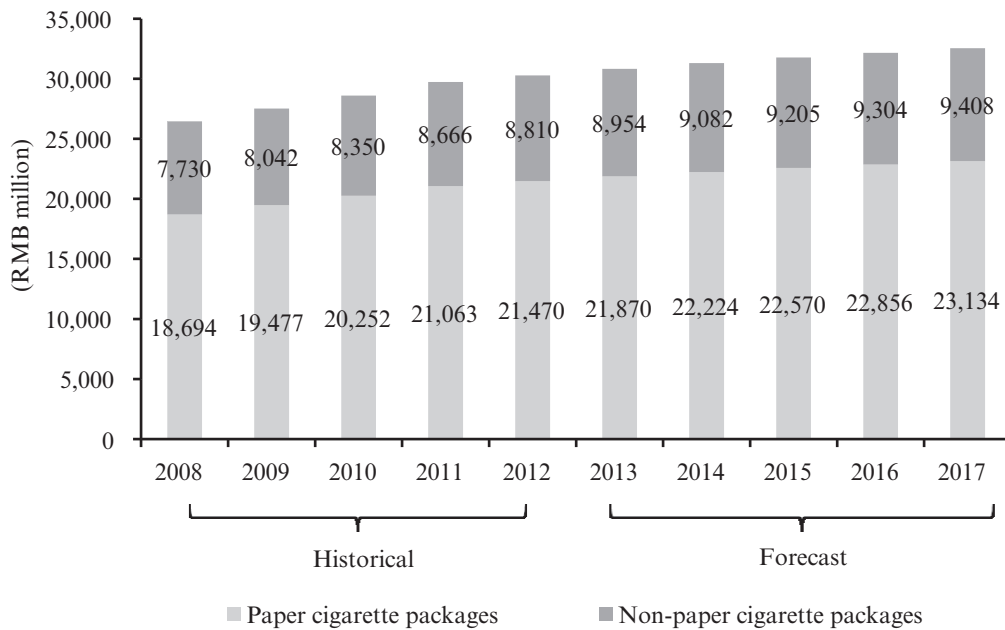
Other than facilitating customers in distinguishing counterfeit cigarettes from genuine ones, cigarette packages also serve a variety of purposes. Cigarette packages enhance the physical protection of cigarettes and also preserve the humidity and fragrance of cigarettes, such that cigarettes can be kept for a longer period. Moreover, rectangular box-shaped cigarette packages provide convenience to wholesalers, retailers and customers in terms of ease of transportation and storage of cigarettes. Furthermore, the quality of cigarette packages reflects the standing and quality of the cigarettes contained in them, hence a quality cigarette package enhances the overall outlook of the products and attracts customers, which in turn improves sales volume of the cigarettes. In addition, given the enforcement of regulations to restrict cigarette promotions in the PRC, a good cigarette package has become one of the major means for cigarette manufacturers to advertise their brands. The quality of cigarette packages is important to cigarette manufacturers and cigarette manufacturers commonly outsource the production of cigarette packages to specialists.

The cigarette package market in the PRC

The expected slowdown of growth of the PRC cigarette industry due to, among others, tobacco control measures, may also have a negative influence on the future growth of the PRC cigarette package industry. The market size of the cigarette package industry in the PRC grew from approximately RMB26,424 million in 2008 to approximately RMB30,280 million in 2012, representing a CAGR of approximately 3.5% during the period, and is expected to continue to grow from approximately RMB30,280 million in 2012 to approximately RMB32,542 million in 2017, representing a CAGR of approximately 1.5% during the forecast period.

INDUSTRY OVERVIEW

Market size of the cigarette package industry in the PRC (2008-2017)



Source: Euromonitor

Paper cigarette packages accounted for approximately 71% of the total cigarette package market in the PRC in 2012. Other types of cigarette packages, including flexible aluminium foil, metal tin and flexible plastics, accounted for a value share of approximately 29% in 2012. The size of the paper cigarette package market grew from approximately RMB18,694 million in 2008 to approximately RMB21,470 million in 2012, representing a CAGR of approximately 3.5% during the period, and is expected to continue to grow from approximately RMB21,470 million in 2012 to approximately RMB23,134 million in 2017, representing a CAGR of approximately 1.5% during the forecast period.

The production lead time of cigarette package is short and the seasonality of the cigarette package industry resembles that of the cigarette industry. According to Euromonitor, the peak season of the cigarette package industry in the PRC is around the first and the fourth quarters of a year given that cigarettes are used as gifts during Mid-Autumn Festival and Chinese New Year.

The PRC has over 100 scaled companies that place heavy business concentration on cigarette package production. Most of the cigarette package producers are located in the Pearl River Delta and Yangtze River Delta regions. The ongoing consolidation in the cigarette industry drives a similar consolidation in the cigarette package industry, where it is the industry norm for (i) a cigarette manufacturer to select two to five cigarette package producers as its suppliers; and (ii) a cigarette package producer to focus on the maintenance of business relationship with only around two to five major customers to secure a relatively stable and closer business relationship with each other. In 2012, the top ten cigarette package producers in the PRC took a combined share of approximately 51% of the total market share in terms of sales value.

INDUSTRY OVERVIEW

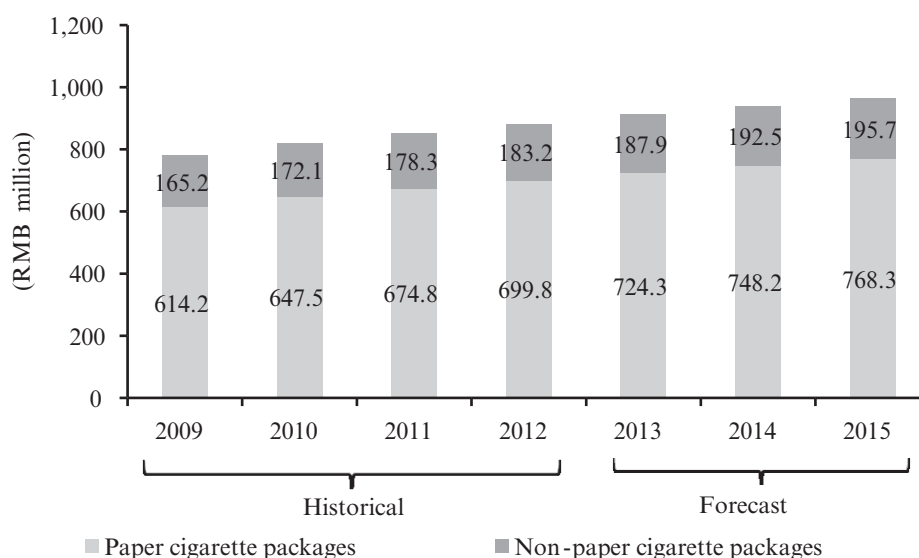
The consolidation in the cigarette industry benefits the cigarette package producers that have maintained a solid connection with the leading cigarette manufacturers who are more likely to expand production scale and entail a higher volume of cigarette packages. In addition, the government encouraged cigarette manufacturers to develop high-end cigarettes, which are expected to be set at higher prices with better packaging. The upgrading trend in the cigarette manufacturing market is expected to be favourable to large manufacturers who have competitive edges in production technology, but depressing the smaller manufacturers who are less technologically equipped.

The cigarette package market in Jiangxi Province, the PRC

The cigarette production volume in Jiangxi Province, the PRC increased from approximately 52.9 billion sticks in 2009 to approximately 59.9 billion sticks in 2012, representing a CAGR of approximately 4.2% from 2009 to 2012. Jiangxi Province accounted for approximately 2.4% of the overall cigarette production volume in the PRC in 2012.

The market size of the cigarette package industry in Jiangxi Province grew from approximately RMB779.4 million in 2009 to approximately RMB883.0 million in 2012, representing a CAGR of approximately 4.2% during the period, and is expected to continue to grow from approximately RMB883.0 million in 2012 to approximately RMB963.9 million in 2015, representing a CAGR of approximately 3.0% during the period.

Market size of the cigarette package industry in Jiangxi Province, the PRC (2009-2015)



Source: Euromonitor

INDUSTRY OVERVIEW

Paper cigarette packages comprised approximately 79.0% of the total cigarette packages market from 2009 to 2012 and are expected to comprise approximately 79.5% of the total cigarette packages market from 2013 to 2015 in Jiangxi Province, the PRC. Market size of the paper cigarette package industry in Jiangxi Province grew from approximately RMB614.2 million in 2009 to approximately RMB699.8 million in 2012, representing a CAGR of approximately 4.4% during the period, and is expected to continue to grow from approximately RMB699.8 million in 2012 to approximately RMB768.3 million in 2015, representing a CAGR of approximately 3.2% during the period.

China Tobacco Jiangxi, being the exclusive cigarette manufacturer in Jiangxi Province, had over 20 cigarette package suppliers in 2012. The Group ranked second in terms of the sales value of cigarette packages and paper cigarette packages in Jiangxi Province in 2012. Set out in the table below is the market shares of the top five cigarette package suppliers in Jiangxi Province in 2012.

	Market share in terms of sales value of cigarette packages in Jiangxi Province, the PRC	Market share in terms of sales value of paper cigarette packages in Jiangxi Province, the PRC
Competitor A	17.0%	21.4%
The Group	14.0%	17.7%
Jiangxi Feng Cai Li	12.5%	15.7%
Competitor B	7.9%	10.0%
Competitor C	5.1%	6.4%
Sub-total of top five entities	56.5%	71.2%
Others	43.5%	28.8%
Total	100.0%	100.0%

Note: Competitor B acquired 52% equity interests in Jiangxi Feng Cai Li in 2012.

Source: Euromonitor

With reference to the above table, the Group had a market share of approximately 17.7% in terms of the sales value of paper cigarette packages in Jiangxi Province, the PRC. The market is highly concentrated, where the top five suppliers collectively accounted for approximately 71.2% of the total market share in terms of the sales value of paper cigarette packages in Jiangxi Province, the PRC in 2012.

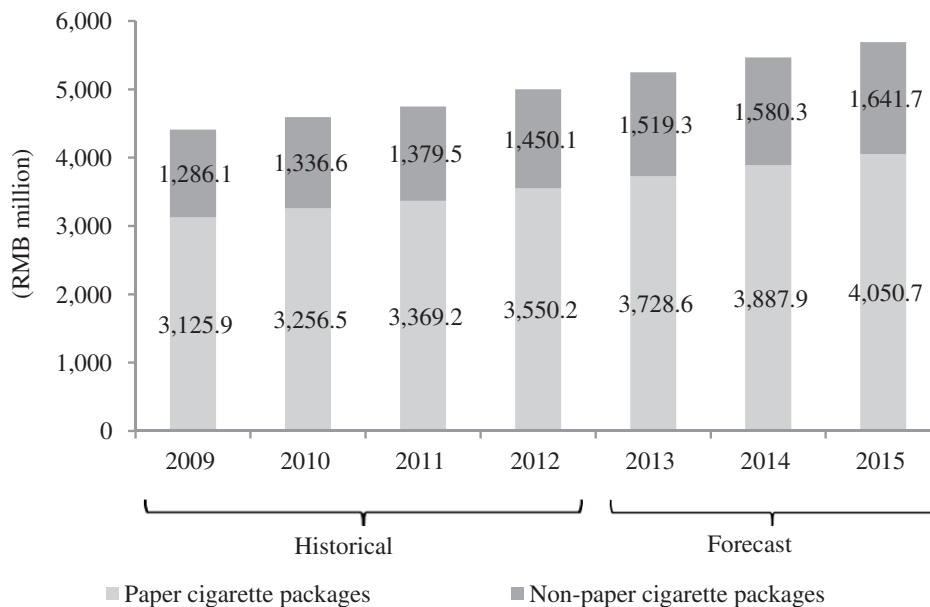
INDUSTRY OVERVIEW

The cigarette package market in Yunnan Province, the PRC

Yunnan Province is one of the major cigarette production provinces in the PRC. Cigarette production volume in Yunnan Province grew from approximately 340.7 billion sticks in 2009 to approximately 384.1 billion sticks in 2012, representing a CAGR of approximately 4.1% during the period and accounted for approximately 15.5% of the national cigarette production volume in the PRC in 2012.

Driven by cigarette production, Yunnan Province is also a major market of cigarette packages in the PRC, accounting for approximately 16.5% of the total cigarette package market in the PRC, according to Euromonitor. The cigarette package market in Yunnan Province has been growing faster than the overall cigarette package industry in the PRC in the past few years, from approximately RMB4,412.0 million in 2009 to approximately RMB5,000.2 million in 2012, representing a CAGR of approximately 4.3% during the period. The paper cigarette package market increased from approximately RMB3,125.9 million to approximately RMB3,550.2 million during the same period, representing a CAGR of approximately 4.3%. The chart below sets out the historical and forecast cigarette package market size in Yunnan Province during the period from 2009 to 2015.

Market size of the cigarette package industry in Yunnan Province, the PRC (2009-2015)



Source: Euromonitor

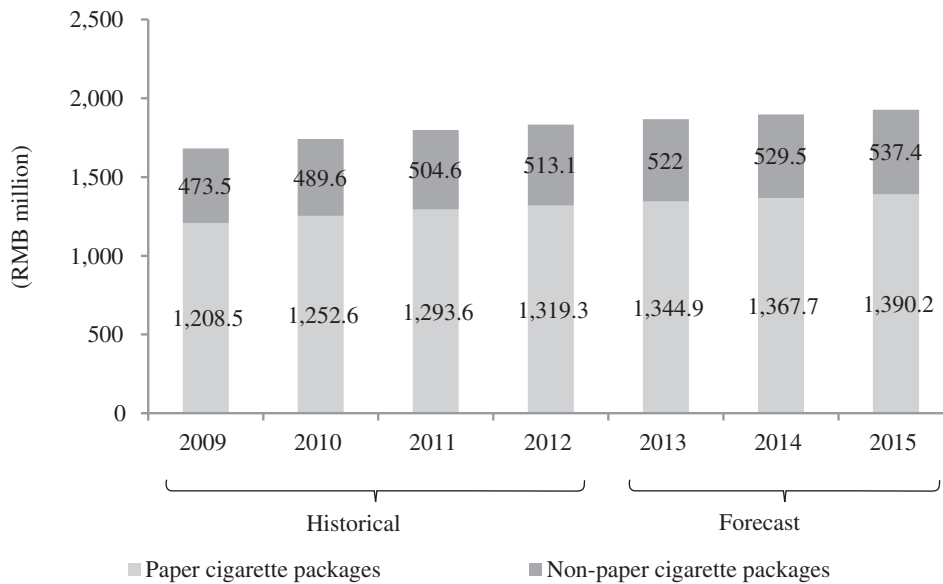
INDUSTRY OVERVIEW

The cigarette package market in Hubei Province, the PRC

Hubei Province accounted for approximately 5.5% of the national cigarette production volume in the PRC in 2012. Cigarette production volume in Hubei Province grew from approximately 126.0 billion sticks in 2009 to approximately 136.7 billion sticks in 2012, representing a CAGR of approximately 2.8% during the period.

The cigarette package market in Hubei Province has also experienced steady growth over the past few years along with the growth in cigarette production. According to the Euromonitor Reports, the cigarette package market in Hubei Province grew from approximately RMB1,682.0 million in 2009 to approximately RMB1,832.4 million in 2012, representing a CAGR of approximately 2.9% during the period. Paper packages accounted for approximately 72.0% of the cigarette package market in Hubei Province in terms of sales value in 2012, which grew at a CAGR of approximately 3.0% from approximately RMB1,208.5 million in 2009 to approximately RMB1,319.3 million in 2012. The chart below sets out the historical and forecast cigarette package market size in Hubei Province during the period from 2009 to 2015.

Market size of the cigarette package industry in Hubei Province, the PRC (2009-2015)



Source: Euromonitor

INDUSTRY OVERVIEW

Raw material price trends of the PRC cigarette package industry

Paper is the major raw material for cigarette package production, which in general accounts for around 40% of the entire cost. Set out below is the historical price trends of paper for cigarette package production in the PRC.

	For the year ended 31 December			
	2011		2012	
	Price	Annual increase/ (decrease)	Price	Annual increase/ (decrease)
	(RMB per thousand kilograms)	(%)	(RMB per thousand kilograms)	(%)
Paper (ivory board)	6,961.0	(1.2%)	7,309.1	5.0%
Paper (copper printing)	6,425.0	(8.9%)	6,939.0	8.0%

Source: Euromonitor

With reference to the above table, the price of ivory board paper and copper printing paper recorded single digit annual decrease for the year ended 31 December 2011 and recorded single digit annual increase for the year ended 31 December 2012.

DIRECTORS' CONFIRMATION

The Directors confirm that after taking reasonable care, there is no material adverse change in the market information since the date of the Euromonitor Reports which may qualify, contradict or have an impact on the information in this section.

LAWS AND REGULATIONS

Set out below are the principal PRC laws and regulations relating to the operations of the Group.

Regulations for the Administration of the Printing Industry (《印刷業管理條例》)

The Regulations for the Administration of the Printing Industry came into effect on 2 August 2001 (the “**Regulation**”), which apply to the operations of printing publications, printed matters of package and decoration, and other printed matters. The Regulation provides that the PRC government enforces license system for printing business operations. Any unit or individual is not permitted to undertake the printing business operation without obtaining the license of printing business under the Regulation. The Chinese-foreign equity joint venture printing enterprises, Chinese-foreign venture cooperative joint printing enterprises and the wholly foreign-owned enterprises are allowed by the PRC government to engage in the operation of printing printed matters of package and decoration. The administrative department of press and publication under the State Council shall be in charge of the supervision and administration of the printing industry of the whole country. The State Council shall delegate the authority to the relevant organisation to administrate and supervise the operations of printed matters of package and decoration. The public security department and the industrial and commercial administrative department under the State Council shall be responsible for the administration and supervision of the printing industry within their respective administrative authorities.

Laws and regulations relating to packaging and labeling of tobacco

The Tobacco Monopoly Law of the PRC (《中華人民共和國煙草專賣法》) came into effect on 1 January 1992. This law sets out various tobacco control measures in the PRC, which include the prohibition or restriction of smoking in public transportation vehicles and public areas and the banning of smoking by primary and secondary school students. Moreover, for the protection of health and to alert the public of the social, environmental and economic consequences of tobacco consumption and exposure to tobacco smoke, the PRC signed the WHO Framework Convention on Tobacco Control (《世界衛生組織煙草控制框架公約》) in 2003, which provides the framework for tobacco control measures. After the WHO Framework Convention on Tobacco Control came into effect in the PRC in 2006, various tobacco control measures have been implemented in the PRC. The Provisions of Regulating the Packaging and Labeling of Tobacco in Domestic Sales (《關於規範境內銷售捲煙包裝標識的規定》), which came into effect in 2006, require, amongst others, the warning statement of “Smoking is harmful” (“吸煙有害健康”) on cigarette packages. The Implementing Rules of the Administration Regulations on the Hygiene in Public Places (《公共場所衛生管理條例實施細則》), which came into effect in 2011, prohibits, amongst others, the placing of cigarette vending machines in public areas.

Furthermore, the STMA issued the Notice Concerning Further Strengthening the Works on the Research and Development on Low-tar Cigarette (《關於進一步加強低焦油捲煙研發工作有關要求的通知》) in November 2011, which requests cigarette manufacturers to further increase their research and development on low-tar cigarettes, and issued the Notice Concerning Adjustment to the Upper Limit of Cigarette Tar-level (《關於調整卷煙盒焦油最高限量的通知》) in April 2012 to disqualify, and prohibit from selling and importing of, cigarettes from 1 January 2013 which carry tar-level of over 11 milligrams per stick. As a result of the new requirement on the tar level of cigarettes, cigarette manufacturers in the PRC, including the provincial tobacco industrial companies, may need to lower

LAWS AND REGULATIONS

the tar level of their cigarette products to not higher than 11 milligrams per stick to comply with the new requirement. As at the Latest Practicable Date, the Directors are not aware of any cigarette sub-brand for which the Group currently supplies packages has dropped or will drop out of the market due to the new requirement on tar level.

Interim Provision on the Establishment of Foreign Investment Printing Enterprise (《設立外商投資印刷企業暫行規定》)

The Interim Provision on the Establishment of Foreign Investment Printing Enterprise was implemented on 29 January 2002, which applies to the enterprise with foreign investment established within the territory of the PRC. Chinese-foreign equity joint venture enterprises and the wholly foreign owned enterprises are permitted by the PRC government to engage in the printing of the publications, printed matters for package and decorations and other printed matters. The foreign investment printing enterprises shall not set up any branches and shall comply with the relevant laws and regulations of PRC as well as the administration and supervision of the relevant authorities.

Interim Measures on the Qualifications of Printing Operators (《印刷業經營者資格條件暫行規定》)

The Interim Measures on the Qualifications of Printing Operators was implemented on 9 November 2001, which regulates the qualifications of enterprises to engage in printing publications, printed matters of package and decoration, and other printed matters.

Foreign Investment Industrial Guidance Catalogue (《外商投資產業指導目錄》)

The Foreign Investment Industrial Guidance Catalogue (2011 Revision) (the “Catalogue”) was issued on 24 December 2011 by the China National Development and Reform Commission and the Ministry of Commerce, and became effective as of 30 January 2012.

The Catalogue is the basis of the application of relevant policies in examining and approving foreign investment projects and foreign-invested enterprises. The Catalogue sets out “encouraged”, “restricted”, and “prohibited” categories for all foreign investment projects in the PRC. For the projects which do not fall into the categories of encouraged, restricted or prohibited projects shall be deemed as the permitted foreign investment projects. The permitted foreign investment projects are not listed in the Catalogue.

According to the business licence of Shenzhen Oceania and the approved certificates of both Shenzhen Oceania and Huizhou Jin Cai, the business scope of Shenzhen Oceania and the intended packaging material printing business of Huizhou Jin Cai do not fall within the “restricted” or “prohibited” categories under the Catalogue.

Company Law of the PRC (《中華人民共和國公司法》)

The Company Law of the PRC (the “Law”) which last amended on 27 October 2005 is enacted to standardize the organization and activities of companies, to protect the legitimate rights and interests of companies, shareholders and creditors. The term “company” referred to in the Law means

LAWS AND REGULATIONS

a limited liability company or a joint stock limited company incorporated within the territory of PRC. The law has set the fundamental rules to establishing and conducting the business. A company shall apply to the company registration authority for establishment registration. In conducting its business, a company must abide by laws and administrative rules and regulations. A company is an enterprise legal person that shall enjoy the right to the entire independent property of the legal person and shall be liable for its debts to the extent of all its assets.

Wholly Foreign-Owned Enterprises Law of the PRC (《中華人民共和國外資企業法》)

The Wholly Foreign-Owned Enterprises Law of the PRC was promulgated on 12 April 1986 and amended on 31 October 2000, and the Implementation Regulations for the Wholly Foreign-Owned Enterprises Law of the PRC (《中華人民共和國外資企業法實施細則》) approved on 28 October 1990 and amended on 12 April 2001, have jointly set out the relevant provisions on establishment procedures, approval procedures, enterprise structure, registered capital, foreign exchange, finance and accounting, tax and employment of a wholly foreign owned enterprise.

A wholly foreign-owned enterprise shall withdraw certain amount from its after-tax profits as reserve funds, bonus and welfare funds for its staffs. The amount withdrawn for the reserve funds shall not be less than 10% of the after-tax profits. The enterprise may cease withdrawing when the amount reaches 50% of the registered capital of the enterprise. The amount withdrawn for bonus and welfare funds for its staffs shall be determined by the foreign-invested enterprise itself.

Foreign invested enterprise shall not distribute its profits until its deficits of previous fiscal year have been made up. Undistributed profits of the previous fiscal year may be distributed together with the distributable profits of the current fiscal year. Unless otherwise provided by the laws in relation to foreign investment, the foreign invested company shall comply with the relevant provisions of the Company Law of the PRC (《中華人民共和國公司法》), which last amended on 27 October 2005.

Laws and regulations in relation to foreign exchange (外匯相關法律法規)

The PRC mainly has two foreign exchange administrative regulations, namely, the Regulations of the PRC on Foreign Exchange Administration (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on 29 January 1996 and amended on 14 January 1997 and 1 August 2008 respectively, and the Regulation on the Administration of Foreign Exchange Settlement, Sale, and Payment (《結匯、售匯及付匯管理條例》), which was promulgated by the People's Bank of China on 20 June 1996. In accordance with the abovementioned foreign exchange administrative regulations, upon payment of the applicable taxes, foreign invested enterprise may convert the dividends they received in Renminbi into foreign currencies and remit such amount outside the PRC through their foreign exchange bank accounts. Generally, foreign invested enterprise may convert Renminbi into foreign currencies and remit them out of the PRC without the prior approval of State Administration of Foreign Exchange under the two following circumstances: (a) when an enterprise needs to settle current account items in foreign currencies; or (b) when an enterprise needs to distribute dividends to its foreign shareholder.

LAWS AND REGULATIONS

Under other circumstances, including the settlement of capital account items, foreign invested enterprises are subject to the above administrative regulatory restrictions on foreign exchange, and must acquire prior approval from the SAFE or its branches before converting Renminbi into foreign currencies.

Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》)

Enterprise Income Tax Law of the PRC (the “EIT Law”) was promulgated on 16 March 2007 and became effective on 1 January 2008. Pursuant to the EIT Law, the income tax rate for both domestic founded enterprise and foreign invested enterprise is 25%.

Furthermore, unlike the Foreign Invested Enterprise and Foreign Enterprise Income Tax Law of the PRC (《中華人民共和國外商投資企業和外國企業所得稅法》), which specifically exempted withholding income tax on any dividends payable to non-PRC enterprise investors and was repealed by the EIT Law, the EIT Law provides that an income tax rate of 20% will be normally applicable to dividends payable to non-resident enterprise investors which have not established institutions in the PRC, or if they have established institutions in the PRC but there is no actual relationship between the relevant income derived in the PRC and the institutions set up by them unless there exists a preferential tax treatment between the PRC and the relevant jurisdictions in which such non-resident enterprise investors reside whereupon, the relevant tax may be reduced or exempted. However, pursuant to the Implementation Rules of the Enterprise Income Tax of the PRC (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council on 6 December 2007, and became effective on 1 January 2008, a reduced enterprise income rate of 10% will be applicable to any dividends payable to the abovementioned non-resident enterprise investors on the incomes derived from the PRC.

According to the Mainland of China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion With Respect To Taxes On Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), the profit derived by a foreign investor residing in Hong Kong from its wholly owned PRC enterprise is subject to the tax rate of 5% after obtaining the approval from the relevant tax bureau.

Value added tax

According to the Provisional Regulations Concerning Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on 13 December 1993, implemented as of 1 January 1994, and amended on 5 November 2008:

- i. All units and individuals engaged in the sales of goods, provision of processing, repairs and replacement services, and the importation of goods within the territory of PRC are taxpayers of value-added tax, and shall pay value-added tax in accordance with these regulations.

LAWS AND REGULATIONS

- ii. Except as stipulated in these regulations, for taxpayers engaged in the sales of goods or the provision of taxable services (hereinafter referred to as “**selling goods or taxable services**”), the tax payable shall be the balance of output tax for the period after deducting the input tax for the period. The formula for computing the tax payable is as follows: Tax payable = Output tax payable for the period - Input tax for the period.
- iii. For taxpayers selling goods or taxable services, the output tax shall be the value-added tax payable calculated based on the sales amounts and the tax rates prescribed in these regulations and collected from the purchasers. The formula for computing the output tax is as follows: Output tax = Sales amount x Tax rate.
- iv. Value-added tax rates: For taxpayers selling or importing goods, other than those stipulated, the tax rate shall be 17%. For taxpayers exporting goods, the tax rate shall be 0%, except as otherwise stipulated by the State Council. For taxpayer providing processing, repairs and replacement services, the tax rate shall be 17%.

Law of the People’s Republic of China on Product Quality (《中華人民共和國產品質量法》)

The Law of the People’s Republic of China on Product Quality was implemented on 22 February 1993 and was amended on 8 July 2000 which is enacted to strengthen the supervision and control over product quality, to define the liability relating thereto and to protect the legitimate rights and interests of users and consumers. The department in charge of supervision and control over product quality under the State Council shall be responsible for nation-wide supervision and control over product quality. Local bureaus responsible for supervision and control over product quality at the county level and above are responsible for the supervision and control over product quality within their respective areas of jurisdiction.

Intellectual property

The products in the PRC shall be subject to intellectual property laws, which mainly include the Copyright Law of the PRC (《中華人民共和國著作權法》), the Patent Law of the PRC (《中華人民共和國專利法》) (the “**Patent Law**”) and the Trademark Law of the PRC (《中華人民共和國商標法》) (the “**Trademark Law**”).

The Patent Law was promulgated by the Standing Committee of the National People’s Congress of the PRC (中國全國人民代表大會常務委員會) on 12 March 1984 and became effective on 1 April 1985 and was afterwards amended on 4 September 1992, 25 August 2000 and 27 December 2008 respectively. According to the Patent Law, any exploitation of the patent without the authorization of the patentee constitutes an infringing act.

LAWS AND REGULATIONS

The Trademark Law was promulgated by the Standing Committee of the National People's Congress of the PRC (中國全國人民代表大會常務委員會) on 23 August 1982 and became effective on 1 March 1983 and afterwards amended for the first time on 22 February 1993 and for the second time on 27 October 2001. According to the Trademark Law, any natural person, legal person, or other organization desirous of acquiring the exclusive right to use a trademark for the goods produced, manufactured, processed, selected, or marketed by them shall file an application for the registration of the trademark with the Trademark Office.

Laws and regulations in relation to environmental protection (環境保護相關法律法規)

The PRC government has formulated and implemented various environmental protection laws and regulations, including the PRC Environmental Protection Law (《中華人民共和國環境保護法》), the PRC Law on Environmental Impact Assessment (《中華人民共和國環境影響評價法》), the PRC Law on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the PRC Law on Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》), the PRC Law on Prevention and Control of Solid Waste Pollution (《中華人民共和國固體廢物污染環境防治法》), the PRC Law on Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪聲污染防治法》) and the Regulations on the Administration of Environmental Protection of Project Construction (《建設項目環境保護管理條例》), etc.

Pursuant to the PRC environmental laws and regulations, the PRC has established environmental impact assessment system for project construction, and the construction, expansion and operation of cigarette package manufacturing facilities are subject to the advance approval and acceptance of the completed environmental protection facility from the competent PRC environmental authorities. Failure to obtain the advance approval and acceptance of the completed environmental protection facility, the enterprise may be ordered to cease the construction of facilities, operation or restore within the time limit or be imposed of fines by the competent PRC environmental authorities. The relevant PRC environmental protection laws also impose fees for discharge of waste substances, and impose fines and indemnity for the improper discharge of waste substance and serious environmental pollution. The PRC environmental authority may, at its discretion, shut down any facility that fails to comply with the environmental protection laws and regulations.

Laws and regulations in relation to labour law and social security (勞動、社保、住房公積金相關法律法規)

Enterprise is mainly subject to the following PRC laws and regulations: the PRC Labour Law (《中華人民共和國勞動法》), the PRC Labour Contract Law (《中華人民共和國勞動合同法》), the PRC Social Insurance Law (《中華人民共和國社會保險法》), the Regulations of Insurance for Employment Injury (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》), the Regulations of Shenzhen Special Economic Zone on Unemployment Insurance (《深圳經濟特區失業保險條例》) (which was lapsed on 1 January 2013), the provisions of Shenzhen Special Economic Zone on Unemployment Insurance (《深圳經濟特區失業保險若干規定》), the Provisional Measures on Insurance for Maternity of Employees (《企業職工生育保險試行辦法》), the Interim Provisions on Registration of Social Insurance (《社會保險登記管理暫行辦法》), the Interim Regulations on the Collection of Social Insurance Premium (《社會保險費徵繳暫行條例》), the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) and other relevant

LAWS AND REGULATIONS

regulations, rules and circulars issued by the competent governmental authorities. The Interim Measures on Shenzhen City Housing Provident Fund Management (《深圳市住房公積金管理暫行辦法》) was adopted on 24 November 2010 by Shenzhen Municipal People's Government and became effective as of 20 December 2010. The Regulations on Huizhou City Housing Provident Fund Management (《惠州市住房公積金管理規定》) was adopted on 21 September 2012 by Huizhou Municipal People's Government and took effect on 1 October 2012. Since the respective effective date, the employers in Shenzhen City and Huizhou City shall register in the Housing Provident Fund Centre. It is the employers' mandatory duty to timely pay and deposit the housing provident fund in full amount. Where a employer fails to undergo the register procedure or make the payment, the relevant authority shall order it to be undertaken within a specified time limit; where it is not undertaken by the expiration of the specified time limit, a fine of not less than RMB10,000 and not more than RMB50,000 shall be imposed.

Pursuant to the PRC Labour Law and the PRC Labour Contract Law, when an employer hires an employee, they should sign a written labor contract, and the employees' salary shall not be lower than the local minimum wage. The company must establish a system for labour safety and sanitation, strictly abide by the state standards, and provide relevant education and training to its employees. Employee is also entitled to work in safe and sanitary conditions conformed to the state rules and standards. Employer shall offer regular health examinations for the employees engaging in hazardous occupations. As required under the PRC Social Insurance Law, the Regulations of Insurance for Employment Injury, the Regulations on Unemployment Insurance, the Provisional Measures on Insurance for Maternity of Employees, the Interim Provisions on Registration of Social Insurance and the Interim Regulations on the Collection of Social Insurance Premium, PRC enterprise is obligated to provide employees in the PRC with social security covering pension insurance, unemployment insurance, maternity insurance, employment injury insurance and medical insurance.

In accordance with the Regulations on Management of Housing Provident Fund promulgated on 3 April 1999 and amended on 24 March 2002, enterprise must register with the relevant Housing Provident Fund Management Center, and open a special housing provident fund account at a commissioned bank and pay housing provident fund for its employees. In addition, for both employees and employers, the payment rate for housing provident fund shall not be less than 5% of the average monthly salary of the employees in the previous year. The payment rate may be raised if the employer desires.

HISTORY, CORPORATE REORGANISATION AND GROUP STRUCTURE

CORPORATE HISTORY

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 November 2012 in anticipation of the Share Offer. The Group is principally engaged in the design, printing and sale of cigarette packages in the PRC.

History of the Group can be traced back to 2000 when Shenzhen Oceania was established as a Chinese-foreign equity joint venture enterprise in the PRC. Shenzhen Oceania has been the principal operating subsidiary of the Group in the PRC since its establishment.

Upon completion of the Corporate Reorganisation, the Company became the holding company of the Group on 24 May 2013. Further information of the Corporate Reorganisation is set out in the paragraph headed “Corporate Reorganisation” in this section and the paragraph headed “Further information about the Company and its subsidiaries — 4. Corporate Reorganisation” in Appendix V to this prospectus.

MAJOR OPERATING SUBSIDIARIES

Shenzhen Oceania

Shenzhen Oceania was established in Shenzhen, Guangdong Province, the PRC on 23 March 2000 as a Chinese-foreign equity joint venture enterprise pursuant to a joint venture agreement dated 20 September 1999 and entered into among Asia Modern, Shenzhen Jiayang and Shenzhen Zitaiyang and with a registered capital of RMB24,000,000, of which RMB11,760,000 was to be contributed by Asia Modern by way of injection of equipment, RMB11,740,000 was to be contributed by Shenzhen Jiayang in cash, and RMB500,000 was to be contributed by Shenzhen Zitaiyang in cash within six months from the date of issuance of the business licence of Shenzhen Oceania. At the time of its establishment, the equity interests of Shenzhen Oceania was owned as to 49% by Asia Modern, 48.92% by Shenzhen Jiayang and 2.08% by Shenzhen Zitaiyang, and its business scope included, among other things, printing of packaging materials.

The Foreign Trading and Investment Bureau of Shenzhen (深圳市外商投資局) approved the joint venture agreement mentioned above in relation to the formation of Shenzhen Oceania on 1 February 2000. On 3 February 2000, the People’s Government of Shenzhen (深圳市人民政府) issued the approval certificate for the establishment of Shenzhen Oceania. On 23 March 2000, the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商管理局) issued a business licence to Shenzhen Oceania. Set out below was the equity holding structure of Shenzhen Oceania at the time of its establishment:

Name of equity holders	Registered capital	
	RMB	Percentage
Asia Modern	11,760,000	49.00%
Shenzhen Jiayang	11,740,000	48.92%
Shenzhen Zitaiyang	500,000	2.08%
Total	<u>24,000,000</u>	<u>100%</u>

HISTORY, CORPORATE REORGANISATION AND GROUP STRUCTURE

According to the capital verification report issued by a PRC accounting firm on 28 November 2000, the registered capital of Shenzhen Oceania was RMB24,000,000, of which RMB11,760,000 was contributed by Asia Modern by way of injection of equipment, RMB11,740,000 comprising RMB6,854,800 in cash and RMB4,885,200 by way of injection of equipment was contributed by Shenzhen Jiayang, and RMB500,000 was contributed by Shenzhen Zitaiyang by way of injection of equipment as at 22 November 2000. On 10 January 2001, the Administration for Industry and Commerce of Shenzhen (深圳市工商行政管理局) issued a new business licence to Shenzhen Oceania.

Although the registered capital of Shenzhen Oceania was not fully paid up in accordance with the required time frame, and was not contributed in the prescribed manner by Shenzhen Jiayang and Shenzhen Zitaiyang as stipulated under the aforesaid joint venture agreement and the aforesaid approval issued by the Foreign Trading and Investment Bureau of Shenzhen (深圳市外商投資局) on 1 February 2000, the registered capital had subsequently been fully paid up and the relevant authorities did not impose any penalty on Shenzhen Oceania when they issued updated approval or business licence to Shenzhen Oceania. As advised by the PRC Legal Advisers, the delay in capital contribution and the change in the manner of capital contribution did not affect the due establishment and valid existence of Shenzhen Oceania.

On 20 December 2001, Asia Modern, Shenzhen Jiayang and Shenzhen Zitaiyang entered into an equity transfer agreement, pursuant to which Shenzhen Jiayang and Shenzhen Zitaiyang agreed to transfer their respective 48.92% and 2.08% equity interests in Shenzhen Oceania to Asia Modern at a consideration of RMB11,740,000 and RMB500,000 respectively, which were determined based on the corresponding registered capital then held by Shenzhen Jiayang and Shenzhen Zitaiyang.

The Foreign Trading and Economic Cooperation Bureau of Shenzhen (深圳市對外貿易經濟合作局) approved the aforesaid transfers of equity interests to Asia Modern and the change of name of Shenzhen Oceania, which was known as “深圳大洋洲印務有限公司 (Shenzhen Oceania Printing Company Limited*)” at the time of establishment, to “大洋洲印務(深圳)有限公司 (Oceania Printing (Shenzhen) Company Limited*)” on 30 January 2002. The Administration for Industry and Commerce of Shenzhen (深圳市工商行政管理局) issued a new business licence to Shenzhen Oceania on 11 April 2002. After the aforesaid transfers of equity interests, Shenzhen Oceania became a wholly foreign-owned enterprise which was wholly-owned by Asia Modern, and the equity holding structure was as follows:

Name of equity holder	Registered capital	
	RMB	Percentage
Asia Modern	<u>24,000,000</u>	<u>100%</u>
Total	<u>24,000,000</u>	<u>100%</u>

On 16 February 2006, the board of directors of Shenzhen Oceania resolved that the registered capital of Shenzhen Oceania was to be increased from RMB24,000,000 to RMB48,000,000 and the total investment amount was to be increased to RMB96,000,000. The business scope was also to be expanded to include “research and development of the technology of holographic anti-counterfeiting”. The capital increase in the amount of RMB24,000,000 was contributed by Asia Modern from the

HISTORY, CORPORATE REORGANISATION AND GROUP STRUCTURE

undistributed profits of Shenzhen Oceania within six months from the date of registration of the change of registered capital. The increase in the registered capital and the total investment amount and the new business scope of Shenzhen Oceania were approved by the Trading and Industrial Bureau of Shenzhen (深圳市貿易工業局) on 8 March 2006. The Administration for Industry and Commerce of Shenzhen (深圳市工商行政管理局) issued a new business licence to Shenzhen Oceania on 17 March 2006. According to the capital verification report issued by a PRC accounting firm on 18 July 2006, the additional capital contribution in Shenzhen Oceania of RMB24,000,000 made by Asia Modern had been fully paid up as at 18 July 2006. Accordingly, the paid-up registered capital of Shenzhen Oceania was RMB48,000,000. The Administration for Industry and Commerce of Shenzhen (深圳市工商行政管理局) issued a new business licence to Shenzhen Oceania in July 2006.

On 18 August 2007, Asia Modern entered into an equity transfer agreement with each of Jiangsu Dongfang Century, Nanjing Jinghui, Beijing Jingwei, Hefei Haiyi, Shenzhen Shimingyuan and Xinfangjia Investment, pursuant to which Asia Modern agreed to transfer its 5%, 5%, 5%, 2%, 2% and 2% of the equity interests in Shenzhen Oceania at a consideration of RMB4,224,000, RMB4,224,000, RMB4,224,000, RMB1,689,600, RMB1,689,600 and RMB1,689,600 to them respectively, which were determined with reference to the net asset value of Shenzhen Oceania as at 31 July 2007.

On 18 August 2007, the board of directors of Shenzhen Oceania passed a resolution to change the name of Shenzhen Oceania to “深圳大洋洲印務有限公司 (Shenzhen Oceania Printing Company Limited*)”.

The Trading and Industrial Bureau of Shenzhen (深圳市貿易工業局) approved the aforesaid transfers of equity interests and the change of name of Shenzhen Oceania on 21 September 2007. The Administration for Industry and Commerce of Shenzhen (深圳市工商行政管理局) issued a new business licence to Shenzhen Oceania on 28 September 2007. After the aforesaid transfers of equity interests, Shenzhen Oceania became a Chinese-foreign equity joint venture enterprise and its equity holding structure was as follows:

Name of equity holders	Registered capital	
	RMB	Percentage
Asia Modern	37,920,000	79%
Jiangsu Dongfang Century	2,400,000	5%
Nanjing Jinghui	2,400,000	5%
Beijing Jingwei	2,400,000	5%
Hefei Haiyi	960,000	2%
Shenzhen Shimingyuan	960,000	2%
Xinfangjia Investment	960,000	2%
Total	<u>48,000,000</u>	<u>100%</u>

HISTORY, CORPORATE REORGANISATION AND GROUP STRUCTURE

On 23 March 2009, Nanjing Jinghui and Shenzhen Zhuowei Jiaqi entered into an equity transfer agreement, pursuant to which Nanjing Jinghui agreed to transfer its 5% equity interests in Shenzhen Oceania to Shenzhen Zhuowei Jiaqi at a consideration of RMB4,224,000. On the same date, Beijing Jingwei and Shenzhen Zhuowei Jiaqi entered into an equity transfer agreement, pursuant to which Beijing Jingwei agreed to transfer its 5% equity interests in Shenzhen Oceania to Shenzhen Zhuowei Jiaqi at a consideration of RMB4,224,000. The above considerations were determined based on the amounts paid by Nanjing Jinghui and Beijing Jingwei respectively for acquiring their equity interests in Shenzhen Oceania.

The Trading and Industrial Bureau of Shenzhen (深圳市貿易工業局) approved the aforesaid transfers of equity interests and the new joint venture agreement on 27 March 2009. The Administration for Industry and Commerce of Shenzhen (深圳市工商行政管理局) issued a new business licence to Shenzhen Oceania on 27 April 2009. After the aforesaid transfers of equity interests, the equity holding structure of Shenzhen Oceania was as follows:

Name of equity holders	Registered capital	
	RMB	Percentage
Asia Modern	37,920,000	79%
Shenzhen Zhuowei Jiaqi	4,800,000	10%
Jiangsu Dongfang Century	2,400,000	5%
Hefei Haiyi	960,000	2%
Shenzhen Shimingyuan	960,000	2%
Xinfangjia Investment	960,000	2%
Total	<u>48,000,000</u>	<u>100%</u>

On 20 May 2010, Shenzhen Shimingyuan entered into an equity transfer agreement with Shenzhen Zhuowei Jiaqi, pursuant to which Shenzhen Shimingyuan agreed to transfer its 2% equity interests in Shenzhen Oceania to Shenzhen Zhuowei Jiaqi at a consideration of RMB1,689,600, which was determined based on the amount paid by Shenzhen Shimingyuan for its equity interest in Shenzhen Oceania.

HISTORY, CORPORATE REORGANISATION AND GROUP STRUCTURE

The Shenzhen SITIC approved the aforesaid transfer of equity interests on 13 June 2010. The Market Supervision and Management Bureau of Shenzhen (深圳市市場監督管理局) issued a new business licence to Shenzhen Oceania on 7 July 2010. After the aforesaid transfer of equity interests, the equity holding structure of Shenzhen Oceania was as follows:

Name of equity holders	Registered capital	
	RMB	Percentage
Asia Modern	37,920,000	79%
Shenzhen Zhuowei Jiaqi	5,760,000	12%
Jiangsu Dongfang Century	2,400,000	5%
Hefei Haiyi	960,000	2%
Xinfangjia Investment	960,000	2%
Total	<u>48,000,000</u>	<u>100%</u>

On 20 October 2010, Jiangsu Dongfang Century entered into an equity transfer agreement with Shenzhen Zhuowei Jiaqi, pursuant to which Jiangsu Dongfang Century agreed to transfer its 5% equity interests in Shenzhen Oceania to Shenzhen Zhuowei Jiaqi at a consideration of RMB4,224,000, which was determined based on the amount paid by Jiangsu Dongfang Century for its equity interest in Shenzhen Oceania.

The Shenzhen SITIC approved the aforesaid transfer of equity interests on 22 November 2010. The Market Supervision and Management Bureau of Shenzhen (深圳市市場監督管理局) issued a new business licence to Shenzhen Oceania on 10 February 2011.

After the aforesaid transfer of equity interests and immediately before the Corporate Reorganisation, the equity holding structure of Shenzhen Oceania was as follows:

Name of equity holders	Registered capital	
	RMB	Percentage
Asia Modern	37,920,000	79%
Shenzhen Zhuowei Jiaqi	8,160,000	17%
Hefei Haiyi	960,000	2%
Xinfangjia Investment	960,000	2%
Total	<u>48,000,000</u>	<u>100%</u>

HISTORY, CORPORATE REORGANISATION AND GROUP STRUCTURE

Huizhou Jin Cai

On 20 August 2008, Shenzhen Oceania established Huizhou Jin Cai in Huizhou, Guangdong Province, the PRC as an enterprise invested by a foreign investment enterprise with a registered capital of RMB22,000,000, which was contributed by Shenzhen Oceania in cash. At the time of its establishment, Huizhou Jin Cai was wholly-owned by Shenzhen Oceania, and its business scope was preparation and establishment (without business operation activities during preparation and establishment process).

On 20 August 2008, the Administration for Industry and Commerce of Huizhou (惠州市工商行政管理局) issued a business licence to Huizhou Jin Cai.

According to the capital verification report dated 19 August 2008 issued by a PRC accounting firm, the registered capital of Huizhou Jin Cai of RMB22,000,000 contributed by Shenzhen Oceania had been fully paid up by way of cash as at 19 August 2008.

On 1 January 2010, the Administration of Press and Publication of Guangdong Province (廣東省新聞出版局) issued a printing licence valid till 31 December 2013 to Huizhou Jin Cai, pursuant to which Huizhou Jin Cai can be engaged in the printing of packaging materials.

CORPORATE REORGANISATION

The Company completed the Corporate Reorganisation on 24 May 2013 in preparation for the Listing, pursuant to which the Company became the ultimate holding company of the Group. Set out below are the major steps involved in the Corporate Reorganisation:

Incorporation of the holding companies

Meteor River

Meteor River was incorporated in BVI with limited liability on 26 January 2011 and is an investment holding company. 1 share of Meteor River at par value was issued and allotted to Ms. Huang on 11 July 2011.

Super Future

Super Future was incorporated in Hong Kong with limited liability on 19 January 2011 and is an investment holding company. It also carries out certain administrative functions for the Group.

On 9 September 2011, Cartech Limited, the subscriber of Super Future, transferred 1 share of Super Future at par value, being the entire issued share capital of Super Future, to Meteor River. After the aforesaid share transfer, Super Future has become a wholly-owned subsidiary of Meteor River.

HISTORY, CORPORATE REORGANISATION AND GROUP STRUCTURE

Acquisition of the equity interests in Shenzhen Oceania

As part of the Corporate Reorganisation, Super Future entered into an equity transfer agreement with each of Asia Modern, Shenzhen Zhuowei Jiaqi and Hefei Haiyi on 31 July 2012 and entered into another equity transfer agreement with Xinfangjia Investment on 2 August 2012, pursuant to which Asia Modern, Shenzhen Zhuowei Jiaqi, Hefei Haiyi and Xinfangjia Investment agreed to transfer their respective equity interests of 79%, 17%, 2% and 2% in Shenzhen Oceania to Super Future for a consideration of RMB69,850,000, RMB15,030,000, RMB1,770,000 and RMB1,770,000, respectively, which were determined with reference to the net asset value of Shenzhen Oceania as at 31 December 2011 after deduction of the dividend payable to the equity owners of Shenzhen Oceania before the equity transfer and in proportion to the corresponding shareholding of each of the then equity holders. Super Future fully settled the total consideration of RMB88,420,000 for the acquisition of Shenzhen Oceania payable to each of Asia Modern, Shenzhen Zhuowei Jiaqi, Hefei Haiyi and Xinfangjia Investment according to their respective shares. The entire consideration payable by Super Future for the aforesaid acquisition in the total sum of RMB88,420,000 was financed by Ms. Huang and the said amount has been waived by Ms. Huang in full.

The major business activity of Asia Modern during the Track Record Period was investment holding and it ceased to carry on any substantial business activities after the disposal of its equity interests in Shenzhen Oceania and Jiangxi Feng Cai Li. Asia Modern was owned by Ms. Huang and Mr. Huang as to 99% and 1% respectively at the time of the disposal of its equity interest in Shenzhen Oceania to Super Future and as at the Latest Practicable Date.

According to the business licence of Shenzhen Zhuowei Jiaqi dated 5 January 2010, its business scope mainly includes, among other things, organising and investment in enterprises, investment consultancy, import and export of goods and technology (not including import for distribution, and products under national franchise and exclusive control). Shenzhen Zhouwei Jiaqi was owned by Mr. Han Peng, a former director of Shenzhen Oceania and a member of the senior management of the Group, and Mr. Huang as to 20% and 80% respectively at the time of the disposal of its equity interest in Shenzhen Oceania to Super Future and as at the Latest Practicable Date.

According to the business licence of Hefei Haiyi dated 9 October 2004, its business scope includes project investment consultancy, real estate agent services and information services. Save as being a former shareholder of Shenzhen Oceania, Hefei Haiyi is an Independent Third Party.

According to the business licence of Xingfangjia Investment dated 1 May 2007, its business scope includes project investment and investment management, and investment consultancy. Save as being a former shareholder of Shenzhen Oceania, Xingfangjia Investment is an Independent Third Party.

HISTORY, CORPORATE REORGANISATION AND GROUP STRUCTURE

The Economy, Trade and Information Technology Commission of Shenzhen (深圳市經濟貿易和信息化委員會) approved the aforesaid transfers of equity interests on 23 August 2012. The Market Supervision and Management Bureau of Shenzhen (深圳市市場監督管理局) issued a new business licence to Shenzhen Oceania on 4 September 2012. After the aforesaid transfers of equity interests, the equity holding structure of Shenzhen Oceania was as follows:

Name of equity holder	Registered capital	
	RMB	Percentage
Super Future	48,000,000	100%
Total	48,000,000	100%

Incorporation of the Company and acquisition of Meteor River

On 29 November 2012, the Company was incorporated under the laws of the Cayman Islands as an exempted company with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares with a par value of HK\$0.01 each and one Share was allotted and issued nil-paid to Reid Services Limited, the subscriber, which was subsequently transferred to Ocean Ahead on the same date.

On 24 May 2013, the Company acquired the entire issued capital of Meteor River from Ms. Huang, and as consideration for which: (i) 999 Shares, credited as fully paid, were allotted and issued to Ocean Ahead; and (ii) the one nil-paid Share held by Ocean Ahead was credited as fully paid. Upon completion of the above transfer, Meteor River became wholly-owned by the Company.

The PRC Legal Advisers have confirmed that the Group has obtained all necessary approvals, licences and permits under relevant PRC laws and regulations in connection with the Corporate Reorganisation.

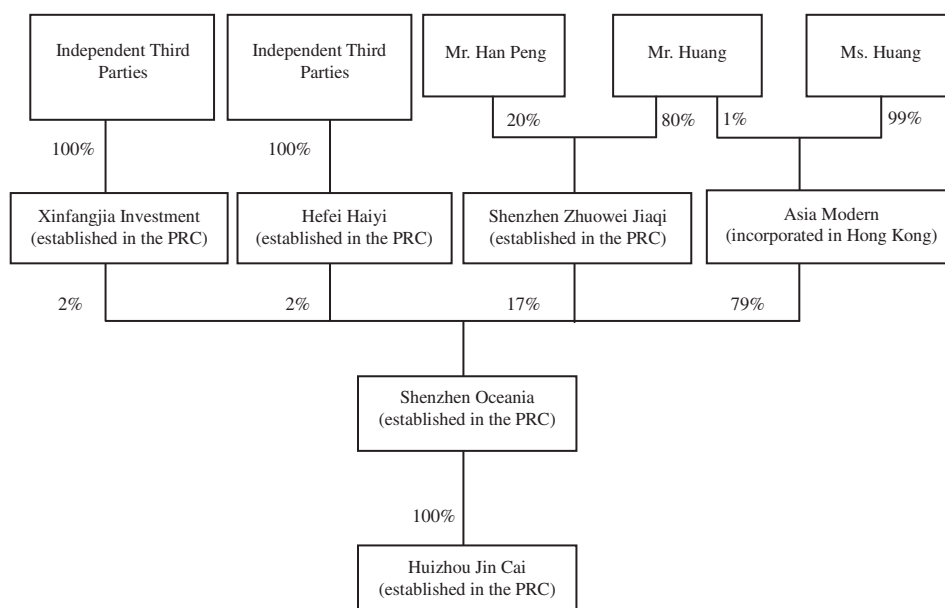
PRC REGULATORY ISSUES RELATING TO THE CORPORATE REORGANISATION

The PRC Legal Advisers have advised that Shenzhen Oceania was established before the effective date of the Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “M&A Rules”) and has been a foreign investment enterprise since then. Huizhou Jin Cai is an enterprise directly reinvested by Shenzhen Oceania. Neither Shenzhen Oceania nor Huizhou Jin Cai was engaged in any foreign direct or indirect investments. Accordingly, the M&A Rules are not applicable to the Listing and the Listing is not subject to the approval from the China Securities Regulatory Commission (中國證券監督管理委員會).

HISTORY, CORPORATE REORGANISATION AND GROUP STRUCTURE

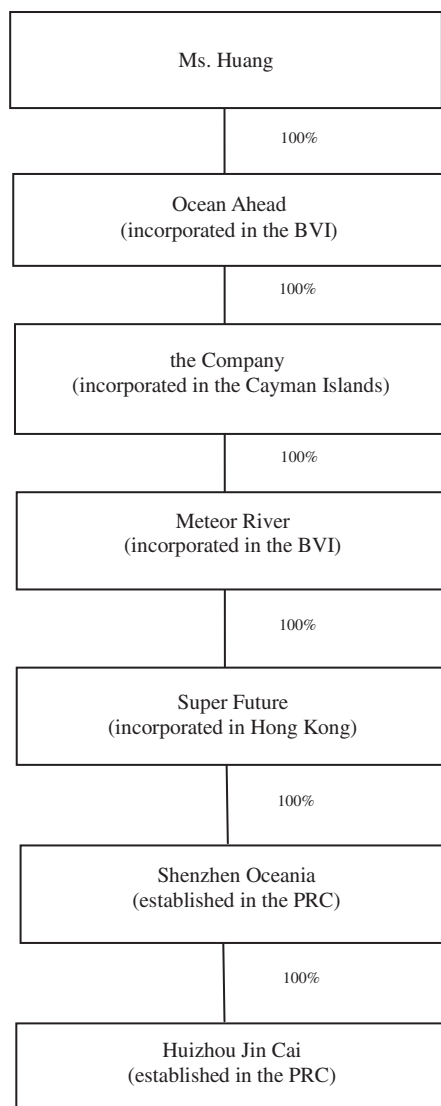
Pursuant to SAFE Circular No. 75, PRC residents are required to register with the local SAFE branch before establishing or controlling any company outside of the PRC for the purpose of capital financing with assets or equities of PRC companies, referred to in the notice as an “offshore special purpose company”. According to SAFE Circular No. 75, PRC residents that are shareholders of offshore special purpose companies established before 1 November 2005 were required to register with the local SAFE branch before 31 March 2006. In addition, any PRC resident that is a shareholder of an offshore special purpose company is required to amend its SAFE registration with respect to that offshore special purpose company in connection with any increase or decrease of capital, transfer of shares, merger, division, equity investment, creation of any security interest over any assets located in the PRC or any other material change in share capital. According to the PRC Legal Advisers after their consultation with the Shenzhen SAFE branch, as Ms. Huang, a Controlling Shareholder, has obtained the Hong Kong identity card since December 1992 and has been a Hong Kong permanent resident since September 2000, Ms. Huang is not subject to the registration process under the SAFE Circular No. 75.

Corporate and shareholding structure of the Group immediately before the Corporate Reorganisation



HISTORY, CORPORATE REORGANISATION AND GROUP STRUCTURE

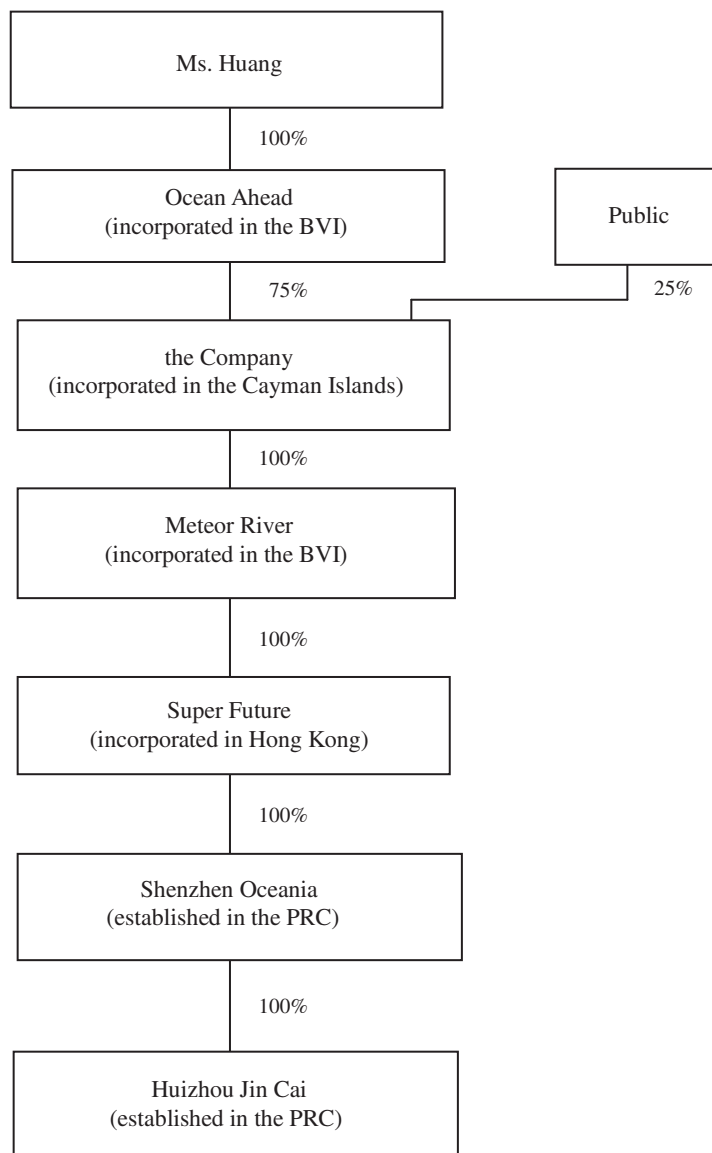
Corporate and shareholding structure of the Group immediately upon completion of the Corporate Reorganisation



HISTORY, CORPORATE REORGANISATION AND GROUP STRUCTURE

Corporate and shareholding structure of the Group immediately upon completion of the Capitalisation Issue and the Share Offer

The following chart sets forth the shareholding and corporate structure of the Group immediately upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme):



BUSINESS

OVERVIEW

The Group is principally engaged in the design, printing and sale of cigarette packages in the PRC. According to the Euromonitor Reports, the Group was the second largest cigarette package supplier with a market share of approximately 17.7% in terms of the sales value of paper cigarette packages in Jiangxi Province, the PRC in 2012. Jiangxi Province accounted for approximately 2.4% of the overall cigarette production volume in the PRC in 2012. During the Track Record Period, the Group only supplied paper cigarette packages to its customers and all of its sales were made to customers in the PRC.

The Group has over 10 years of experience in the cigarette package industry in the PRC and has established long business relationship with its customers. Products of the Group include cigarette packages for two of the 30 Key Cigarette Brands, namely Hongtashan (紅塔山) and Jinsheng (金聖), and for Cigarette Brand A, which together with Hongtashan (紅塔山), were two of the four largest cigarette brands in the PRC in terms of retail sales volume in 2011 according to the Euromonitor Reports. Products of the Group are primarily sold to provincial tobacco industrial companies (省級中煙工業公司) which are state-owned cigarette manufacturers in the PRC. During the Track Record Period, the Group had altogether nine customers, four of which were provincial tobacco industrial companies (省級中煙工業公司). China Tobacco Jiangxi was the largest customer of the Group during the Track Record Period.

During the Track Record Period, the Group carried out its cigarette package design and production activities solely at the Shenzhen Production Base. Since its commencement of business in 2001, the Shenzhen Production Base has been operated by Shenzhen Oceania. The Shenzhen Production Base is currently leased by the Group and has an aggregate gross floor area of approximately 16,481 sq.m.. As at 31 December 2012, the Shenzhen Production Base had a maximum production capacity of approximately 300,000 cases of cigarette packages per annum. Shenzhen Oceania has been accredited as a High-tech Enterprise in Shenzhen Municipality (深圳市高新技術企業) since 2007 and one of the Top 500 Small and Medium Growth Industrial Enterprises in Shenzhen Municipality (深圳市成長型中小工業企業500強) in 2010. To expand its production capacity, the Group has commenced the construction of the Huizhou Production Base with an estimated aggregate gross floor area of approximately 60,658 sq.m. on the Huizhou Site located at Huizhou City of Guangdong Province, the PRC. The construction work and the relevant completion and acceptance procedures of phase I of the Huizhou Production Base with a gross floor area of approximately 9,644.16 sq.m. have been completed.

For each of the years ended 31 December 2010, 2011 and 2012, the Group generated revenue of approximately RMB162.6 million, RMB179.5 million and RMB183.3 million and recorded profit attributable to owners of the Company of approximately RMB32.8 million, RMB32.6 million and RMB31.0 million, respectively.

BUSINESS

BUSINESS DEVELOPMENT MILESTONES

The following sets out the business development milestones of the Group:

Year	Business development milestone
2000	— Established Shenzhen Oceania, the principal operating subsidiary of the Company in the PRC which operates the Shenzhen Production Base.
2001	— Commenced business with Nanchang Cigarette Factory (南昌卷煙廠) and Gannan Cigarette Factory (贛南卷煙廠) (both of which later became part of China Tobacco Jiangxi) and commenced production of cigarette packages for the Jinsheng (金聖) brand.
2004	— Commenced business with China Tobacco Yunnan and commenced production of cigarette packages for the Yuxi (玉溪) brand.
2006	— Commenced production of cigarette packages for the Hongtashan (紅塔山) brand which were sold to China Tobacco Yunnan.
2007	— Shenzhen Oceania accredited as a High-tech Enterprise in Shenzhen Municipality (深圳市高新技術企業). — Registered two utility model patents in the PRC in relation to anti-counterfeit labels and cigarette packages.
2008	— Entered into an agreement to acquire the land use right to the Huizhou Site which has a site area of approximately 54,886 sq.m..
2009	— Procured Customer A, a provincial tobacco industrial company, as a new customer.
2010	— Procured Customer B, a provincial tobacco industrial company, as a new customer. — Shenzhen Oceania accredited as one of the Top 500 Small and Medium Growth Industrial Enterprises in Shenzhen Municipality (深圳市成長型中小工業企業500強).
2011	— Shenzhen Oceania re-accredited as a High-tech Enterprise in Shenzhen Municipality (深圳市高新技術企業).
2012	— Commenced the construction work of phase I of the Huizhou Production Base.
2013	— Completed the completion and acceptance procedures of phase I of the Huizhou Production Base.

BUSINESS

COMPETITIVE STRENGTHS

Approved cigarette package supplier for key cigarette brands in the PRC

The Group is a cigarette package supplier in the PRC. According to the Euromonitor Reports, the Group ranked second with a market share of approximately 17.7% in terms of the sales value of paper cigarette packages in Jiangxi Province, the PRC in 2012.

As detailed in the section headed “Industry overview” in this prospectus, the cigarette industry in the PRC has undergone restructuring and consolidation in the recent decade and the sixteen state-owned provincial tobacco industrial companies altogether accounted for approximately 86.2% of the cigarette market in terms of sales volume in the PRC in 2012. During the Track Record Period, four of the sixteen state-owned provincial tobacco industrial companies were customers of the Group. Leveraging on the efforts of its senior management and sales and marketing staff, the Group has been an approved supplier of, and has developed long-term relationships with, its major customers. In particular, the Group has supplied cigarette packages to China Tobacco Jiangxi, the largest customer of the Group, for its Jinsheng (金聖) brand for more than ten years and has supplied cigarette packages to China Tobacco Yunnan, which manufactures the Hongtashan (紅塔山) brand cigarette, for over eight years. The Directors believe that these long-term relationships can help the Group to secure a stable customer network and revenue source and are crucial to the long-term business development of the Group.

In 2008, the STMA identified the 30 Key Cigarette Brands (重點骨幹卷烟品牌). During the Track Record Period, the Group supplied cigarette packages for two of the 30 Key Cigarette Brands, namely Hongtashan (紅塔山) and Jinsheng (金聖), of which Hongtashan (紅塔山) was ranked first in terms of retail sales volume among all cigarette brands in the PRC in 2011 according to the Euromonitor Reports. Revenue from the sales of cigarette packages for Hongtashan (紅塔山) and Jinsheng (金聖) accounted for approximately 81.5%, 80.4% and 79.6% of the total revenue of the Group in aggregate for each of the years ended 31 December 2010, 2011 and 2012, respectively. In addition to Hongtashan (紅塔山) and Jinsheng (金聖), the Group also supplied cigarette packages for Cigarette Brand A, which was one of the four largest cigarette brands in terms of retail sales volume in the PRC in 2011 according to the Euromonitor Reports. The Directors believe that being an approved supplier of these key cigarette brands, the Group is well-positioned to maintain and expand its business as a result of the consolidation of the cigarette industry in the PRC.

Management team with extensive experience and knowledge in the cigarette package industry

The management team of the Group, which includes the executive Directors and the senior management, has extensive experience and knowledge in the cigarette package industry in the PRC. In particular, Ms. Huang, the founder and the chairman of the Group, has engaged in the cigarette package industry for over 12 years. Mr. Zheng, an executive Director and the chief executive officer of the Company, also has more than 12 years experience in the cigarette package industry. Mr. Wu Ying, the deputy general manager of the Company, has been engaged in the cigarette package industry for over 20 years. The Directors believe that such extensive experience of the management team has allowed them to possess in-depth knowledge in, amongst others, the latest competitive landscape and the market development of the cigarette package industry, such that they can understand the needs of

BUSINESS

the customers and satisfy them with corresponding quality products and services. The Directors also believe that the industry experience and knowledge of the management team are crucial factors leading to the growth and business success of the Group. Further details of the qualifications and working experience of the Directors and the senior management of the Group are set out in the section headed “Directors, senior management and staff” in this prospectus.

Possession of technical know-how, equipment and machinery and product design capability

The Group is experienced in cigarette package production and possesses relevant technical know-how, equipment and machinery and product design capability. With over ten years of experience in the cigarette package industry and given the continuous technological development of the Group, the Directors consider the Group possesses competitive technical know-how in terms of printing techniques, including offset printing on areas that have undergone foil stamping and printing large proportion of area with foil stamping. For the implementation of its technical know-how, the Group has invested in the procurement of a full range of equipment and machinery which ensures the efficiency of production and provides the Group with high flexibility in meeting different requirements of its customers on cigarette package production. In order to produce quality products that meet the specifications demanded by the customers of the Group, some of the major equipment and machinery used by the Group were imported from overseas manufacturers, such as MAN Roland from Germany and Bobst from Switzerland. Moreover, the product design staff of the Group are capable of designing cigarette packages, including artwork, health warning sign, printing method and type of raw material to be used in cigarette package production. In addition, the Group holds two utility model patents in the PRC, details of which are set out in the paragraph headed “Intellectual property” in this section. The Directors believe that the possession of technical know-how, equipment and machinery and product design capability enables the Group to produce quality products that can meet the requirements of its customers and to remain competitive in the cigarette package industry.

Implementation of a series of quality control measures

Cigarette manufacturers in the PRC place strong emphasis on the quality of cigarette packages to ensure smooth production and to distinguish their authentic products from counterfeit ones. Therefore, the Group is committed to producing quality cigarette packages that consistently meet or exceed the expectations of its customers. As such, the Group has implemented a series of quality control measures to ensure that its products can meet or exceed the requirements on cigarette packages as set forth by its customers and under relevant regulations. The quality control measures conducted by the Group include thorough testing of raw materials before they are put into production, inspection of quality at each production stage, two rounds of complete inspection of all finished goods and two rounds of sample inspection before they are packaged and delivered to the customers. As at the Latest Practicable Date, the Group had a total number of 121 quality control staff and the Group has also imported a variety of quality control equipment from overseas to facilitate the quality control processes of the Group.

The Directors consider that the capability of the Group in quality assurance is evidenced by the fact that the Group had not experienced any significant product return, redelivery or material quality disputes with its customers during the Track Record Period. In addition, Universal Certification Service Co., Ltd. has accredited Shenzhen Oceania with ISO9001:2008 since 2009.

BUSINESS

Provision of comprehensive sales and after-sales services

The sales and marketing staff of the Group regularly visit customers to understand their needs and to ensure that delivery of the products of the Group meets the production schedule of the customers. The sales and marketing staff of the Group also proactively and promptly understand and investigate problems confronted by the customers in their production process which are related to the products of the Group. It is the policy of the Group to provide solution to customers within 24 hours upon receipt of verbal or written requests or complaints and take appropriate remedial actions. For instance, should customers complain about defects of the products of the Group, the Group would immediately investigate and rectify such defects to the extent possible and, if necessary, re-deliver the required products to customers within 72 hours. Leveraging on the proximity to its customers, the Group could better understand customers' needs and the latest market trends so as to provide tailor-made solutions such as innovative designs and sample products to its customers. The Directors believe that such comprehensive services have differentiated the Group from its competitors, increased the customer satisfaction and further solidified the business relationship between the Group and its customers.

BUSINESS STRATEGIES

The Group has over ten years of experience in the cigarette package industry in the PRC and has established a proven track record among its customers. The Group seeks to further strengthen its established market position and achieve sustainable growth of its businesses and remain competitive by the implementation of the following strategies.

Strengthen sales and marketing efforts to enhance relationship with existing customers and develop business with potential customers

The Group plans to devote more resources to strengthen its sales and marketing capabilities primarily for the enhancement of relationship with existing customers and the development of business with potential customers. The Group has four major provincial tobacco industrial company customers which are located in Jiangxi Province, Yunnan Province, Hubei Province and Sichuan Province, respectively. For these existing customers, the Group endeavours to leverage its existing approved supplier status to expand its product portfolio to other cigarette brands or sub-brands manufactured by these customers. For instance, the Group intends to develop new business with a subsidiary of China Tobacco Yunnan for the supply of cigarette packages for more brands which the Group has not previously produced. The Group intends to more proactively participate in the design, sample production and tendering of packages for other cigarette brands or sub-brands manufactured by these customers which are not currently mass-produced by the Group. To cope with such business strategy, the Group proposes to set up sales offices in the cities where these four major customers are located, namely Nanchang City of Jiangxi Province, Kunming City of Yunnan Province, Wuhan City of Hubei Province and Chengdu City of Sichuan Province. The Group also plans to recruit two more sales and marketing staff to strengthen its existing sales team. The Directors believe that by establishing a close presence with its major customers, the Group can maintain a better relationship with its customers and enhance its after-sales services to be provided to its customers which, in turn, will enhance customers' satisfaction.

BUSINESS

In addition to enhancing the relationship with existing customers with a view to expanding its business scale, the Group also intends to invest in markets in the PRC that the Group does not currently have a presence to further enlarge its customer base. For instance, the Group is in the course of exploring potential opportunity to supply packages for a cigarette brand manufactured by a cigarette manufacturer in Henan Province, the PRC. The Group also intends to set up sales office in Henan Province when the Group's business in Henan Province further develops.

Expand production capacity

As discussed in more details in the paragraph headed "Production facilities" in this section, the Group has been operating at high capacity utilisation rates at the Shenzhen Production Base during the first and the fourth quarters of the year during the Track Record Period. The Directors believe that the expansion of the production capacity of the Group will allow the Group to better control and manage its production and respond to market demand in a more timely manner. To ensure better production quality and stability during peak seasons and to cope with its future development, the Group has commenced the construction of the Huizhou Production Base with an estimated aggregate gross floor area of approximately 60,658 sq.m. on the Huizhou Site located at Huizhou City of Guangdong Province, the PRC. The Huizhou Production Base has three planned phases. As at the Latest Practicable Date, the construction work and the relevant completion and acceptance procedures of phase I of the Huizhou Production Base with a gross floor area of approximately 9,644.16 sq.m. have been completed. Subject to the then production schedule of the Group, the Directors intend to procure and install additional equipment and machinery at phase I of the Huizhou Production Base and relocate certain existing equipment and machinery from the Shenzhen Production Base to phase I of the Huizhou Production Base during the second to the third quarters of 2014, being the slack season of the Group. The Directors consider that implementing the relocation during the second to the third quarters of 2014 is appropriate as (i) the second and the third quarters of the year are usually slack season of the Group so that the impact of relocation on the Group's operation could be minimised; (ii) the Group was advised by its machinery supplier that the ordering lead time for a gravure printer would be at least six months; and (iii) the Group plans to utilise the proceeds from the Share Offer for the procurement of additional equipment and machinery, including a new gravure printer. After the relocation and the installation of equipment and machinery, the total production capacity of the Group will be increased from approximately 300,000 cases to approximately 400,000 cases per year. As at the Latest Practicable Date, the Group has spent or committed approximately RMB26.1 million on phase I of the Huizhou Production Base, primarily for the construction work.

The Directors intend to commence the construction of phase II of the Huizhou Production Base in the fourth quarter of 2013. It is expected that the construction work will take about one year, upon the completion of which the Company plans to relocate the remaining production facilities at the Shenzhen Production Base to phase II of the Huizhou Production Base.

Enhance design and development capabilities

The major customers of the Group, which are cigarette manufacturers, revise the designs of their cigarette packages from time to time and may invite cigarette package supplier to submit new designs for their consideration. The design of cigarette packages may cover the artwork, the health warning sign, the printing methods and the type of raw material to be used. The Directors believe that the enhancement of the design and development capabilities of the Group, in particular, the ability to

BUSINESS

design and develop cigarette packages that are adopted by its customers for mass production, can secure the sales of such products by the Group and strengthen the business relationship with customers. Accordingly, a portion of the net proceeds from the Share Offer will be utilised for, among others, the hiring of professional design and development staff, purchase of design and development software and hardware, attending national and international design exhibitions and production of innovative product samples for evaluation by the major customers of the Group.

Strategically explore value-enhancing vertical integration opportunities

Apart from expanding the scale of the Group's existing operations, it is also the intention of the Group to strategically explore vertical integration opportunities to enhance its competitiveness and profitability. Potential vertical integration includes, among others, the expansion of operation to cover the manufacture of transfer paper, which is one of the major raw materials used in cigarette packages printing. During each of the years ended 31 December 2010, 2011 and 2012, approximately 33.8%, 39.1% and 30.3% of the Group's total purchase amount of raw materials was attributable to the purchase of transfer paper, respectively. Transfer paper is produced via the processing of ivory board paper and the process is similar to printing images on paper. The Directors consider that the Group possesses the requisite knowledge for the production of transfer paper given its similarity to the existing production processes of the Group. The Group may expand into such businesses through the purchase of relevant equipment and machinery or conduct merger or acquisition of relevant businesses, depending on the then opportunities available to the Group and after the evaluation of the costs and potential synergies. Factors to be considered for the selection of merger and acquisition target include its production scale, production quality, historical financial performance, reputation in the industry and proximity to the production facilities of the Group. As at the Latest Practicable Date, the Group was not in negotiation with any specific counterparty and had not identified any potential acquisition target.

Diversify product mix

Since its commencement of business, the Group has been focusing on the production of cigarette packages, mainly due to its relatively higher profit margin and the specialised expertise of the Group in the cigarette package industry. However, the technical know-how and equipment and machinery possessed by the Group can also be applied to produce paper packages for goods other than cigarette. To continue to leverage on its expertise in package printing and utilise its production capacity especially during the slack season of the cigarette package industry, the Group aims to expand its product portfolio to paper packages for products such as medicine, wine, tea or other luxury goods, and paper cups, depending on the opportunities available to the Group and after the evaluation of the profitability of such products and the production schedule of the Group. Based on the feasibility study carried out by the Group, in order to produce paper packages for medicine, wine, tea or other luxury goods, the Group needs to procure two additional folding gluing machines to supplement its existing machinery which are estimated to cost approximately RMB350,000 each. For production of paper cups, the Group needs to procure five additional paper cup machines which are estimated to cost approximately RMB80,000 each. Two additional staff need to be hired to operate each folding gluing machine or paper cup machine which, based on the current salary level of the Group, is not expected to significantly increase the staff cost of the Group. The funding required to purchase additional

BUSINESS

machinery or hire additional staff for the production of paper container other than cigarette packages, as and when necessary, will be satisfied by the Group's internal resources. As at the Latest Practicable Date, the Group has not finalised with any specific counterparty to mass produce products other than cigarette packages.

PRODUCTS

The Group is principally engaged in the design, printing and sale of cigarette packages in the PRC. All of the revenue of the Group during the Track Record Period was generated from the sale of paper cigarette packages. Paper cigarette packages are packaging materials made of laminated papers to pack and carry cigarettes. Cigarette packages enhance the physical protection of cigarettes and also preserve the humidity and fragrance of cigarettes, such that cigarettes can be kept for a longer period. Moreover, rectangular box-shaped cigarette packages provide convenience to wholesalers, retailers and customers in terms of ease of transportation and storage of cigarettes. The types of cigarette packages produced by the Group generally include (i) hard or soft packet packages, which are usually rectangular containers used to pack and carry 20 sticks of cigarettes; and (ii) carton packages, which are usually long boxes used to pack and carry 10 packet packages.

While the size and dimension of the cigarette packages are often standard across brands, their layouts differ from brand to brand. The layouts of the cigarette packages are usually designed with a purpose to convey designated information to the customers, and to promote the names and images of the cigarette brands so as to differentiate from other brands and enhance brand recognition and customer loyalty. During the Track Record Period, the Group primarily supplied packages for four cigarette brands to provincial tobacco industrial companies in the PRC, including Jinsheng (金聖) and Hongtashan (紅塔山), which are two of the 30 Key Cigarette Brands (重點骨幹卷煙品牌). The Group also supplied packages for Cigarette Brand A, which together with Hongtashan (紅塔山), were two of the four largest brands in the PRC in terms of retail sales volume in 2011 according to the Euromonitor Reports. The Group usually supplies packages for more than one sub-brands of each cigarette brand to its customers.

The following table sets forth the breakdown of the revenue of the Group by cigarette brands during the Track Record Period:

Cigarette brand (Customer)	For the year ended 31 December					
	2010		2011		2012	
	RMB'000	% RMB'000	% RMB'000	% RMB'000	% RMB'000	%
Jinsheng (金聖) brand						
(China Tobacco Jiangxi [^])	97,589	60.0%	98,573	54.9%	123,477	67.3%
Hongtashan (紅塔山) brand						
(China Tobacco Yunnan)	34,906	21.5%	45,787	25.5%	22,436	12.2%
Cigarette Brand A (Customer A)	19,890	12.2%	23,160	12.9%	25,067	13.7%
Cigarette Brand B (Customer B)	9,121	5.6%	6,809	3.8%	8,542	4.7%
Others	1,069	0.7%	5,180	2.9%	3,825	2.1%
	<u>162,575</u>	100.0%	<u>179,509</u>	100.0%	<u>183,347</u>	100.0%

[^] For the year ended 31 December 2010, the Group's sales to China Tobacco Jiangxi amounted to approximately RMB98.3 million, of which approximately RMB97.6 million was attributable to the Jinsheng (金聖) brand.

BUSINESS

Set out below are samples of packet packages and carton packages of Jinsheng (金聖) and Hongtashan (紅塔山) brands produced by the Group:

Samples of packet package and carton package of two sub-brands of Jinsheng (金聖)



BUSINESS

Samples of packet package and carton package of two sub-brands of Hongtashan (紅塔山)



Product design

The layouts of cigarette packages that the Group sells to its customers are usually (i) designed by the product design staff of the Group; or (ii) directly provided by the Group's customers. The Directors consider that product design is one of the key factors to secure production orders and to differentiate the Group from its competitors and therefore, the Directors endeavour to devote resources to enhance its product design capabilities. As at the Latest Practicable Date, the Group had two product design staff, who are responsible for the design of cigarette packages, including artwork, health warning sign, printing method and type of raw material to be used in cigarette package production. The product design staff communicate with the Group's customers from time to time to understand their requirements and the finalised designs are usually produced into prototypes that are delivered to customers for approval prior to mass production.

BUSINESS

CUSTOMERS

According to the Euromonitor Reports, the cigarette manufacturing market in the PRC is monopolised by the government, primarily the STMA and the CNTC. By the end of 2011, the number of cigarette manufacturers in the PRC had declined to 26 companies. These 26 companies, including 16 provincial tobacco industrial companies, are wholly-owned subsidiaries of the CNTC. According to the Euromonitor Reports, the 16 state-owned provincial tobacco industrial companies altogether accounted for approximately 86.2% of the total cigarette market in terms of sales volume in the PRC in 2012.

The Group had altogether nine customers during the Track Record Period, four of which were provincial tobacco industrial companies. All of the sales of the Group during the Track Record Period were made to customers in the PRC. Revenue from the four provincial tobacco industrial companies accounted for approximately 99.8%, 97.1%, and 97.9% of the total revenue of the Group during each of the years ended 31 December 2010, 2011 and 2012, respectively. The table below sets out the information of the four provincial tobacco industrial company customers of Group:

Name of the customer	Major cigarette brand package produced by the Group during the Track Record Period	Business with the customer commenced since
China Tobacco Jiangxi	Jinsheng (金聖)	2001
China Tobacco Yunnan	Hongtashan (紅塔山)	2004
Customer A	Cigarette Brand A	2009
Customer B	Cigarette Brand B	2010

The four provincial tobacco industrial company customers of the Group have adopted an “approved supplier” system, pursuant to which they usually purchase packaging materials only from their respective lists of “approved suppliers”. To become an approved supplier of a cigarette manufacturer, a cigarette package supplier needs to go through a recognition process under which required information of the supplier needs to be submitted to the cigarette manufacturer for review and approval and the cigarette manufacturer may perform site visits to verify the submitted information and to physically inspect the facilities and production process of the supplier. Once a supplier is recognised as an approved supplier, such status is subject to periodic review by the cigarette manufacturer every one to two years, where the cigarette manufacturers might (i) assess the overall production capability, production quality, technological strengths, after-sales services and business development potential of the supplier; (ii) physically inspect the facilities and production process of the supplier; and (iii) review the latest business licence (營業執照) and the printing operation permit (印刷經營許可證) of the supplier. The Group has been an approved supplier of China Tobacco Jiangxi, China Tobacco Yunnan, Customer A and Customer B since 2006, 2007, 2008 and 2009, respectively and was in full compliance with the requirements imposed by these customers as their approved suppliers during the Track Record Period. The Group has not encountered any difficulty in maintaining

BUSINESS

its “approved supplier” status of its provincial tobacco industrial company customers in the past and, as at the Latest Practicable Date, the Directors are not aware of any circumstances that the Group may lose such “approved supplier” status in the future. China Tobacco Yunnan is currently undergoing the review process of the approved supplier status of the Group. China Tobacco Jiangxi, Customer A and Customer B, whose previous reviews were carried out in June 2012, August 2010 and October 2009, respectively, have not yet indicated when their upcoming reviews would be carried out as at the Latest Practicable Date. The Directors consider that being an approved supplier of its major customers has demonstrated the Group’s capability to consistently provide quality products and services at its customers’ required standards.

Leveraging on its competitive strengths and the continued efforts of its sales and marketing staff, the Group was able to expand its customer base during the Track Record Period with the successful procurement of Customer B as a new provincial tobacco industrial company customer in 2010.

Five largest customers during the Track Record Period

Revenue from the five largest customers accounted for approximately 99.9%, 99.8% and 99.9% of the total revenue of the Group for each of the years ended 31 December 2010, 2011 and 2012, respectively.

China Tobacco Jiangxi

China Tobacco Jiangxi was the largest customer of the Group during the Track Record Period. According to the Euromonitor Reports, China Tobacco Jiangxi is the exclusive cigarette manufacturer in Jiangxi Province, the PRC. Jiangxi Province accounted for approximately 2.4% of the overall cigarette production volume in the PRC in 2012. As at the Latest Practicable Date, China Tobacco Jiangxi primarily manufactured two cigarette brands, namely Jinsheng (金聖) and Lushan (廬山). Both of these brands have several sub-brands. According to the Euromonitor Reports, China Tobacco Jiangxi had over 20 cigarette package suppliers in 2012. The Group first supplied cigarette packages to China Tobacco Jiangxi for its Jinsheng (金聖) brand in 2001 and has maintained good relationship and continuously conducted business with it since then. During the Track Record Period and up to the Latest Practicable Date, the Group has been the sole supplier of paper cigarette packages for three sub-brands of Jinsheng (金聖). Sales to China Tobacco Jiangxi accounted for approximately 60.5%, 54.9% and 67.3% of the total revenue of the Group for each of the years ended 31 December 2010, 2011 and 2012, respectively. The Directors are of the view that the Group’s business does not unduly rely on its relationship with China Tobacco Jiangxi as:

- (i) since 2011, the sales contracts with China Tobacco Jiangxi have been secured through tendering process, which has demonstrated the competitiveness of the Group’s cigarette package products in terms of quality, services and pricing;
- (ii) in addition to China Tobacco Jiangxi, the Group has developed business relationships with China Tobacco Yunnan, Customer A and Customer B since 2004, 2009 and 2010, respectively, which has demonstrated the Group’s capability to attract other customers;

BUSINESS

- (iii) there is mutual reliance between the Group and China Tobacco Jiangxi, given that the Group is the sole supplier of three sub-brands of Jinsheng (金聖), which is a major cigarette brand manufactured by China Tobacco Jiangxi; and
- (iv) as a result of the state-monopolised nature of the cigarette industry in the PRC, it is not uncommon for cigarette package suppliers to focus on a limited number of cigarette manufacturers in order to maintain a better relationship with the customers and to ensure better quality of products.

Nonetheless, the Group aims to reduce its reliance on China Tobacco Jiangxi in the future by implementing the following measures:

- (i) expanding the business scale with the existing customers of the Group other than China Tobacco Jiangxi. For instance, the Group has won the tender for the supply of packages for a sub-brand of Cigarette Brand B, which the Group had not previously mass-produced, and has entered into a sales contract with Customer B that covers the period from 1 January 2013 to 31 December 2014. The Directors confirm that the Group possesses the expertise, technical knowhow and equipment required to manufacture such new products for Customer B. The Group also plans to explore opportunities to supply packages for cigarette brands other than the Hongtashan (紅塔山) brand manufactured by China Tobacco Yunnan;
- (ii) further expanding its customer base, including exploring business opportunities for the supply of packages for cigarette brands manufactured by other cigarette manufacturers. For instance, the Group is in the course of exploring the potential opportunity to supply packages for a cigarette brand manufactured by a cigarette manufacturer in Henan Province. As at the Latest Practicable Date, such business opportunity was still at a preliminary stage and no legally binding agreement has been entered into by the Group; and
- (iii) expanding the Group's product mix to paper containers other than cigarette packages, including packages for products such as medicine, wine, tea or other luxury goods and paper cups. As at the Latest Practicable Date, the Group has been conducting preliminary market research and has commenced the design of certain tea package products. The Group also intends to recruit two additional sales and marketing staff with specific experience in the paper container market, assign staff to gather relevant tendering information on and more actively submit tenders for these potential businesses. The Directors are of the view that the manufacturing process, technology and machinery required for producing paper containers other than cigarette packages are substantially the same as those for cigarette package printing, with only a few peripheral equipment to be added. Based on the feasibility study carried out by the Group, in order to produce paper packages for medicine, wine, tea or other luxury goods, the Group needs to procure two additional folding gluing machines to supplement its existing machinery which are estimated to cost approximately RMB350,000 each. For the production of paper cups, the Group needs to procure five additional paper cup machines which are estimated to cost approximately RMB80,000 each. Two additional staff will have to be hired to operate each folding gluing machine or paper cup machine which, based on the current salary level of the Group, is not expected to significantly increase the staff cost of the Group. The funding required to purchase

BUSINESS

additional machinery and hire additional staff for the production of paper containers other than cigarette packages, as and when necessary, will be satisfied by the Group's internal resources. However, the plan to explore the potential opportunities in the paper container market is still at a very preliminary stage and the Group has not procured any sales order from any potential customer as at the Latest Practicable Date. The Directors are of the view that cigarette package production will continue to be the major business of the Group in the foreseeable future.

China Tobacco Yunnan

China Tobacco Yunnan was the second largest customer of the Group during the Track Record Period. According to the Euromonitor Reports, China Tobacco Yunnan is the largest cigarette manufacturer in the PRC which had an approximately 17.7% market share in the PRC in terms of cigarette retail sales volume in 2012. According to the Euromonitor Reports, two of the top five cigarette brands in the PRC in terms of retail sales volume in 2012, one of which being the Hongtashan (紅塔山) brand, were produced by China Tobacco Yunnan. In addition, Yunnan Province accounted for approximately 15.5% of the overall cigarette production volume in the PRC in 2012. According to the Euromonitor Reports, China Tobacco Yunnan had over 120 cigarette package suppliers in 2012. The Group commenced business with China Tobacco Yunnan in 2004 and has been supplying cigarette packages for the Hongtashan (紅塔山) brand to China Tobacco Yunnan since 2006. Sales to China Tobacco Yunnan accounted for approximately 21.5%, 25.5% and 12.2% of the total revenue of the Group for each of the years ended 31 December 2010, 2011 and 2012, respectively.

In addition to being a major customer of the Group, China Tobacco Yunnan was also a major supplier of the Group during the Track Record Period. The Group was contractually required to source paper from a subsidiary of China Tobacco Yunnan for the manufacture of paper cigarette packages to be supplied to China Tobacco Yunnan during the Track Record Period. Certain products supplied to China Tobacco Yunnan require transfer paper as raw material, which is produced from the processing of ivory board paper. During the Track Record Period, the subsidiary of China Tobacco Yunnan supplied ivory board paper but not transfer paper. Therefore, the Group typically procured ivory board paper from such subsidiary of China Tobacco Yunnan and sold the ivory board paper to a supplier of the Group, which is an Independent Third Party, for processing the same into transfer paper, and subsequently purchased the processed transfer paper back from such supplier. To the best knowledge of the Directors, although it is not an industry practice among other provincial tobacco industrial companies, China Tobacco Yunnan usually requires its cigarette package suppliers to purchase paper from its subsidiary at a unified price for each paper product. There was no formal agreement between the Group and China Tobacco Yunnan in respect of the sales and purchase of ivory board paper during the Track Record Period. The Group usually settled the payment by way of telegraphic transfer shortly after receiving invoice from China Tobacco Yunnan. The Directors confirm that the purchases of ivory board paper from the subsidiary of China Tobacco Yunnan during the Track Record Period were conducted on normal commercial terms. Despite the fact that the Group was contractually required to source ivory board paper from a subsidiary of China Tobacco Yunnan for the manufacture of paper cigarette packages to be supplied to China Tobacco Yunnan, the Directors confirm that the Group did not act as a sub-contractor of China Tobacco Yunnan. Besides, based on the terms of the sales contracts and the Group's transaction documents, the PRC Legal Advisers opine that the nature of the Group's sales transactions with China Tobacco Yunnan was sale as opposed to processing of goods and the

BUSINESS

relevant sales of paper cigarette packages and the purchases of ivory board paper should be treated as separate transactions as (i) the Group did not charge China Tobacco Yunnan any processing fee or sub-contracting fee. Instead, the prices charged by the Group for the sales of paper cigarette packages to China Tobacco Yunnan and the prices charged by China Tobacco Yunnan for the ivory board paper supplied to the Group were based on the respective values of the relevant goods supplied; and (ii) the risks and benefit of the purchased ivory board paper have been transferred to the Group after the receipt of the paper by the Group. Purchases from China Tobacco Yunnan accounted for approximately 7.7%, 8.8% and 5.7% of the total purchases of the Group for each of the years ended 31 December 2010, 2011 and 2012, respectively. The Group also purchased paper from an associated company of China Tobacco Yunnan during the Track Record Period, the amount of which accounted for approximately 15.1%, 14.2% and 15.5% of the total amount of purchases of the Group for each of the years ended 31 December 2010, 2011 and 2012, respectively.

Other five largest customers

Customer A was the third largest customer of the Group during the Track Record Period. According to the Euromonitor Reports, Customer A is the largest cigarette manufacturer in Hubei Province, the PRC and produces cigarettes under brands including Cigarette Brand A. According to the Euromonitor Reports, Hubei Province accounted for approximately 5.5% of the overall cigarette production volume in the PRC in 2012 and Customer A had over 40 cigarette package suppliers in 2012. The Group commenced business with Customer A in 2009 and has been supplying cigarette packages for Cigarette Brand A since 2009. Sales to Customer A accounted for approximately 12.2%, 12.9% and 13.7% of the total revenue of the Group for each of the years ended 31 December 2010, 2011 and 2012, respectively.

Customer B was the fourth largest customer of the Group during the Track Record Period. According to the Euromonitor Reports, Customer B is the largest cigarette manufacturer in the combined market of Sichuan Province and Chongqing City, the PRC, which accounted for approximately 4.0% and 2.2% of the overall cigarette production volume in the PRC in 2012, respectively, and produces cigarettes under brands including Cigarette Brand B. Also, according to the Euromonitor Reports, Customer B had over 30 cigarette package suppliers in 2012. The Group commenced business with Customer B in 2010 and has been supplying cigarette packages for Cigarette Brand B since 2010. Sales to Customer B accounted for approximately 5.6%, 3.8% and 4.7% of the total revenue of the Group for each of the years ended 31 December 2010, 2011 and 2012, respectively.

The fifth largest customer of the Group during the Track Record Period was a cigarette package trader in the PRC. Cigarette packages supplied by the Group to the fifth largest customer during the Track Record Period were for cigarette brands not manufactured by the PRC provincial tobacco industrial companies. Sales to this customer accounted for approximately 0.1%, 2.7% and 2.0% of the total revenue of the Group for each of the years ended 31 December 2010, 2011 and 2012, respectively.

None of the Directors, their respective associates, nor Shareholders who own more than 5% of the issued share capital of the Company, has any interest in the five largest customers of the Group during the Track Record Period. All of the five largest customers of the Group during the Track Record Period were Independent Third Parties.

BUSINESS

SALES AND MARKETING

Approved supplier system and tendering system

Before the implementation of the tendering system, provincial tobacco industrial companies in the PRC had adopted an “approved supplier” system, under which these state-owned tobacco companies usually sourced packaging materials only from their respective lists of “approved suppliers”. Each of the four provincial tobacco industrial company customers of the Group, namely China Tobacco Jiangxi, China Tobacco Yunnan, Customer A and Customer B, have adopted such “approved supplier” system and the Group became an “approved supplier” of each of these customers in 2006, 2007, 2008 and 2009 respectively. Please refer to the paragraph headed “Customers” in this section for a more detailed discussion of the initial recognition and ongoing review process that a packages supplier is required to go through as an approved supplier of a provincial tobacco industrial company in the PRC and the current “approved supplier” status of the Group.

As required by the PRC government, cigarette manufacturers in the PRC have gradually adopted the tendering system for the selection of cigarette package suppliers since 2011. In general, only approved suppliers would be invited by the cigarette manufacturers to participate in the tendering process. Suppliers that are invited to the tender are usually required to submit tender documents that contain, amongst others, (i) information and background of the supplier; (ii) unit prices of the products under bidding; (iii) information on the equipment and machinery possessed by the supplier; and (iv) information on the production and quality control process of the supplier. Based on these factors, cigarette manufacturers determine the tender result at their sole discretion.

After the tender result is decided, the cigarette manufacturer would enter into sale and purchase contracts with the cigarette package supplier that had won the tenders. Maturities of the contracts usually range from one to two years and terms governed by the contracts vary among different tobacco companies but usually include: (i) types and specifications of materials to be supplied; (ii) indicative quantity; (iii) unit price; (iv) manner of delivery; and (v) settlement terms. Generally, unit prices of the products to be supplied during the contract period are fixed and quantity is subject to the customer’s monthly order.

Each of the four provincial tobacco industrial company customers of the Group, namely China Tobacco Jiangxi, China Tobacco Yunnan, Customer A and Customer B, has adopted the tendering process for the purchase of cigarette package products since 2011. Prior to the implementation of the tendering system in 2011, the Group obtained business from its customers, including the four provincial tobacco industrial companies of which the Group had been an approved supplier, through direct negotiations. Since 2011, the Group has been actively participating in the tenders. In determining the tender price, the management of the Group endeavoured to maximise the chance of winning the tender by taking into account factors including the result determination mechanism of the relevant tender, expected pricing of its competitors, expected production costs and gross profit margin, existing production schedule, product specifications, raw material requirements, production volume and delivery arrangement. Up to the Latest Practicable Date, the Group has participated in all seven tenders arranged by its four provincial tobacco industrial company customers and managed to win the tenders for at least one product in each tender.

BUSINESS

The Group was generally able to win the tenders of sub-brands of Jinsheng (金聖), Hongtashan (紅塔山) and Cigarette Brand B, the cigarette packages of which were mass-produced by the Group immediately before the adoption of the tendering system with commensurate sales volume. In 2011, the Group did not win the tenders of three sub-brands of Cigarette Brand A, the cigarette packages of which were mass-produced by the Group before the adoption of the tendering process by Customer A. Revenue generated by the Group from these three sub-brands of Cigarette Brand A was approximately RMB19.9 million and RMB21.6 million for each of the years ended 31 December 2010 and 2011, respectively and dropped to approximately RMB1.4 million for the year ended 31 December 2012. Nonetheless, in 2011, the Group was able to win the tenders of two other sub-brands of Cigarette Brand A, the cigarette packages of which were not previously mass-produced by the Group, which compensated for the loss of revenue from those three sub-brands. As a result, the Group managed to achieve a continued growth of revenue generated from Customer A during the Track Record Period, which amounted to approximately RMB19.9 million, RMB23.2 million and RMB25.1 million for each of the years ended 31 December 2010, 2011 and 2012, respectively. In addition, in 2012, the Group won the tender for a sub-brand of Cigarette Brand B, which had not been previously mass-produced by the Group.

The intense market competition in the cigarette package production market together with the adoption of the tendering process by the provincial tobacco industrial company customers has resulted in a general decline of the average selling prices of the products of the Group. Nonetheless, since the Group was generally able to win the tenders for the sub-brands that were mass-produced by the Group before the adoption of the tendering process and the revenue of the Group increased steadily during the Track Record Period, the Directors do not consider the adoption of the tendering system by the provincial tobacco industrial company customers had a material adverse impact on the overall business results of the Group during the Track Record Period.

Major sales contracts

The Group generally entered into sales contracts with its provincial tobacco industrial company customers every one to two years. The principal terms of the Group's existing sales contracts with its provincial tobacco industrial company customers are as follows:

Contract with China Tobacco Jiangxi

Date of contract:	12 December 2012
Term of contract:	1 January 2013 — 31 December 2013
Products:	Paper cigarette packages for three sub-brands of Jinsheng (金聖)
Contracted amount:	Approximately RMB148.1 million
Price:	Fixed during the contract period
Trading terms:	Seller to pay for the transportation costs
Payment terms:	Buyer to pay upon satisfactory receipt of goods
Other terms:	Actual sales quantity and specification are subject to buyer's monthly order to be placed with the seller

BUSINESS

Contract with China Tobacco Yunnan

Date of contract:	28 May 2012
Term of contract:	June 2012 — December 2013
Products:	Paper cigarette packages for two sub-brands of Hongtashan (紅塔山)
Contracted quantity:	Approximately 64,000 cases in aggregate
Price:	Fixed during the contract period
Trading terms:	Seller to pay for the transportation costs, which are included in the selling price
Payment terms:	Not specified
Other terms:	Buyer has the right to replace the purchase obligation stipulated under this contract with orders for paper cigarette packages of different specification. However, no commensurable quantity or amount is guaranteed

Contract No. 1 with Customer A

Date of contract:	17 January 2013
Term of contract:	1 January 2013 — 31 December 2013
Products:	Paper packages for one sub-brand of Cigarette Brand A
Contracted quantity:	To be specified in buyer's monthly purchase order
Price:	Fixed in the contract and in principle not to be changed during the contract period
Trading terms:	Seller to pay for the transportation costs
Payment terms:	Buyer to inform seller to issue invoice upon satisfactory receipt of goods and to arrange payment within 40 days after receipt of invoice

Contracts No. 2 and No. 3 with Customer A

Date of contracts:	30 November 2011 and 20 April 2012
Term of contracts:	1 December 2011 — 31 December 2012 and 20 April 2012 — 31 December 2012, respectively. According to a confirmation letter issued by the buyer on 17 December 2012, the buyer will implement public tenders in 2013 and the terms of Contracts No. 2 and No. 3 were extended to the ending date of the public tender in 2013
Products:	Paper cigarette packages for two sub-brands of Cigarette Brand A
Contracted quantity:	Not specified

BUSINESS

Price:	Price is in principle fixed during the contract period unless mutually agreed
Trading terms:	Seller to pay for the transportation costs
Payment terms:	Buyer to inform seller to issue invoice upon satisfactory receipt of goods and to arrange payment within 40 days after receipt of invoice
Other terms:	Actual sales quantity and specifications are subject to buyer's monthly order to be placed with the seller

Contract with Customer B

Date of contract:	1 January 2013
Term of contract:	1 January 2013 — 31 December 2014
Products:	Paper packages for two sub-brands of Cigarette Brand B
Contracted quantity:	To be specified in buyer's monthly purchase order
Price:	Fixed in the contract and in principle not to be changed during the contract period
Trading terms:	Seller to pay for the transportation costs
Payment terms:	Not specified

As advised by the PRC Legal Advisers, the contracts set forth above are legally binding and enforceable under the PRC law. During the Track Record Period, sales amounts or quantities were not specified in the sales contracts entered into by the Group with Customer A and Customer B. In respect of the sales to China Tobacco Jiangxi and China Tobacco Yunnan, the actual sales quantities were not materially different from the relevant contracted quantities during the Track Record Period except for the lower sales to China Tobacco Yunnan in 2012. The lower sales to China Tobacco Yunnan in 2012 was primarily due to the decline in revenue from a sub-brand of Hongtashan (紅塔山), for which the Group has won the tender for the supply of packages. Pursuant to the sales contract between the Group and China Tobacco Yunnan dated 28 May 2012, the contracted quantity and amount for such sub-brand of Hongtashan (紅塔山) was 14,000 cases and approximately RMB18.9 million for the period from June 2012 to December 2013. However, no order has been placed with the Group for such sub-brand since June 2012. Consequently, the revenue of the Group generated from its sales to China Tobacco Yunnan dropped from approximately RMB45.8 million for the year ended 31 December 2011 to approximately RMB22.4 million for the year ended 31 December 2012. Please refer to the paragraph headed "Major components of the combined statements of comprehensive income — Revenue" in the section headed "Financial information" in this prospectus for further discussion on the revenue of the Group during the Track Record Period.

Pricing and credit control

The pricing of the majority of the sales of the Group is based on the tender results of the provincial tobacco industrial company customers of the Group. In determining the tender bidding prices, the management team of the Group endeavoured to maximise the chance of winning the tender by taking into account factors including, but not limited to, the result determination mechanism of the

BUSINESS

relevant tender, the expected pricing of its competitors, expected gross profit margin, existing production pipeline, product specifications, raw material requirements, production volume and delivery arrangement. Factors that the management team of the Group may take into account to conjecture the pricing range of its competitors include the guiding price range indicated in the tender documents provided by the cigarette manufacturer and the recent tender results for similar products.

The payments of the majority of the sales of the Group are received upon the satisfactory receipt of the products by the customers of the Group. The Group generally allows credit period of 90 days to its customers. For certain major customers, the Group accepts settlement of trade receivables by bank bills primarily with 90-day maturity period which extends the effective collection period from such customers to 180 days. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monetary procedures to ensure that follow-up action is taken to recover overdue receivables. The Directors consider that the Group's credit risk is significantly reduced under such credit control policy. The Group had not experienced any material difficulties in collecting payments from its customers during the Track Record Period. As at 31 December 2012, approximately 99.1% of the trade and bills receivables balances were below 90 days. Please refer to the paragraph headed "Major components of the combined statements of financial position — Trade and bills receivables" in the section headed "Financial information" in this prospectus for detailed discussion of the aged analysis and the turnover days of the trade and bills receivables of the Group.

After-sales services

The Group endeavours to provide a full range of after-sales services to satisfy the needs of its customers. After-sales services are primarily provided by the sales and marketing staff of the Group. The sales and marketing staff of the Group regularly visit customers to understand their needs and to ensure that delivery of the products of the Group meets the production schedule of the customers. By doing so, the sales and marketing staff of the Group can also proactively and promptly understand and investigate problems confronted by the customers in their production process which are related to the products of the Group. It is the policy of the Group to provide solution to customers within 24 hours upon receipt of verbal or written requests or complaints and take appropriate remedial actions. For instance, should customers complain about defects of the products of the Group, the Group would immediately investigate and rectify such defects to the extent possible and, if necessary, re-deliver the required products to customers within 72 hours.

Sales and marketing staff

The Group had eight sales and marketing staff as at the Latest Practicable Date. The Group arranges its sales and marketing staff to regularly visit customers to understand their needs and the latest market trends such that the Group can provide tailor-made solutions, such as innovative designs and sample products, to foster and develop the businesses of the Group. The sales and marketing staff report customers' feedback to the management team of the Group on a quarterly basis. The sales and marketing staff also hold quarterly market analysis meetings to discuss latest industry trends and sales and marketing strategies.

BUSINESS

PRODUCTION FACILITIES

Shenzhen Production Base

During the Track Record Period, the Group carried out its cigarette package production activities solely at the Shenzhen Production Base. Since its commencement of production in 2001, the Shenzhen Production Base has been operated by Shenzhen Oceania. The properties at the Shenzhen Production Base are currently leased by the Group, which comprise three 4-storey factory buildings used by the Group as production plant and three 5-storey dormitory buildings used by the Group as staff quarters with an aggregate gross floor area of approximately 16,481 sq.m..

Set out in the table below are the details of the production volume, production capacity and capacity utilisation rate at the Shenzhen Production Base for each of the years ended 31 December 2010, 2011 and 2012:

	For the year ended 31 December		
	2010	2011	2012
Peak season (first and fourth quarters)			
Production volume (thousand cases)	128.0	128.5	123.9
Production capacity (thousand cases)	150.0	150.0	150.0
Capacity utilisation rate	85.3%	85.7%	82.6%
Slack season (second and third quarters)			
Production volume (thousand cases)	69.7	90.1	97.8
Production capacity (thousand cases)	150.0	150.0	150.0
Capacity utilisation rate	46.5%	60.1%	65.2%
Full year			
Production volume (thousand cases)	197.7	218.6	221.7
Production capacity (thousand cases)	300.0	300.0	300.0
Capacity utilisation rate	65.9%	72.9%	73.9%

Notes:

1. Production capacity represents the maximum practicable output of the Shenzhen Production Base during the relevant period after exclusion of the time necessary for regular configuration, repair and maintenance and holidays, being continuous production for 16 to 20 hours a day and 300 days a year, based on the equipment in place.
2. Capacity utilisation rates are determined by dividing actual production volume by production capacity for the relevant period.

The annual production capacity of the Shenzhen Production Base was approximately 300,000 cases for each of the years ended 31 December 2010, 2011 and 2012. The increase in the capacity utilisation rate from approximately 65.9% for the year ended 31 December 2010 to approximately 72.9% for the year ended 31 December 2011 was primarily attributable to the increase in the orders

BUSINESS

received by the Group. Due to the seasonal factor of the Group's business, the utilisation rates were significantly higher during peak seasons, being the first and the fourth quarters of the year, as compared with those during slack seasons, being the second and the third quarters of the year. The peak season utilisation rates reached approximately 85.3%, 85.7% and 82.6%, whereas the slack season utilisation rates were approximately 46.5%, 60.1% and 65.2%, for each of the years ended 31 December 2010, 2011 and 2012, respectively. In certain months during the peak seasons, the capacity utilisation rates of the Group were even over 90% as a result of the congestion of orders received.

As detailed under the paragraph headed "Properties" in this section, the Leased Properties at the Shenzhen Production Base have been registered as illegal buildings left over from the process of rural urbanisation* (農村城市化歷史遺留違法建築) in Shenzhen, the PRC. The lessor does not possess relevant building ownership certificates and construction permits for the Leased Properties. The PRC Legal Advisers have advised that, by reason of such title defects, there is a potential risk that the governmental authorities in the PRC may deem the leases of the Leased Properties invalid and unenforceable and hence, the Group may not be able to continue to occupy and conduct operation at the Shenzhen Production Base if the Leased Properties are ordered to be demolished by the relevant authorities as illegal buildings. The PRC Legal Advisers further advised, however, that based on the confirmation from the relevant authorities, the chance for the relevant PRC authority to order a mandatory eviction of the Group from the Shenzhen Production Base within two to three years is remote. As at the Latest Practicable Date, the Group has not received any challenge to its rights to occupy and use the Leased Properties or any notification to vacate from the Shenzhen Production Base.

Huizhou Production Base

As the Shenzhen Production Base has been operating at high utilisation rate during peak seasons and in order to further increase the Group's production capacity in anticipation of potential business growth, the Group has, since 2012, commenced the construction of the Huizhou Production Base on the Huizhou Site located at Huizhou City of Guangdong Province, the PRC. The Huizhou Production Base has three planned phases with an estimated aggregate gross floor area of approximately 60,658 sq.m. As at the Latest Practicable Date, the construction work and the relevant completion and acceptance procedures of phase I of the Huizhou Production Base with a gross floor area of approximately 9,644.16 sq.m. have been completed.

The PRC Legal Advisers have advised that, as at the Latest Practicable Date, they were not aware of any legal impediment for the Group to obtain all necessary government approvals or certificates for commencing the operation of packaging material printing at phase I of the Huizhou Production Base. The Directors currently intend to commence the construction of phase II of the Huizhou Production Base in the fourth quarter of 2013. It is expected that the construction work of phase II of the Huizhou Production Base will take about one year and the construction cost is currently estimated to be approximately RMB29.0 million (equivalent to approximately HK\$36.5 million). As at the Latest Practicable Date, the Group has not formulated the timeframe and the detailed plan for the construction of phase III of the Huizhou Production Base.

BUSINESS

Relocation plans

The Directors intend to relocate and centralise all the production facilities at the Shenzhen Production Base to the Huizhou Production Base. Such relocation plan will be implemented by two phases. The Group plans to relocate certain existing equipment and machinery from the Shenzhen Production Base to phase I of the Huizhou Production Base (the “**Phase I Relocation**”) and procure and install additional equipment and machinery, including a gravure printer, during the second to the third quarters of 2014. After completion of the Phase I Relocation with the machinery being installed thereon, the Group will have parallel manufacturing operations at both the Shenzhen Production Base and the Huizhou Production Base and the total production capacity of the Group is expected to increase from approximately 300,000 cases to approximately 400,000 cases per annum. The Directors consider that implementing the Phase I Relocation during the second to the third quarters of 2014 is appropriate as (i) the second and third quarters of the year are usually the slack season of the Group so that the impact on the Group’s operation could be minimised; (ii) the Group was advised by its machinery supplier that the ordering lead time for the gravure printer would be at least six months; and (iii) the Group plans to utilise the proceeds from the Share Offer for the procurement of additional equipment and machinery, including a new gravure printer.

The Group plans to order the gravure printer shortly after the Listing and other new equipment will be procured before the Phase I Relocation. It is estimated that the Phase I Relocation could be completed within two months and the Directors confirm that there will be no material interruption to production or loss of revenue as a result of the Phase I Relocation. The total costs of the Phase I Relocation, including relocation and testing expenses, are expected to be approximately RMB0.3 million, which will be funded by the Group’s internal resources, and funds required to procure new equipment and machinery will amount to approximately RMB17.0 million (equivalent to approximately HK\$21.4 million), which will be satisfied from the net proceeds from the Share Offer.

Upon the completion of the construction of phase II of the Huizhou Production Base, the Company plans to relocate the remaining production facilities at the Shenzhen Production Base to phase II of the Huizhou Production Base (the “**Phase II Relocation**”). The Company will consider the then production schedule of the Group to determine the exact time of the Phase II Relocation. It is currently estimated that the Phase II Relocation could be completed within two months and the relocation and equipment testing costs are estimated to be approximately RMB0.8 million, which will be funded by the Group’s internal resources. No major equipment is anticipated to be procured together with the Phase II Relocation.

After the Phase I Relocation and before the Phase II Relocation, the Group will be concurrently operating two production bases. It is expected that additional depreciation of approximately RMB3.0 million per annum will be incurred by the Group after the Phase I Relocation. The Group will employ certain production staff locally in Huizhou City to support its operation at phase I of the Huizhou Production Base. No major lay-off is expected at the Shenzhen Production Base as a majority of production facilities will be maintained at the Shenzhen Production Base before the Phase II Relocation.

BUSINESS

After the Phase II Relocation, the Group plans to terminate the current leases of the Shenzhen Production Base and will no longer have any production operation in Shenzhen. Pursuant to the prevailing lease agreements, the early termination of the leases of the Shenzhen Production Base will lead to the forfeiture of rental deposits amounting to RMB144,000. Accordingly, the Group expects to save rental expenses of approximately RMB1.8 million per annum after the termination of the leases. The Group intends to relocate its staff from the Shenzhen Production Base to the Huizhou Production Base after the Phase II Relocation. If any staff is not willing to be relocated to Huizhou City, the Group will dismiss such staff and compensate them in accordance with the applicable laws and the terms of their employment contracts. Severance payment expenses in accordance with the relevant labour law in the PRC will be incurred by the Group. Based on the number of employees of the Group and their average ages of working as at 31 December 2012 and the average salary level of the Group's employees in 2012, it is estimated that the total severance payment in the case of dismissal of all staff at the Shenzhen Production Base will amount to approximately RMB3.0 million. Other than the above, there will not be any material change in the cost and expense structure of the Group as a result of the Phase I Relocation and the Phase II Relocation and based on the Directors' knowledge, it is not likely that the Group will encounter material difficulty in recruiting production staff in Huizhou City.

In the event that the Group receives notice from the relevant governmental authorities and is required to move out from the Shenzhen Production Base prior to the Phase I Relocation, the Group will implement a contingency relocation plan to the Huizhou Production Base instead. In order not to cause material disruption to the production of the Group, the contingency relocation plan will be carried out by three phases. In the first phase, an offset printer and a foil stamping machine will be relocated from the Shenzhen Production Base to the Huizhou Production Base, and two new foil stamping machines and an automatic die-cutter will be purchased and installed at the Huizhou Production Base which altogether could provide a monthly production capacity of approximately 6,300 cases of cigarette packages. The second phase of the contingency relocation plan will involve the relocation of the other offset printer, four foil stamping machines and one automatic die-cutter from the Shenzhen Production Base to the Huizhou Production Base, which together with the machinery that have already been installed at the Huizhou Production Base, will provide a monthly production capacity of not less than 20,000 cases of cigarette packages. The third phase of the contingency relocation plan will involve the relocation of all the remaining equipment and machinery from the Shenzhen Production Base to the Huizhou Production Base. The Directors estimate that the contingency relocation could be completed within four months and would cost approximately RMB7.2 million, including approximately RMB6 million for the procurement of supplemental equipment and machinery and approximately RMB1.2 million for relocation and testing expenses, which will be financed by the Group's internal resources. As the Directors are of the view that even if the Group is required to vacate from the Shenzhen Production Base, a reasonable period of not less than six months will be granted to the Group for its arrangement of relocation and production schedule, and with the new equipment to be purchased to supplement the three-phase contingency relocation plan, the Directors believe that the contingency relocation will not have any material adverse impact on the Group's operation and will not result in any significant loss of revenue or adversely affect the Group's relationship with its customers. The Controlling Shareholders have agreed to fully indemnify the Group from any potential costs or losses should the Group be forced to move out from the Shenzhen Production Base due to the title defects of the Leased Properties.

BUSINESS

The Group had not experienced any interruptions in its business which may have or have had a significant effect on its financial position in the past 12 months up to the Latest Practicable Date. For further details of the property interests of the Group and the title defects of the Leased Properties, please refer to Appendix III to this prospectus and the paragraph headed “Properties” in this section, respectively.

Equipment and machinery

The Group puts emphasis on the possession of a full range of equipment and machinery to ensure its production efficiency, which also allows greater flexibility for it to meet custom requirements of its customers on cigarette package production in general. The principal equipment and machinery of the Group include those for offset printing, gravure printing, screen printing, foil stamping and die-cutting. In order to produce quality products that meet the specifications demanded by the customers of the Group, some of the major equipment and machinery used by the Group are acquired from overseas manufacturers, including two offset printers from Germany, three screen printers from Japan and a foil stamping machine and two automatic die-cutters from Switzerland.

The following is a list of the principal equipment and machinery of the Group as at the Latest Practicable Date:

Type	Brand	Number of unit	Year of purchase
Offset printer	MAN Roland, Germany	2	2000 and 2006
Gravure printer	Sotech, PRC	1	2009
Gravure printer	Zhenhengli (真亨利), PRC	2	2003 and 2008
Screen printer	Sakurai, Japan	3	2002, 2003 and 2004
Screen printer	Sicaite (絲彩特), PRC	1	2004
Foil stamping machine	Bobst, Switzerland	1	2001
Foil stamping machine	Yawa, PRC	8	2004, two in 2005, 2007, two in 2009, and two in 2012
Automatic die-cutter	Bobst, Switzerland	2	2006 and 2009
Automatic die-cutter	Yawa, PRC	1	2007

The equipment and machinery of the Group are operated by the production staff of the Group. As at the Latest Practicable Date, a total of 126 production staff were employed by the Group. The Group provides on-going technical training to the production staff on, amongst others, the safety operation and maintenance of the equipment and machinery. The equipment and machinery of the Group are routinely maintained on every working day to ensure their smooth operation. In order to further enhance the stability of production, inspections of the equipment and machinery are carried out weekly to identify and perform necessary repair and maintenance procedures. Under circumstances where in-house engineers are not able to repair the equipment and machinery, the Group would employ services from external professional technicians for assistances. The repair and maintenance costs of the Group amounted to approximately RMB320,000, RMB352,000 and RMB305,000 for each of the

BUSINESS

years ended 31 December 2010, 2011 and 2012, respectively. The Directors consider that, with adequate repair and maintenance, the existing principal equipment and machinery of the Group do not have to be replaced within the upcoming two years. As confirmed by the Directors, the relocation of the equipment and machinery of the Group from the Shenzhen Production Base to the Huizhou Production Base is not expected to cause any write-off of plant and machinery of the Group.

Seasonality

The products of the Group are solely used in the cigarette industry, hence production season of the Group highly correlates with that of the cigarette industry. As discussed in the section headed “Industry overview” in this prospectus, the peak season of the cigarette package industry in the PRC is around the first and the fourth quarters of a year given the high demand of cigarettes which are used as gifts during the Chinese New Year and the Mid-Autumn Festival. During the slack seasons, the Group reduces the operating hour of equipment and machinery, arranges maintenance of equipment and machinery, places more resources on product design and organises trainings to its employees.

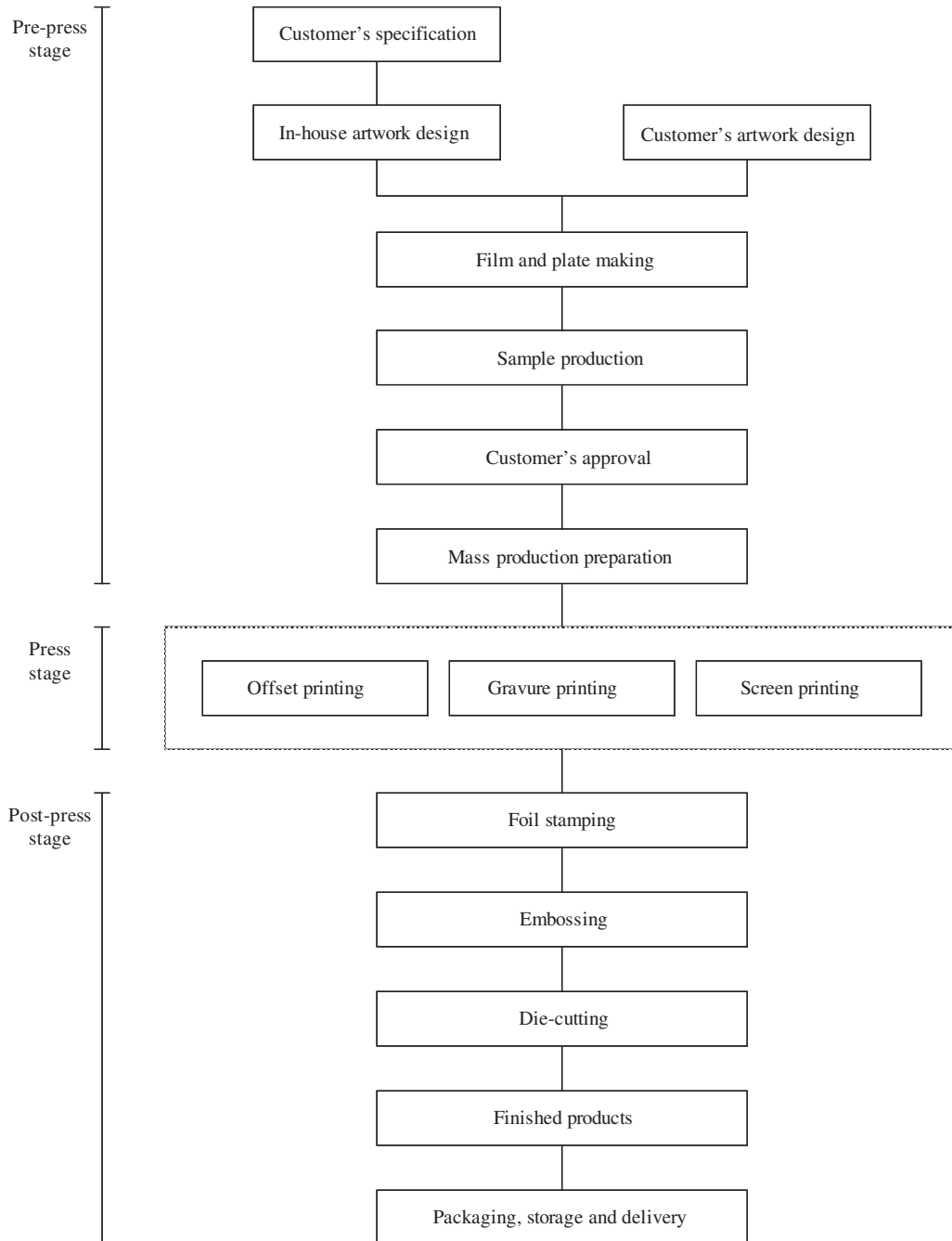
Subcontracting

During the Track Record Period, the Group engaged a subcontractor, who is an Independent Third Party, to perform certain gravure printing procedures in 2010 as the Group did not possess the suitable gravure printer at that time. The Group supplied the required paper to the sub-contractor and the sub-contractor was responsible for the arrangement of various resources, such as ink and equipment and machinery. The Group subsequently completed its set up of a suitable gravure printer in mid 2010 and hence, such subcontracting arrangements were no longer necessary since then. The subcontracting fees amounted to approximately RMB364,000, nil and nil, which represented approximately 0.4%, none and none of the total cost of sales of the Group, for each of the years ended 31 December 2010, 2011 and 2012, respectively. The Directors consider that the Group currently possesses sufficient production capacity and owns a full range of equipment and machinery to meet customer requirements in general.

BUSINESS

PRODUCTION PROCESS

The following chart illustrates the major steps for the Group to produce cigarette packages:



BUSINESS

The production process of cigarette packages may vary for individual designs, but can generally be divided into three stages, namely, pre-press, press and post-press, details of which are set out below:

Pre-press stage

The pre-press stage involves primarily the preparation works performed by the Group prior to mass production. The product design of cigarette packages are usually either (i) designed by the in-house product design staff of the Group which collaborate with customers to understand their product design specifications; or (ii) directly provided by customers. After finalising the in-house design or obtaining the customer's design, films and plates will then be produced in accordance with the product design. The plates, which act as moulds, will then be used to produce a small batch of prototypes, which are sent to the customers for approval. Upon obtaining approval from customers on the prototypes, the Group prepares to mass-produce the approved design by procuring the necessary raw materials, setting up the relevant equipment and machinery and arranging the mass production procedures.

Press stage

The customers' approved designs are mass-produced in the press stage, where papers are bulk printed with the specified colours and textures. There are a number of printing methods available to the Group, namely offset printing, gravure printing and screen printing. The number and sequence of the printing methods adopted to produce the required products depend on the design and specifications for the production batch. A brief description of the printing methods is as follows:

- Offset printing refers to the form of printing which involves the transfer or "offset" of image from the original image-carrier (such as a plate), to an intermediate image-carrier (such as a rubber blanket), then to the designated printing surface.
- Gravure printing is an intaglio printing technique, where the image to be printed is made up of small depressions in the surface of the printing plate. The cells are filled with ink and the excess is scraped off the surface, then a rubber-covered roller presses paper onto the surface of the plate and into contact with the ink in the cells.
- Screen printing refers to the form of printing in which ink is applied through a stencil attached to a finely-woven mesh screen, where ink is transferred to the designated printing area not covered by the stencil.

The Directors believe that the Group is equipped with quality multi-colour printers and a variety of equipment and machinery that is able to offer a variety of printing methods to meet the general market requirements on cigarette package production.

BUSINESS

Post-press stage

During the post-press stage, foil stamping may be conducted where a die is pressed onto the aluminium foils or anti-counterfeit labels as they pass above the designated printing area, making the aluminium foils or anti-counterfeit labels adhere to the designated printing area. Embossing may also be conducted to produce raised or sunken images by pressing two dies against both sides of the designated area. Subsequent to the above production processes, each piece of paper will be printed with several identical cigarette package images that can be individually cut out via the die-cutting process. The individual piles of cigarette packages, which have not yet been folded into box shape, will be stored in the warehouse and/or delivered to customers.

Cigarette manufacturers would fold the cigarette packages produced by the Group into box shape and fill cigarettes in them using automated machinery. Precise production of cigarette packages by the Group, including but not limited to accurate printing and die-cutting processes, is required to ensure stable production of the cigarette manufacturers.

PROCUREMENT

Raw materials

Raw materials required by the Group for production of cigarette packages principally include paper, anti-counterfeit labels, aluminium foil and ink. As the production lead time of most of the Group's products with order quantity of 1,000 cases or more is below four days and given the abundance and stability of raw material supply, the Group usually procures all raw materials after its customers have indicated to the Group their production and/or order schedules. The cost of raw materials accounted for approximately 78.0%, 78.3% and 80.2% of the total cost of sales of the Group for each of the years ended 31 December 2010, 2011 and 2012, respectively. Paper, in particular, is the major raw material used by the Group, where the amount of paper procurement accounted for approximately 64.4%, 67.8% and 59.6% of the total raw material procurement amounts of the Group for each of the years ended 31 December 2010, 2011 and 2012, respectively.

The Shenzhen Production Base is strategically located in Shenzhen Municipality of Guangdong Province, the PRC which the Directors believe to be a hub of raw materials suppliers for the cigarette package industry, allowing the Group quick access to raw materials as well as more efficient logistics in the procurement of raw materials. During the Track Record Period, a majority of the suppliers of the Group are located in Guangdong Province, the PRC. The Group usually selects its suppliers based on their pricing, quality, delivery terms, after-sales services and technological understanding. However, the customers of the Group may have strict requirements on the specifications of paper and the customers of the Group usually require the production of anti-counterfeit labels to be outsourced to only a limited number of producers. Therefore, the selection of suppliers by the Group, especially for the procurement of paper and anti-counterfeit labels, may sometimes be limited accordingly. For instance, the Group was contractually required to purchase paper from a subsidiary of China Tobacco Yunnan for the manufacture of cigarette packages to be supplied to China Tobacco Yunnan. Please

BUSINESS

refer to the paragraph headed “Customers — Five largest customers during the Track Record Period — China Tobacco Yunnan” in this section for detailed discussion of the relationship of the Group with China Tobacco Yunnan and the transactions conducted with China Tobacco Yunnan during the Track Record Period.

During the Track Record Period, the Group generally entered into one-year term legally binding and enforceable procurement contracts with its suppliers. Except for the contracts in relation to the purchase of anti-counterfeit labels for certain products produced by the Group, procurement contracts entered into by the Group were generally not supported by relevant back-to-back sales contracts. In most of the procurement contracts entered into by the Group during the Track Record Period, prices were fixed in the contracts while quantity, detailed specification of the raw materials to be supplied and the exact delivery time and location was subject to actual purchase order to be placed by the Group. Delivery costs were usually borne by the suppliers. For each of the years ended 31 December 2010, 2011 and 2012, raw materials purchases under fixed-price procurement contracts represented around 70% of the total amount of raw material purchase of the Group.

During the Track Record Period, the Group had more than ten major suppliers and all of them are domestic suppliers. The Directors consider that it is generally not difficult to replace its existing suppliers given that the raw materials required by the Group, such as paper, are usually available in the market with a variety of alternative suppliers. The Directors confirm that, during the Track Record Period, the Group has not experienced any shortage of raw material supply. For each of the years ended 31 December 2010, 2011 and 2012, purchases from the largest supplier of the Group represented approximately 21.0%, 21.8% and 20.6% of the total purchases of the Group and purchases from the five largest suppliers of the Group represented approximately 68.8%, 74.8% and 69.3% of the total purchases of the Group, respectively. None of the Directors, their respective associates, nor Shareholders who own more than 5% of the issued share capital of the Company, has any interest in the five largest suppliers of the Group during the Track Record Period.

Utilities

The operations of the Group require a substantial and continuous supply of electricity. Therefore, the availability and cost of electricity are key considerations in the operations of the Group. During the Track Record Period, the Group purchased electricity from regional power grid, namely Shenzhen Electricity Supply Bureau of Guangdong Power Grid Corporation (廣東電網公司深圳供電局). Electricity purchased by the Group amounted to approximately RMB2.6 million, RMB3.3 million and RMB2.7 million for each of the years ended 31 December 2010, 2011 and 2012, respectively, accounting for approximately 2.7%, 3.0% and 2.3% of the cost of sales of the Group during the same periods. Since the availability of electricity is important to the Group’s operations, the Group has installed backup power generators at the Shenzhen Production Base in case there is any electricity shortage or interruptions in electricity supply. The Directors confirm that the Group did not experience any material disruption to its utilities supply during the Track Record Period.

BUSINESS

INVENTORY CONTROL AND DELIVERY ARRANGEMENT

Inventory control

The inventories of the Group comprise raw materials, work in progress and finished goods. The Group maintains close relationship with its customers and its customers usually inform the Group their production and/or order schedules for the upcoming week or month, such that the Group is allowed sufficient time to plan its procurement schedules and liaise with its suppliers in advance. The Group aims to minimise its inventory level and endeavours to procure raw materials only after its customers have indicated their production and/or order schedules. Several other factors that facilitated the Group to plan its procurement schedule and minimise its inventory level include (i) the understanding of the Group in relation to the seasonal demand of the cigarette and cigarette package industry, where the Group may liaise with its suppliers in advance for the procurement of larger quantity of raw materials before its peak seasons; (ii) the ability of the Group to share certain raw materials given that cigarette package is the only product category of the Group, and thus new orders can usually utilise raw materials procured for similar orders that have not yet been utilised; (iii) the abundance and proximity of suppliers, from whom the Group can procure raw materials in a prompt manner; and (iv) the short production lead time of the Group, where the Group can have higher flexibility to control the timing for the procurement of raw materials.

Raw materials, work in progress and finished goods are stored under suitable environment to maintain their quality. The inventory balances of the Group as at 31 December 2010, 2011 and 2012 were as follows:

	As at 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	12,779	2,921	4,465
Work in progress	1,573	6,131	4,008
Finished goods	<u>11,083</u>	<u>14,542</u>	<u>1,820</u>
Total	<u>25,435</u>	<u>23,594</u>	<u>10,293</u>

In accordance with the accounting policies of the Group, the Group writes down inventories for obsolescence based on an assessment of the net realisable value of inventories. Write-down is applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the carrying amount of inventories. During the Track Record Period, the Group recorded reversal of write-down on obsolete inventories of approximately RMB29,000 for the year ended 31 December 2010 and recognised write-down on obsolete inventories of approximately RMB105,000 and RMB246,000 for each of the years ended 31 December 2011 and 2012, representing approximately 0.1%, 0.4% and 2.4% of the inventories of the Group as at the end of each year, respectively.

BUSINESS

The following table sets out the aged analysis of the inventories of the Group as at 31 December 2010, 2011 and 2012:

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Within 90 days	23,851	20,139	9,004
91 to 180 days	360	3,122	761
181 days to 1 year	1,213	221	380
Over 1 year	11	112	148
Total	<u>25,435</u>	<u>23,594</u>	<u>10,293</u>

As at 31 May 2013, approximately 94.9% of the inventories of the Group as at 31 December 2012 had been used or sold.

Delivery arrangement

The suppliers of the Group are responsible for the delivery of raw materials to the Group and, after production, the Group endeavours to deliver all its finished goods as soon as possible. During the Track Record Period, the Group engaged logistics service providers, who were Independent Third Parties, for all the delivery of finished goods to its customers. The Group generally did not enter into long term service contracts with the logistics service providers. The logistics service providers are responsible for the safe delivery of the finished goods and would bear the losses should the finished goods be damaged during delivery. The Group has also maintained delivery insurance to further enhance the protection of the Group against potential accidental losses to its finished goods during delivery. The delivery destinations are located in different provinces in the PRC, depending on the location of the customer. The deliveries were primarily by road and the delivery expenses were insignificant, which amounted to approximately RMB1.4 million, RMB1.7 million and RMB1.7 million for each of the years ended 31 December 2010, 2011 and 2012, respectively. The Directors confirmed that, during the Track Record Period, the Group did not experience any material loss associated with product delivery.

QUALITY CONTROL

Cigarette manufacturers in the PRC place strong emphasis on the quality of cigarette packages to ensure their smooth production operation and to distinguish their authentic products from the counterfeit ones. As such, the Group has implemented a series of quality control measures to ensure its products can meet or exceed the requirements on cigarette packages as set forth by its customers and also the PRC government. According to the quality control measures of the Group, quality control procedures are routinely performed on (i) raw materials; (ii) work in progress; and (iii) finished goods. As at the Latest Practicable Date, the Group had a total of 121 quality control staff dedicated to the quality control of the products of the Group and the Group has also imported a variety of quality

BUSINESS

control equipment from overseas, which include, among others, two spectrophotometers and a VOC analyzer from the United States, three bar-code assessment devices from Germany and a crease and board stiffness tester from the United Kingdom to facilitate the quality control processes of the Group.

Sample inspections of raw materials are performed on, amongst others, the surface quality of paper, the pattern of anti-counterfeit labels, the colour of aluminium foils, the expiry date of inks and the amount of VOC of the raw materials. Raw materials that do not meet the requirements of the Group are returned to the relevant suppliers and only the raw materials that meet the requirements are stored in the warehouse of the Group. Prior to the commencement of mass production, prototypes are produced for quality inspection to avoid mass production of defective products. For work in progress, including prototypes before mass production and goods in mass production, sample inspections are performed for each production procedure on, amongst others, the colour and surface effects after different printing procedures, the quality of paper edges after die-cutting procedures and the amount of VOC of the work in progress, such that the sources of defects can be identified and rectified as soon as practicable. After the completion of production, finished goods undergo two rounds of full inspection, each of which followed by a round of sample inspection, and only those that meet the requirements, which include but not limited to those related to the coloring and positioning of artwork and the amount of VOC of the finished goods, are packaged to be stored and subsequently delivered.

The Directors consider that the capability of the Group in quality assurance is evidenced by the fact that the Group had not experienced any significant product return, defect products, redelivery or material quality disputes with its customers during the Track Record Period. In addition, Universal Certification Service Co., Ltd. has accredited Shenzhen Oceania with ISO9001:2008 since 2009. According to Euromonitor, there are counterfeit products of the cigarette products of the Group's major customers in the market. However, to the best knowledge of the Directors, such counterfeit products had not caused any material adverse impact on the business of the Group during the Track Record Period.

PROPERTIES

As at the Latest Practicable Date, the Group has obtained the land use rights to the Huizhou Site with a site area of 54,886 sq.m. located in Huizhou City, Guangdong Province, the PRC. The construction work and the relevant completion and acceptance procedures of phase I of the Huizhou Production Base with a gross floor area of approximately 9,644.16 sq.m. have been completed. The Group leased the Leased Properties located in Longgang District, Shenzhen, Guangdong Province, the PRC, which were the principal place of operation of the Group during the Track Record Period and up to the Latest Practicable Date. The Leased Properties comprise three 4-storey factory buildings used by the Group as production plant and three 5-storey dormitory buildings used by the Group as staff quarters with an aggregate gross floor area of approximately 16,481 sq.m.. As at the Latest Practicable Date, the Group also leased one property with a gross floor area of approximately 745 sq. ft. in Hong Kong as its principal place of business in Hong Kong.

BUSINESS

A summary of the properties owned and leased by the Group in the PRC and Hong Kong is set forth below:

a) **Property interests owned by the Group in Huizhou City, Guangdong Province, the PRC**

Location	Use	Site area (sq.m.)	Owner
Yuan Xi Qu Ke Ji Gong Ye District, Dayawan Economic and Technology Development Zone, Huizhou, Guangdong Province, the PRC (中國廣東省惠州市大亞灣經濟 技術開發區原西區科技工業園)	Proposed production base erected upon a parcel of land	54,886	Huizhou Jin Cai

b) **Property interests leased by the Group in Shenzhen City, Guangdong Province, the PRC**

Location	Use	Gross floor area (sq.m.)	Expiry date of lease	Lessor
Workshop No. 1, No. 21 Jianlong Street, Bao'an Community, Henggang Sub-district, Longgang District, Shenzhen, Guangdong Province, the PRC	Production plant	3,688	15 April 2016	深圳市橫崗保安股份 合作公司 (Shenzhen Henggang Baoan Share Co-operative Company*)
Levels 1 to 4, Workshop No. 2, No. 21 Jianlong Street, Bao'an Community, Henggang Sub-district, Longgang District, Shenzhen, Guangdong Province, the PRC	Production plant	3,701	15 April 2016	深圳市橫崗保安股份 合作公司 (Shenzhen Henggang Baoan Share Co-operative Company*)

BUSINESS

Location	Use	Gross floor area (sq.m.)	Expiry date of lease	Lessor
Levels 1 to 4, Workshop, No. 39 Jianlong Street, Bao'an Community, Henggang Sub-district, Longgang District, Shenzhen, Guangdong Province, the PRC	Production plant	3,740.72	15 April 2016	深圳市橫崗保安股份 合作公司 (Shenzhen Henggang Baoan Share Co-operative Company*)
Levels 1 to 5, Dormitory Building No. 1, No. 21 Jianlong Street, Bao'an Community, Henggang Sub-district, Longgang District, Shenzhen, Guangdong Province, the PRC	Staff quarter	1,588	15 April 2016	深圳市橫崗保安股份 合作公司 (Shenzhen Henggang Baoan Share Co-operative Company*)
Levels 1 to 5, Dormitory Building No. 2, No. 21 Jianlong Street, Bao'an Community, Henggang Sub-district, Longgang District, Shenzhen, Guangdong Province, the PRC	Staff quarter	1,597	15 April 2016	深圳市橫崗保安股份 合作公司 (Shenzhen Henggang Baoan Share Co-operative Company*)
Levels 1 to 5, Dormitory Building, No. 39 Jianlong Street, Bao'an Community, Henggang Sub-district, Longgang District, Shenzhen, Guangdong Province, the PRC	Staff quarter	2,166.02	15 April 2016	深圳市橫崗保安股份 合作公司 (Shenzhen Henggang Baoan Share Co-operative Company*)

BUSINESS

c) Property interests leased by the Group in Hong Kong

Location	Use	Gross floor area	Expiry date of lease
Suite 2312, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong	Office use	745 sq. ft.	14 March 2015

Pursuant to Rules 5.01A and 5.01B of the Listing Rules, the Directors confirm that:

- the Group did not have any property interest that formed part of its property activities as at the Latest Practicable Date; and
- save and except the disclosure as set out in Appendix III to this prospectus in relation to the Huizhou Site, no single property interest that formed part of the Group's non-property activities has a carrying amount of 15% or more of the Group's total assets as at 31 December 2012.

Title defects of the Leased Properties

As at the Latest Practicable Date, 深圳市橫崗保安股份合作公司 (Shenzhen Henggang Baoan Share Co-operative Company*), the lessor of the Leased Properties (the “**Lessor**”), does not possess the relevant valid building ownership certificates and construction permits for the Leased Properties. Pursuant to the Decision of the Standing Committee of Shenzhen Municipal People's Congress for Handling Illegal Buildings Left over from the Process of Rural Urbanisation* (深圳市人民代表大會常務委員會《關於農村城市化歷史遺留違法建築的處理決定》) (the “**Decision**”), the Leased Properties, which did not possess the required title certificates and construction permits, might be deemed as illegal buildings left over from the process of rural urbanisation (the “**Historical Illegal Buildings**”). Pursuant to the Decision, Historical Illegal Buildings will be handled by the Shenzhen Government by ways of confirming ownership, demolishing, expropriating or granting temporary use of the properties. The Lessor has reported the Leased Properties to the Leading Group Office of the Henggang Sub-district of Shenzhen Longgang District which handles the Historical Illegal Buildings Issue* (深圳市龍崗區橫崗街道處理農村城市化歷史遺留違法建築工作領導小組辦公室) and received an acknowledgement on 3 August 2010.

The Henggang Sub-district Office of Shenzhen Longgang District* (深圳市龍崗區橫崗街道辦事處) (the “**Henggang Sub-district Office**”) issued a certificate letter on 22 March 2011, confirming that (i) the Leased Properties were beneficially owned by the Lessor; (ii) the Lessor has reported the situation of the Leased Properties as Historical Illegal Buildings to the competent authorities pursuant to the relevant regulations in Shenzhen; (iii) the Leased Properties comply with relevant structure and fire safety requirements and therefore are permitted to be temporarily used; and (iv) the Leased Properties did not fall within any demolition plan and the Henggang Sub-district Office will not retrieve the Leased Properties or forbid the use of such properties. Furthermore, Longgang branch of Urban Planning, Land & Resources Commission of Shenzhen Municipality* (深圳市規劃和國土資源委員會龍崗管理局) (the “**Shenzhen Land Commission**”) issued a letter on 27 May 2011, confirming that the Lessor had the right to use and make profit out of the land of which the Leased Properties form part, and that such land was not part of any city reconstruction plan and will not be demolished.

BUSINESS

Notwithstanding the above and that the Group has not received any challenges to its rights to occupy and use the Leased Properties or any notification to vacate from such properties as at the Latest Practicable Date, the PRC Legal Advisers are of the opinion that there still exists the risk that the relevant authorities in the PRC may deem the lease of the Leased Properties invalid and unenforceable and the Group may be required to vacate from the premises should the relevant governmental authorities order so.

The PRC Legal Advisers have further advised that:

- (i) based on the confirmation letters issued by the relevant governmental authorities, the Lessor (i) is the beneficial owner of the Leased Properties; (ii) has the right to construct workshop, dormitory and other ancillary facilities on the land of which the Leased Properties form part; and (iii) has the right to gain profit from leasing the Leased Properties to the Group;
- (ii) according to the Decision, Historical Illegal Buildings are permitted to be used temporarily for business operation and the application for the registration of lease of such illegal buildings will be processed if the relevant fire safety and construction structure safety requirements have been complied with. The relevant safety certificates in respect of the Leased Properties have been obtained and the Lessor and the Group have completed the registration of the Leases with the relevant governmental authorities in Shenzhen, Guangdong Province, the PRC;
- (iii) the Group is not liable to any fine or administrative penalty should the leases of the Leased Properties be deemed to be invalid and unenforceable by the PRC court;
- (iv) according to a confirmation and undertaking letter issued by the Lessor on 15 January 2013, there was no dispute, litigation or other disagreement between the Lessor and Shenzhen Oceania regarding the title of the Leased Properties and there has not been any breach of lease agreements in respect of the Leased Properties by either party or any investigation or penalty initiated by the government relating to the Leases or the titles of the Leased Properties as at the date of the confirmation. The Lessor further undertook that (i) unless required by laws and regulations or due to factors that are beyond its control, the Lessor would not repossess the Leased Properties from Shenzhen Oceania prior to the expiry of the relevant lease agreements; and (ii) in the event of early termination of the relevant lease agreements due to the title defects of the Leased Properties, the Lessor will grant a relocation period of not less than 120 days to Shenzhen Oceania;
- (v) according to the PRC Legal Advisers' interview on 31 October 2012 with the Shenzhen Land Commission which, as confirmed by the PRC Legal Advisers, is competent to give the confirmation, the chance of the Leased Properties being demolished as illegal buildings in the coming two to three years is remote; and
- (vi) considering the contingency plans adopted by the Group, which are discussed in more details in the paragraph headed "Production Facilities — Huizhou Production Base" in this section, the PRC Legal Advisers opined that the title defects of the Leased Properties will not have material adverse impact on the operation and financial condition of the Group.

BUSINESS

In order to minimise the ongoing risk of any disruption to the operation of the Group and to cope with the future business development of the Group, it is the intention of the Group to relocate the existing production facilities from the Shenzhen Production Base to the Huizhou Production Base. Please refer to the paragraph headed “Production facilities — Huizhou Production Base — Relocation plans” in this section for more details regarding the relocation plans of the Group.

In addition, the Controlling Shareholders have jointly and severally agreed to fully indemnify the Group from any potential costs or losses should the Group be forced to move out from the Shenzhen Production Base due to the title defects of the Leased Properties.

INTELLECTUAL PROPERTY

The Group has been developing new production techniques and designing innovative products so as to build up its competitive edges in the market. The Group currently holds two utility model patents in the PRC for anti-counterfeit cigarette package with visual identification and ratio frequency identification combined (視覺識別與射頻識別相結合的防偽煙盒) and printing equipment of dual identification anti-counterfeit labels (雙重識別防偽標籤的印刷設備). Both of these patents were granted in May 2007 and listed Ms. Huang as one of the inventors. Although these patents have not yet been utilised by the Group for mass production as at the Latest Practicable Date, the Directors believe that the holding of such patents provides flexibility to the Group to develop innovative designs to customers. The Group has also registered the domain name of www.jincaiholding.com, which is currently used as the website of the Group. For further details of patents and trademarks registered or being applied for registration by the Group, please refer to Appendix V to this prospectus.

The Directors confirm that, during the Track Record Period, the Group had not encountered any proceedings concerning any actual, pending or threatened claims of actual or potential infringement of any intellectual property rights in which the Group was the claimant or respondent.

COMPETITION

The Group primarily competes with domestic cigarette package manufacturers of various scales. In general, the Directors consider that the number of competitors in the cigarette package industry is limited by several entry barriers including:

- the substantial initial capital investment required to possess suitable plant and equipment and machinery to produce quality products that can meet the demands of customers;
- the requirement of industry knowledge, technical know-how and product design capability to understand and satisfy the needs of customers;
- the requirement of business relationship with cigarette manufacturers to secure a stable network of customers to facilitate the maintenance and development of business;

BUSINESS

- the requirement of significant time for cigarette manufacturers to assess the new cigarette package producer before granting an “approved supplier” status to such producer; and
- the tendering process that a new cigarette package producer needs to go through in order to procure orders.

Despite the existence of entry barriers, the Directors are of the view that the cigarette package industry in the PRC is competitive and fragmented with both large-scaled and small-scaled competitors and many of the competitors are based in the Pearl River Delta and Yangtze River Delta. Furthermore, cigarette manufacturers in the PRC have gradually adopted the tendering system for the selection of cigarette package producers, which has intensified the price competition in the industry and narrowed the profit margin of the Group. However, the Directors consider that the Group is capable of competing and has growth potential in the industry given that the Group possesses the competitive strengths as detailed in the paragraph headed “Competitive strengths” in this section.

AWARDS AND RECOGNITIONS

Since the establishment of the Group, it has been granted a number of awards and recognition in respect of, among other things, its business operation, quality management system and credit rating. Set out below are information on the major awards and recognitions of Shenzhen Oceania:

Year of issue	Award or recognition	Awarding body	Validity
2004	ISO 9001:2000 for design and manufacture of cigarette boxes	SGS United Kingdom Ltd	Three years
2007	High-tech Enterprise in Shenzhen Municipality (深圳市高新技術企業)	Shenzhen Bureau of Science Technology and Information (深圳市科技和信息局)	Four years
2007	Honor Title of Credit List for Small and Medium Enterprise Clients of Shenzhen Banks 2007 (深圳市2007年度銀行中小企業客戶誠信榜誠信企業)	Shenzhen Credit Association (深圳市信用協會) and Shenzhen Small & Medium Enterprises Credit Guarantee Center (深圳市中小企業信用擔保中心)	Not applicable
2009	Credit rating of “A-”	Dagong Global Credit Ratings Co., Ltd (大公國際資信評估有限公司)	Not applicable
2009	ISO 9001:2000 and ISO 9001:2008 for the printing (contain design) and service of tobacco’s packing	Universal Certification Service Co., Ltd.	Three years

BUSINESS

Year of issue	Award or recognition	Awarding body	Validity
2010	Top 500 Small and Medium Growth Industrial Enterprise in Shenzhen Municipality (深圳市成長型中小工業企業500強)	Shenzhen SITIC and Shenzhen Service Centre of Medium-Small Enterprises (深圳市中小企業服務中心).	Two years
2010	Integrity Exemplary Enterprise of Guangdong Province (廣東省誠信示範企業)	Guangdong Provincial Enterprise Confederation (廣東省企業聯合會) and Guangdong Entrepreneurs Association (廣東省企業家協會)	Three years
2011	High-tech Enterprise in Shenzhen Municipality (深圳市高新技術企業)	Shenzhen Bureau of Science Technology and Information (深圳市科技工貿和信息化委員會) and Shenzhen Financial Committee (深圳市財政委員會)	Three years
2011	ISO 9001:2008 for the printing (contain design) and service of tobacco's packing	Universal Certification Service Co., Ltd.	Three years
2011	Credit rating of "A+"	Dagong Global Credit Ratings Co., Ltd (大公國際資信評估有限公司)	Not applicable

LABOUR AND SAFETY MATTERS

The PRC operations of the Group are subject to various labour and safety laws and regulations in the PRC, which include, the PRC Labour Law (《中華人民共和國勞動法》), the PRC Labour Contract Law (《中華人民共和國勞動合同法》), the Regulations on Work Injury Insurance (《工傷保險條例》), the Provision Regulations on Collection of Social Insurance Premiums (《社會保險費徵繳暫行條例》) and the PRC Social Insurance Law (《中華人民共和國社會保險法》).

The Group places emphasis on the compliance with the labour and safety laws and regulations in the PRC and has established necessary measures to comply with those laws and regulations. The Group has participated in various mandatory insurance plans, including pension insurance plan, unemployment insurance plan, maternity insurance plan, injury insurance plan and medical insurance plan as required by the relevant laws and regulations. The Group has established internal work place safety guidelines and conducted occupational safety trainings to promote safety awareness of its employees. The Group has also established a system of recording and handling significant labour accidents and the Directors confirm that the Group had not experienced any significant labour accident which had a material adverse impact on the Group during the Track Record Period.

BUSINESS

The PRC Legal Advisers advised that, based on the confirmation issued by the relevant PRC authorities, save as disclosed in the paragraph headed “Regulatory and legal matters — Non-compliance matters” in this section, the Group has complied with all relevant mandatory local and national labour and safety laws and regulations during the Track Record Period. No penalty has been imposed on the Group by the relevant PRC authorities in respect of the Group’s non-compliance of the labour, social insurance and safety matters during the Track Record Period.

ENVIRONMENTAL PROTECTION

The Directors are aware of the importance of environmental protection and hence, the Group pays close attention to ensure its operations comply with the environmental protection laws and regulations in the PRC. The Directors are also of the view that the production process of the Group does not generate hazards that will cause any significant adverse impact on the environment. Wastes generated by the production process of the Group primarily consist of paper and ink. The Group takes steps to ensure that industrial wastes and by-products produced as a result of the operations are properly disposed of in order to minimise adverse effects to the environment. The Group has also arranged professional industrial wastage processor to collect pollutants produced by the Group during its operations, which primarily include waste paper and ink. Furthermore, the Group endeavours to procure raw materials that are environmentally friendly. Expenses incurred by the Group for compliance with the environmental protection laws and regulations amounted to approximately RMB64,000, RMB90,000 and RMB50,000 for each of the years ended 31 December 2010, 2011 and 2012, respectively. The ongoing expenses of the Group for compliance with environmental laws and regulations are expected to be less than RMB100,000 per year.

Based on the confirmation issued by the relevant PRC authorities, the PRC Legal Advisers advised that save as disclosed in the paragraph headed “Regulatory and legal matters — Non-compliance matters” in this section, the Group has complied with all relevant mandatory local and national environmental protection laws and regulations during the Track Record Period. No penalty has been imposed on the Group by the authorities in respect of the Group’s non-compliance of the environmental protection matters during the Track Record Period.

INSURANCE

During the Track Record Period, the insurance policies maintained by the Group primarily include (i) social insurance for its employees as required by the PRC rules and regulations; (ii) integrated insurance for certain of its equipment and machinery; and (iii) delivery insurance against accidental losses to its products during delivery. The insurance premium paid by the Group for each of the years ended 31 December 2010, 2011 and 2012 amounted to approximately RMB678,000, RMB996,000 and RMB1.2 million, respectively.

The PRC Legal Advisers advised that, save as disclosed in the paragraph headed “Regulatory and legal matters — Non-compliance matters” below, during the Track Record Period, the Group has maintained employees’ insurance policies that are mandatory under PRC laws. Moreover, the Directors

BUSINESS

consider that the Group's insurance coverage is sufficient and in line with the general practice in the PRC. The Directors further confirm that the Group has not experienced any material claims or liabilities arising from any accidents relating to the Group's operations or product liabilities during the Track Record Period and up to the Latest Practicable Date.

LEGAL PROCEEDINGS

The Group is not involved in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to be pending or threatened against any member of the Group as at the Latest Practicable Date.

REGULATORY AND LEGAL MATTERS

The Group is required to possess the printing operation permit (印刷經營許可證), which has to be renewed every three years, for its cigarette package printing business in the PRC and the current printing operation permit of Shenzhen Oceania and Huizhou Jin Cai will both expire on 31 December 2013. Historically, the relevant regulatory authority would issue a notice regarding the relevant requirements for the application of permit renewal during the final two months of the term of the permit. The Group has not yet received such notice as at the Latest Practicable Date. For the most recent permit renewal of the Group, the applicants were required to fill out and submit an evaluation form, which covered areas including, but not limited to, the production site area of the applicant, equipment and machinery possessed by the applicant, product type of the applicant and the non-compliance records of the applicant. The Group has had no instance of failing to obtain or renew its printing operation permit (印刷經營許可證) in the past. With reference to the historical requirements and assuming that there will not be any major changes in the upcoming renewal requirements, the PRC Legal Advisers are of the view that there is no legal impediment for each of Shenzhen Oceania and Huizhou Jin Cai in their renewal of the printing operation permit (印刷經營許可證).

The Group has adopted internal control measures to ensure that all the existing licences, permits and approvals of Shenzhen Oceania remain valid during its operation period and all relevant title certificates, licences and approvals for the Huizhou Production Base have been obtained before its commencement of operation. The Group has prepared a licensing and approval requirement checklist, which has been reviewed by the PRC Legal Advisers. The Group has also assigned designated staff to closely monitor the compliance status of each of the operating subsidiaries of the Group in accordance with the checklist. Mr. Li Wei, the chief administrative officer of the Group, will review the work of such staff and report the compliance status of the Group to the Directors on a quarterly basis.

In addition, the Group has internal guidelines to prevent bribery which include prohibition of undue receipt of hospitalities from suppliers by the employees of the Group and prevention of offering unlawful advantage to the employees or agents of the Group's customers or other business partners, such as strict prohibition against provision of improper economic benefits to counterparties of the Group.

BUSINESS

The PRC Legal Advisers have confirmed that, save as disclosed below, the Group has obtained all necessary licences, approvals and permits from appropriate regulatory authorities for conducting the Group's business operations in the PRC and the Group has complied with the relevant PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

Non-compliance matters

Title defects of the Leased Properties

As detailed in the paragraph headed "Properties" in this section, the lessor of the Leased Properties at which the Shenzhen Production Base is situated does not possess the relevant valid building ownership certificates and construction permits for the Leased Properties. The PRC Legal Advisers advised that there exists the risk that the relevant authorities in the PRC may deem the lease of the Leased Properties invalid and unenforceable and the Group may be required to vacate from the premises should the relevant governmental authorities order so. Please refer to the paragraphs headed "Properties" and "Production facilities" in this section for details of the title defects of the Leased Properties and the remedial actions of the Group.

Unemployment social insurance contributions

Prior to August 2011, Shenzhen Oceania did not pay the requisite contribution for unemployment social insurance for its employees according to relevant social insurance regulations in the PRC. Such non-compliance was mainly attributable to the insufficient understanding of the Group's staff on the requirements of the relevant PRC social insurance regulations. According to the PRC Legal Advisers, if employers fail to make unemployment social insurance contributions on time, the authorities have the right to issue a notice to order such employers to make unemployment social insurance contributions within thirty days from the receipt of the notice by the employers, plus a late payment surcharge of (i) 0.5% per day before July 2011; and (ii) 0.05% per day after July 2011 of the unpaid amount. In the event of continuous non-payment for the unemployment social insurance, the maximum fine will amount to two times the unpaid amount. Based on the Group's calculation, the total amount of unpaid unemployment social insurance during the Track Record Period and late payment surcharge was approximately RMB0.2 million as at the Latest Practicable Date. On 24 January 2013, the PRC Legal Advisers interviewed the officer of Shenzhen Longgang Social Insurance Bureau (the "**Bureau**") regarding the historic non-compliance of Shenzhen Oceania and was advised that the Bureau will not automatically require Shenzhen Oceania to make the historic unpaid unemployment social insurance and usually will not impose any fine or penalty on Shenzhen Oceania. The PRC Legal Advisers further advised that according to the Administrative Penalty Law of the PRC (中華人民共和國行政處罰法), no administrative penalty shall be imposed two years after the termination of the relevant continuous or consecutive non-compliance incidents. Since Shenzhen Oceania has been making unemployment social insurance contributions for its employees in accordance with the relevant laws and regulations from August 2011, the relevant governmental authorities should not impose any fine or administrative penalty on Shenzhen Oceania after July 2013. As at the Latest Practicable Date, the Group has not received any notice from the relevant governmental authorities requiring it to settle the unpaid amount, nor has it been imposed any fine or

BUSINESS

administrative penalty relating to the unpaid unemployment social insurance contributions. On the contrary, the relevant governmental authority has issued a confirmation letter certifying that the Group had been making social insurance contributions on time and there was no record that the Group was fined or penalised due to any breach of the relevant social insurance laws and regulations.

Housing provident fund contributions

On 20 December 2010, the relevant housing provident fund authority in Shenzhen required enterprises in Shenzhen to undergo the necessary registration procedures and make housing provident fund contributions for their employees. However, prior to December 2010, Shenzhen Oceania did not make housing provident fund contributions for its employees as it was the understanding of the then staff of Shenzhen Oceania that it was not a mandatory requirement for enterprises to make housing provident fund contributions for its employees. Based on the Group's calculation, the total amount of unpaid housing provident fund during the Track Record Period was approximately RMB0.4 million. The PRC Legal Advisers advised that in the case of failure to make housing provident fund contributions, the relevant PRC housing provident fund authority could demand the Group to pay the outstanding amount within a prescribed period of time, failing which the court may order for a compulsory enforcement according to the application from the aforesaid authority. The PRC Legal Advisers further advised that, as Shenzhen Oceania has been making housing provident fund contributions for its employees according to the relevant requirements since December 2010 and more than two years have elapsed since the non-compliance was rectified, Shenzhen Oceania should no longer be required to pay the outstanding contributions or subject to any fine or administrative penalty according to the Administrative Penalty Law of the PRC (《中華人民共和國行政處罰法》). The Directors confirm that as at the Latest Practicable Date, Shenzhen Oceania has not received any notice from the relevant governmental authorities ordering it to make unpaid housing provident fund contributions or imposing any fine or administrative penalty on the Group. The PRC Legal Advisers are of the opinion that the non-compliance of the Group in relation to the housing provident fund contributions will not have any material impact on the Group's operation.

Registered capital of Shenzhen Oceania

As detailed in the section headed "History, Corporate Reorganisation and group structure" in this prospectus, Shenzhen Oceania, the principal operating subsidiary of the Group, was established under the PRC laws in March 2000. At the time of its establishment, the amount required to be paid up as the original registered capital of Shenzhen Oceania was RMB24,000,000. Such amount was required to be fully paid up within six months of the establishment of Shenzhen Oceania. However, the then shareholders of Shenzhen Oceania did not strictly comply with the requirement to fully pay up the original registered capital within the six-month period. Besides, Shenzhen Jiayang and Shenzhen Zitaiyang did not contribute their share of registered capital to Shenzhen Oceania in exactly the same manner as stated in the relevant approval letter issued by the Foreign Trading and Investment Bureau of Shenzhen (深圳市外商投資局) dated 1 February 2000.

BUSINESS

Given that: (i) the original registered capital of Shenzhen Oceania had been fully paid up on 22 November 2000; (ii) the relevant Industry and Commerce Bureau did not impose any penalty on Shenzhen Oceania when it issued updated business licenses to Shenzhen Oceania; and (iii) Shenzhen Oceania has passed all industry and commerce annual inspections in the subsequent years, the PRC Legal Advisers are of the view that the delay in capital contribution and changing the manner of contribution does not, and will not, affect the due establishment and valid existence of Shenzhen Oceania and Shenzhen Oceania is no longer subject to any administrative penalty or fine since the non-compliance has been rectified for more than two years.

Loans and advances to a related party

During the Track Record Period, Shenzhen Oceania made unsecured and non-interest bearing loans and advances to Shenzhen Zhuowei Jiaqi, a former shareholder of Shenzhen Oceania. The outstanding balance of the Group due from Shenzhen Zhuowei Jiaqi amounted to approximately nil, RMB5.0 million and RMB3.8 million as at 31 December 2010, 2011 and 2012, respectively. The maximum outstanding balance of the Group due from Shenzhen Zhuowei Jiaqi amounted to approximately RMB26.0 million, RMB5.0 million and RMB6.9 million for each of the years ended 31 December 2010, 2011 and 2012, respectively. As advised by the PRC Legal Advisers, the advances made by the Group did not comply with the Lending General Provisions (《貸款通則》) formulated by the People's Bank of China in 1996, pursuant to which enterprises engaged in lending could be subject to a penalty between one to five times of the income generated from such activities. Since the loans and advances between Shenzhen Oceania and Shenzhen Zhuowei Jiaqi are non-interest bearing, no fines will be imposed on Shenzhen Oceania according to the foregoing provision. As at the Latest Practicable Date, the outstanding balance of the advances made to Shenzhen Zhuowei Jiaqi by the Group has been fully repaid and the Group has not been fined or penalised by the relevant authorities in relation to such lending activities. In view of the above, the PRC Legal Advisers are of the view that the lending activities conducted by the Group during the Track Record Period would not have any material impact on the business of the Group.

Environmental impact assessment procedures

According to the PRC environmental laws and regulations, Shenzhen Oceania was required to undertake the relevant environmental impact assessment procedures for the construction project when it commenced operation at the Shenzhen Production Base in 2000. As confirmed by the PRC Legal Advisers, Shenzhen Oceania has obtained the relevant approval for the environmental impact assessment in January 2000 (the “**First Approval**”). The First Approval expired in five years after its issuance. According to the relevant PRC environmental laws and regulations, Shenzhen Oceania was required to file an application to renew the environmental impact assessment approval immediately upon its expiry. However, due to staff's lack of relevant legal knowledge and experience, Shenzhen Oceania failed to complete such procedures when the First Approval expired in January 2005. Shenzhen Oceania completed the relevant environmental impact assessment procedures and obtained the required approval in May 2011 for all of its production facilities.

BUSINESS

According to the PRC environmental laws and regulations, where an enterprise commences production or use its facilities without completing the required environmental impact assessment procedures, the competent authority has the right to order the enterprise to stop the production and impose a fine of less than RMB100,000 on the enterprise. As (i) Shenzhen Oceania has obtained the necessary environmental impact assessment approvals for all of its production facilities in May 2011 such that the non-compliance has been rectified for over two years as at the Latest Practicable Date; (ii) the competent PRC environmental protection authority did not impose any fine or penalty on Shenzhen Oceania when it issued the relevant approvals to Shenzhen Oceania in 2011; and (iii) the competent environmental protection authority in the PRC issued a confirmation letter on 18 December 2012, certifying that there was no record that Shenzhen Oceania was the subject of any administrative penalty with regard to environmental protection regulations, the PRC Legal Advisers opined that the relevant governmental authorities should not impose any fine or administrative penalty on Shenzhen Oceania after May 2013 and the delay in the completion of requisite environmental impact assessment procedures by Shenzhen Oceania will not have any material impact on the operation of the Group.

Non-compliance with Companies Ordinance

Ms. Huang is the sole director of Super Future, a subsidiary of the Company. She has failed to cause the audited accounts of Super Future for the period ended 31 December 2011 (i.e. the first audited accounts of Super Future since its incorporation on 19 January 2011) (the “**Super Future Accounts**”) to be laid before Super Future at its annual general meeting by way of shareholder’s written resolutions passed on 19 January 2012. The aforesaid constituted non-compliance of section 122 of the Companies Ordinance. Super Future is an investment holding company and, save and except the opening of bank account and incurring incorporation expenses, has had since its incorporation no business activity in Hong Kong or elsewhere until September 2012 when Super Future acquired Shenzhen Oceania. Owing to the lack of familiarity with the Hong Kong legal requirements in light of Super Future’s very limited operations in Hong Kong, Ms. Huang, the then and existing sole director of Super Future, was not aware of the statutory obligations under the Companies Ordinance to present audited accounts at the company’s annual general meeting.

Immediately upon becoming aware of the above requirement, Super Future engaged an auditor to prepare the Super Future Accounts. On 21 January 2013, the sole shareholder of Super Future passed a written resolution to approve the Super Future Accounts. On 22 January 2013, Ms. Huang, the sole director of Super Future, filed an application to the Court of First Instance of the High Court of Hong Kong to apply for an order of the Court to substitute the requirement of laying the audited accounts before Super Future at its annual general meeting by written resolution of the sole shareholder of Super Future passed on 21 January 2013, and extend the time for approving the Super Future Accounts. On 31 January 2013, the Court of First Instance granted an order allowing the aforementioned substitution and the time for approving the Super Future Accounts be extended to 21 January 2013. Based on the above, Loong & Yeung, the Hong Kong legal advisers to the Company, advised that the non-compliance has been duly rectified and Super Future and its sole director will not be subject to any further penalties.

BUSINESS

In order to avoid any further or other non-compliance, the Company has appointed Ms. Lam Kit Yan as its company secretary for, among other things, overseeing compliance issues of the Company and other members of the Group regarding the Hong Kong regulatory requirements. Ms. Lam holds a degree of bachelor of business administration from the Chinese University of Hong Kong and she has been a member of the Hong Kong Institute of Certified Public Accounts since February 2001. Ms. Lam, together with the Board, will oversee the compliance matters of the Company and its subsidiaries pursuant to the relevant laws and regulations. Professional accountants and legal advisers will be retained to advise the Group on compliance and accounting matters where required.

Controlling Shareholders' indemnity and impact on financial statements

The Controlling Shareholders have agreed to fully indemnify the Group for any loss or penalty resulting from the above non-compliance matters. As the quantified maximum potential liabilities (including retrospective penalty, if any) of the above non-compliance incidents were not material, no provision was made in the financial statements of the Group for each of the years ended 31 December 2010, 2011 and 2012 in relation to the non-compliance matters.

Internal control measures to prevent the recurrence of non-compliance incidents

To prevent the recurrence of any non-compliance incident in the future, the Group has implemented the following internal control measures:

- (i) regarding the title defects of the Leased Properties and the licensing and approval procedures relevant to the PRC operations of the Group, such as the renewal of environmental impact assessment approval, the Group has prepared a licensing and approval requirement checklist which has been reviewed by the PRC Legal Advisers and will be closely monitored by designated staff of the Group and reviewed by Mr. Li Wei, the chief administrative officer of the Group, on a quarterly basis to ensure that all the existing licenses and approvals of Shenzhen Oceania are effective during its operation period and all relevant title certificates, licenses and approvals for the Huizhou Production Base have been obtained before its commencement of operation. Moreover, Mr. Li Wei will also ensure that the subject property has the relevant title documents before the Group enters into any material lease agreement in the future;
- (ii) regarding contributions of unemployment social insurance and housing provident fund, the Group has assigned Mr. Li Wei, the chief administrative officer of the Group, to assess the amounts payable by the Group and ensure punctual payments on a monthly basis;
- (iii) regarding loans and advances to related parties, the Group has adopted certain internal guidelines on fund management, which prohibit all loans and advances of the Group that do not comply with the Lending General Provisions (《貸款通則》) formulated by the People's Bank of China or other applicable laws and regulations;

BUSINESS

- (iv) regarding the contribution of registered capital of PRC subsidiaries and the statutory obligations under the Companies Ordinance to present audited accounts at annual general meetings, the Group has assigned Mr. Li Wei, the chief administrative officer of the Group and/or Ms. Lam Kit Yan, the chief financial officer of the Group, who is also its company secretary, to ensure that the contribution of registered capital of PRC subsidiaries will be made on a timely basis and the relevant audited accounts will be presented at annual general meetings in accordance with the Companies Ordinance;
- (v) the Group has appointed First Shanghai Capital as its compliance adviser to advise the Company on compliance matters in relation to the Listing Rules;
- (vi) an audit committee has been established to review the internal control systems and procedures of the Group for compliance with the requirements of the Listing Rules and relevant laws and regulations;
- (vii) the Company has engaged an external legal adviser on PRC laws who will provide on-going legal advice and training to the management and staff of the Group and, in particular, provide specific advices to the management of the Group on licensing, social insurance and other PRC laws related matters as discussed in paragraphs (i), (ii), (iii) and (iv) above;
- (viii) Loong & Yeung, the Hong Kong legal advisers to the Company, has provided a training session and relevant materials to all Directors on various issues in connection with the compliance with the Listing Rules, the SFO and the Companies Ordinance; and
- (ix) if necessary, the Group would proactively seek advice from relevant advisers in a prompt manner to prevent the recurrence of any similar incidents.

The Directors believe, and the Sponsor, after reviewing the above internal control measures, is satisfied, that the above measures could effectively ensure a proper internal control system and maintain good corporate governance practices to prevent future non-compliance with the relevant laws and regulations by the Group.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND USE OF PROCEEDS

Future plans

Please refer to the paragraph headed “Business strategies” in the section headed “Business” in this prospectus for a detailed description of the Group’s future plans.

Use of proceeds

The Directors intend to apply the net proceeds from the Share Offer to finance the Group’s capital expenditure and business expansion, strengthen its capital base and improve the overall financial position of the Group. Based on the Offer Price of HK\$0.8 (being the mid-point of the indicative Offer Price range between HK\$0.7 and HK\$0.9), the net proceeds from the Share Offer and after deduction of underwriting commission and estimated expenses payable by the Group in relation to the Share Offer, are estimated to be approximately HK\$44.8 million. The Directors currently intend to apply such net proceeds from the Share Offer as follows:

- approximately HK\$26.9 million (equivalent to approximately 60% of the total estimated net proceeds) on the Huizhou Production Base, where (i) approximately HK\$21.4 million (equivalent to approximately RMB17.0 million) will be utilised for the procurement and installation of additional equipment and machinery at phase I of the Huizhou Production Base, including a gravure printer of approximately HK\$12.6 million, two foil stamping machines of approximately HK\$4.4 million and an automatic die-cutter of approximately HK\$3.1 million, to increase the total production capacity of the Group from approximately 300,000 cases to approximately 400,000 cases per year; and (ii) the remaining balance of approximately HK\$5.5 million will be reserved for the construction of phase II of the Huizhou Production Base, which is preliminarily estimated to cost approximately RMB29.0 million (equivalent to approximately HK\$36.5 million). Based on the range of the Offer Price, the expected net proceeds from the Share Offer to be applied to the construction of phase II of the Huizhou Production Base is not sufficient to cover the estimated construction costs of phase II of the Huizhou Production Base. It is intended by the Directors that the shortfall will be satisfied by internal resources of the Group and/or additional bank borrowings. The Group intends to set up the additional equipment and machinery at phase I of the Huizhou Production Base and implement the Phase I Relocation during the second to the third quarters of 2014, being the slack season of the Group. After enquiry with the gravure printer supplier, the Group was advised that the ordering lead time of the gravure printer is expected to take at least six months. In view of such long ordering lead time, the Group plans to order the gravure printer shortly after the Listing and other new equipment will be procured shortly before the implementation of the Phase I Relocation. The Directors intend to commence the construction of phase II of the Huizhou Production Base in the fourth quarter of 2013. It is expected that the construction work will take about one year, upon the completion of which the Company plans to relocate the remaining production facilities at the Shenzhen Production Base to phase II of the Huizhou Production Base.

FUTURE PLANS AND USE OF PROCEEDS

- approximately HK\$4.5 million (equivalent to approximately 10% of the total estimated net proceeds) on the expansion of the sales and marketing network of the Group in order to enhance the Group's relationship with the existing customers and explore business opportunities with potential customers, including (i) setting up sales offices near each of the major provincial tobacco industrial company customers of the Group; (ii) recruiting experienced sales staff to be stationed at the sales offices; (iii) providing training to the sales and marketing staff of the Group; (iv) more proactively participating in the design, sample production and tendering arranged by existing and potential customers; and (v) exploring opportunities to diversify the product mix of the Group to paper containers other than cigarette packages, which may include paper packages for products such as medicine, wine, tea or other luxury goods and paper cups;
- approximately HK\$4.5 million (equivalent to approximately 10% of the total estimated net proceeds) on the enhancement of the design and development capabilities of the Group, including the hiring of professional design and development staff, the purchase of design and development software and hardware, attending national and international design exhibitions and the production of sample batches of innovative products for evaluation by the major customers of the Group;
- approximately HK\$4.5 million (equivalent to approximately 10% of the total estimated net proceeds) on potential vertical integration, which may include, among others, the expansion of operation to cover the manufacture of transfer paper. Transfer paper is one of the major raw materials used in cigarette package printing and is produced via the processing of ivory board paper, where the process is similar to printing images on paper and the Directors consider that the Group possesses knowledge in relation to the production of transfer paper given its similarity to the existing production processes of the Group. Approximately 33.8%, 39.1% and 30.3% of the total raw material procurement amount of the Group was for the procurement of transfer paper for each of the years ended 31 December 2010, 2011 and 2012, respectively. The capability to produce transfer paper could strategically enhance the competitiveness and profitability of the Group. The Group may expand into such businesses through the purchase of relevant equipment and machinery or conduct merger or acquisition of relevant businesses, depending on the then opportunities available to the Group and after the evaluation of the costs and potential synergies to the existing business of the Group. Factors to be considered for the selection of merger and acquisition target include its production scale, production quality, historical financial performance, reputation in the industry and proximity to the production facilities of the Group. As at the Latest Practicable Date, the Group was not in negotiation with any specific counterparty and has not identified any acquisition target; and
- approximately HK\$4.4 million (equivalent to approximately 10% of the total estimated net proceeds) for general working capital purposes.

In the event that the Offer Price is finally determined at the highest end of the indicative Offer Price range, the net proceeds from the Share Offer will increase by approximately HK\$7.8 million. The Directors intend to apply such additional net proceeds for the above stated purposes in the same proportion as set out above.

FUTURE PLANS AND USE OF PROCEEDS

If the Share Offer is finally determined at the lowest end of the indicative Offer Price range, the net proceeds from the Share Offer will reduce by approximately HK\$7.8 million. In such event, the Directors intend to reduce the intended use of proceeds for the above stated purposes on a pro-rata basis, and will finance such shortfall by internal cash resources and/or additional bank borrowings, as and when appropriate.

To the extent that the net proceeds of the Share Offer are not immediately applied to the above purposes, the Group intends to deposit the net proceeds with licensed banks and/or other financial institutions.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

BOARD OF DIRECTORS

The Board comprises six Directors, among whom there are two executive Directors, one non-executive Director and three independent non-executive Directors.

The following table sets forth certain information regarding the Directors:

Name	Age	Position	Roles and responsibilities	Date of appointment/ Re-designation
Ms. Huang Li (黃莉)	50	Chairman and Executive Director	Overall business strategies and management of the Group, chairman of the nomination committee and one of the authorised representatives of the Company	Appointed as a Director on 29 November 2012 and re-designated as an executive Director on 10 June 2013
Mr. Zheng Hua (鄭華)	53	Executive Director and the chief executive officer of the Company	General management and daily operation of the Group	10 June 2013
Mr. Huang Chao (黃超)	25	Non-executive Director	Member of the audit committee and the remuneration committee	10 June 2013
Mr. Zeng Shiquan (曾石泉)	66	Independent non-executive Director	Member of the remuneration committee and the nomination committee	10 June 2013
Professor Lam Sing Kwong Simon (林誠光)	54	Independent non-executive Director	Member of the audit committee Chairman of the remuneration committee	10 June 2013
Mr. Tam Tak Kei Raymond (譚德機)	50	Independent non-executive Director	Chairman of the audit committee Member of the nomination committee	10 June 2013

DIRECTORS, SENIOR MANAGEMENT AND STAFF

EXECUTIVE DIRECTORS

Ms. Huang Li (黃莉), aged 50, was appointed as a Director on 29 November 2012 and re-designated as an executive Director on 10 June 2013. She was also appointed as the Chairman of the Company on 11 June 2013.

Ms. Huang is responsible for the overall business strategies and management of the Group. Ms. Huang has more than 12 years of experience in the paper packaging industry in the PRC. Ms. Huang had been the chairman of the board of Shenzhen Oceania from March 2000 to August 2012. At the time she ceased to be the chairman of the board of Shenzhen Oceania in August 2012, she was then immediately re-appointed as the sole executive director of Shenzhen Oceania in August 2012. From January 2001 to August 2012, she had been the general manager of Shenzhen Oceania, and was responsible for implementing the policies of the board of Shenzhen Oceania and the general management of Shenzhen Oceania. She is also the executive director and general manager of Huizhou Jin Cai since August 2008. Ms. Huang has become the sales director of Super Future since February 2013 and she is also one of the authorised representatives of the Company. She is a director of all the subsidiaries of the Company.

Before joining Shenzhen Oceania in 2000, Ms. Huang started her trading business of cigarette ancillary materials such as paper materials and cellophane when she set up Asia Modern in 1993. Ms. Huang has been a director of Asia Modern since August 1993 and holds 99% of the issued share capital of Asia Modern. Since the establishment of Shenzhen Oceania, Ms. Huang has focused on the development of cigarette packaging business of Shenzhen Oceania. Ms. Huang was a director and shareholder of East Spread Investment Limited (東弘投資有限公司) which was incorporated in Hong Kong and was deregistered pursuant to section 291AA(9) of the Companies Ordinance on 9 January 2009 by the application of the said company. Ms. Huang confirmed that the said company was solvent and inactive at the time of it being deregistered and that the deregistration of the said company has not resulted in any liability or obligation imposed against her. Ms. Huang is also the chairman of the board of Jiangxi Feng Cai Li from December 2002 to December 2011, and the general manager of Jiangxi Feng Cai Li from December 2002 to March 2004, responsible for, among other things, the daily operation and management of the manufacturing process of Jiangxi Feng Cai Li.

Ms. Huang obtained a bachelor degree in highway engineering from the department of highway of Chang'an University (長安大學) (formerly known as Xi'an Highway Institute (西安公路學院)) in July 1983.

Mr. Huang is the son of Ms. Huang, and Mr. Zheng is her brother-in-law.

During the three years preceding the Latest Practicable Date, Ms. Huang did not hold any directorship in any public companies whose securities are listed on a stock exchange or any other major appointments.

Mr. Zheng Hua (鄭華), aged 53, was appointed as an executive Director on 10 June 2013. He was also appointed as the chief executive officer of the Company on 11 June 2013.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Zheng is responsible for the general management and daily operation of the Group. Mr. Zheng has more than 12 years of experience in the paper packaging industry in the PRC. Mr. Zheng was a director of Shenzhen Oceania from November 2001 to August 2012 and has been the general manager of Shenzhen Oceania since August 2012, responsible for implementing the policy of the board of Shenzhen Oceania and the general management of Shenzhen Oceania. Mr. Zheng has been a deputy general manager of Huizhou Jin Cai since August 2008, and is responsible for assisting the general manager of Huizhou Jin Cai. Mr. Zheng started to gain access to and possessed knowledge and experience in relation to paper packaging industry when he joined Shenzhen Oceania in 2001.

Mr. Zheng was a director of Jiangxi Feng Cai Li from December 2002 to December 2011 and was the general manager of Jiangxi Feng Cai Li from April 2004 to December 2011 and was responsible for, among other things, the daily operation and management of Jiangxi Feng Cai Li.

Before joining Shenzhen Oceania in 2001, Mr. Zheng assumed various positions from 1982 to 1989, including being the assistant engineer of 石油部青海石油管理局鑽井公司辦公室 (Qinghai Petroleum Management Bureau Well-drilling Company Office, Ministry of Petroleum*) and the head of 青海省重工廳辦公室 (Ministry of Heavy Industry Office, Qinghai Province*). From 1990 to 1995, Mr. Zheng was the project manager of 中國石油開發公司海南公司 (China Petroleum Exploration Company Hainan Company*) and 海南省燃化總公司 (Hainan Province Combustion Headquarter*). Mr. Zheng was the senior engineer and the manager of 南方石油勘探開發有限責任公司 (South Oil Exploration and Development Co., Ltd.*) from 1996 to 2001.

Mr. Zheng was the sole shareholder and the legal representative of 海口三方實業公司 (Haikou Sanfang Industrial Co., Ltd.*) which was established in the PRC in May 1989 but was struck off on 16 November 1992. Mr. Zheng confirmed that the said company had not conducted any business activities and was solvent and inactive at the time of its being struck off and that the striking off of the said company has not resulted in any liability or obligation imposed against him.

Mr. Zheng graduated from the Department of Geology of Northwest University (西北大學) with a major in petroleum and natural gas geology in January 1982.

Mr. Zheng was qualified as a geologist by 青海石油管理局 (Qinghai Petroleum Management Bureau*) in April 1991. He was also qualified as a senior engineer by the Personnel and Labour Protection Office of Henan Province (河南省人事勞動廳) in March 1995.

Mr. Zheng is the brother-in-law of Ms. Huang and the uncle of Mr. Huang.

During the three years preceding the Latest Practicable Date, Mr. Zheng did not hold any directorship in any public companies whose securities are listed on a stock exchange or any other major appointments.

NON-EXECUTIVE DIRECTOR

Mr. Huang Chao (黃超), (formerly known as Zhou Zhe (周喆)) aged 25, was appointed as a non-executive Director on 10 June 2013.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Huang joined Shenzhen Oceania as a consultant in international market in July 2012 for a term of four years until July 2016, and started to gain access to and possessed knowledge and experience in the paper packaging industry when he joined Shenzhen Oceania.

Mr. Huang has been a director of Asia Modern since May 2009 and has become a minority shareholder of Asia Modern since July 2009.

Mr. Huang obtained a degree of bachelor of commerce — professional accounting from the Macquarie University in April 2012.

Mr. Huang is the son of Ms. Huang and the nephew of Mr. Zheng.

During the three years preceding the Latest Practicable Date, Mr. Huang did not hold any directorship in any public companies whose securities are listed on a stock exchange or any other major appointments.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zeng Shiquan (曾石泉), aged 66, was appointed as an independent non-executive Director on 10 June 2013.

Prior to joining the Group, Mr. Zeng was appointed as the chairman of the board of 深圳市特發集團有限公司 (Shenzhen City Tefa Group Company Limited*) for a term of four years in August 1998. He was also appointed as the vice chairman of the board of 長和投資有限公司 (Concord Investments Company Limited*) from July 1995 to July 2007.

Mr. Zeng obtained a graduation certificate from the department of political economics of Wuhan University (武漢大學) in April 1981. He graduated from Sun Yat-sen University (中山大學) as a research student in political economy in December 1981.

He was accredited as a senior economist by the Shenzhen City Job Title Reform Leadership Unit (深圳市職稱改革領導小組) in February 1993. Mr. Zeng has passed the Training Course for Independent Directors of Listed Companies (上市公司獨立董事培訓班) jointly held by the Securities Association of China (中國證券業協會) and the School of Management, Fudan University (復旦大學管理院) in July 2003.

Mr. Zeng has been appointed as an independent director of 深圳市特爾佳科技股份有限公司 (Shenzhen Terca Technology Co., Ltd.*) (Stock code: 002213) whose shares are listed on the Shenzhen Stock Exchange for a term from November 2010 to November 2013, an independent director of 深圳市証通電子股份有限公司 (SZZT Electronics Co., Ltd.*) (Stock code: 002197) whose shares are listed on the Shenzhen Stock Exchange for a term from January 2010 to January 2013 and an independent director of 深圳鍵橋通訊技術股份有限公司 (Shenzhen Keybridge Communications Co., Ltd.*) (Stock code: 002316) whose shares are listed on the Shenzhen Stock Exchange for a term from January 2013 to January 2016.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Save as disclosed above, during the three years preceding the Latest Practicable Date, Mr. Zeng did not hold any directorship in any public companies whose securities are listed on a stock exchange or any other major appointments.

Professor Lam Sing Kwong Simon (林誠光), aged 54, was appointed as an independent non-executive Director on 10 June 2013.

Professor Lam obtained a doctorate degree in commerce from the Faculty of Economics and Commerce at The Australian National University in April 1996.

Professor Lam joined The University of Hong Kong as a full-time teaching staff in September 1989 and is now the Professor of Management at the Faculty of Business and Economics of The University of Hong Kong. He has published a number of academic papers and case analysis in the topics of corporate strategy, organization development and operations management.

Before joining The University of Hong Kong, Professor Lam had worked as a Regional Support Manager for the Canadian Imperial Bank of Commerce from 1987 to 1989.

Since May 2009, Professor Lam has been an independent non-executive director of Overseas Chinese Town (Asia) Holdings Limited (stock code: 03366), whose shares are listed on the Main Board of the Stock Exchange.

Professor Lam was a director and shareholder of AS & T Consultants Limited which was incorporated in Hong Kong and was dissolved on 8 March 2002 pursuant to section 291(6) of the Companies Ordinance. Professor Lam confirmed that the said company was solvent and inactive at the time of it being struck off and that the dissolution of the said company has not resulted in any liability or obligation imposed against him.

Save as disclosed above, during the three years preceding the Latest Practicable Date, Professor Lam did not hold any directorship in any public companies whose securities are listed on a stock exchange or any other major appointments.

Mr. Tam Tak Kei, Raymond (譚德機), aged 50, was appointed as an independent non-executive Director on 10 June 2013. Mr. Tam graduated from University of Kent at Canterbury in the United Kingdom with a bachelor of arts degree in accounting with computing in July 1985. He has been a member of The Institute of Chartered Accountants in England and Wales since 1990 and a member of the Hong Kong Institute of Certified Public Accountants since 1995. Mr. Tam acted as the financial controller of international law firms for nine years and has over 27 years of professional accounting experience and is currently the finance director of a Hong Kong-based auction company and the company secretary of Branding China Group Limited (stock code: 08219).

Mr. Tam also acts as an independent non-executive director of Sunley Holdings Limited (stock code: 01240) since September 2012, Zebra Strategic Holdings Limited (stock code: 08260) since June

DIRECTORS, SENIOR MANAGEMENT AND STAFF

2012, Vision Fame International Holding Limited (stock code: 01315) since December 2011, Tianjin Jinran Public Utilities Company Limited (formerly known as Tianjin Tianlian Public Utilities Company Limited) (stock code: 01265, formerly 08290) since February 2011 and Sun Innovation Holdings Limited (stock code: 00547) since September 2009.

Save as disclosed above, during the three years preceding the Latest Practicable Date, Mr. Tam did not hold any directorship in any public companies whose securities are listed on a stock exchange or any other major appointments.

Save as disclosed above, there is no other information in respect of the Directors to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

BOARD COMMITTEES

Audit Committee

The Company has established an audit committee on 11 June 2013 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The audit committee consists of three members namely, Mr. Tam Tak Kei Raymond, Mr. Huang and Professor Lam Sing Kwong Simon, a majority of whom are independent non-executive Directors. The chairman of the audit committee is Mr. Tam Tak Kei Raymond. The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities assigned by the Board.

Remuneration Committee

The Company has established a remuneration committee on 11 June 2013 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of Professor Lam Sing Kwong Simon, Mr. Huang and Mr. Zeng Shiquan, a majority of whom are independent non-executive Directors. The chairman of the remuneration committee is Professor Lam Sing Kwong Simon. The primary duties of the remuneration committee are to evaluate the performance and make recommendations to the Board regarding the remuneration package of the Directors and senior management and employee benefit arrangements, so as to ensure that the levels of remuneration and compensation are appropriate.

Nomination Committee

The Company has established a nomination committee on 11 June 2013 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Rules. The nomination committee consists of Ms. Huang, Mr. Tam Tak Kei Raymond and Mr. Zeng Shiquan. The chairman of the nomination committee is Ms. Huang. The primary function of the nomination committee is to make recommendations to the Board on the appointment and removal of Directors.

COMPANY SECRETARY

Ms. Lam Kit Yan (林潔恩), aged 38, is the company secretary and chief financial officer of the Company, responsible for compliance and financial management of the Group. Ms. Lam has more than 14 years of experience in accountancy and auditing. She started working in Paul Chan & Partners (陳茂波合夥會計師行), the certified public accountants in September 1997 and was promoted to accountant I before she left in August 2001. She joined in the audit department of PKF (梁學濂會計師事務所) in September 2001 and was promoted to senior supervisor in September 2004 and further promoted to audit manager in June 2006 until she left the post in September 2007. During her employment with PKF, she was involved in a wide variety of works including auditing, taxation, accounting, system effectiveness and efficiency review, financial due diligence, works associated with initial public offerings, mergers and acquisitions as well as other assignments. Ms. Lam had been employed as a manager in KPMG from September 2007 to January 2010. From June 2010 to October 2011, Ms. Lam worked as a senior manager in Crowe Horwath (HK) CPA Limited. Ms. Lam had also been the chief financial officer of Asia Modern since July 2012. Ms. Lam has become the finance manager of Super Future since February 2013.

Ms. Lam obtained a degree of bachelor of business administration from The Chinese University of Hong Kong (香港中文大學) in December 1997. Ms. Lam has been registered as a certified tax adviser since 2010 and was admitted as a fellow of The Taxation Institute of Hong Kong in July 2012. She has also been a member of the Hong Kong Institute of Certified Public Accountants since February 2001. Ms. Lam is also one of the authorised representatives of the Company.

SENIOR MANAGEMENT

Mr. Li Wei (李偉), aged 48, is the chief administrative officer of the Group, responsible for administrative management of the Group. Mr. Li has more than 12 years of experience in business administration and corporate management. Prior to joining the Group, Mr. Li was an engineer in the after-sales department of 深圳中施機械設備有限公司 (Castic-SMP Machinery Corp. Ltd.*) from June 1992 to October 1993. Mr. Li assumed various positions in 深圳中航經銷公司 (CATIC Shenzhen Group Supply & Service Co.*) from October 1993 to April 2006, including the manager of its Guangzhou office from October 1993 to January 2001, the senior engineer from November 1998 to April 2006, the deputy manager in January 2001 to January 2002 and the general manager from January 2002 to April 2006. Mr. Li joined Shenzhen Oceania as the chief administrative officer since April 2006, responsible for, among other things, establishing and optimising the rules and the system of Shenzhen Oceania in accordance with the relevant PRC laws and regulations, modifying the handbook for employees, participating various trainings on production safety, handling legal matters and employment disputes, liaising with relevant governmental authorities and obtaining and reviewing the required permits. Mr. Li has also been assisting in the organisation and establishment work of

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Huizhou Jin Cai, including, among other things, the compliance matters in the acquisition of the Huizhou Site, the business registration of Huizhou Jin Cai, the annual review of its business licence, the application and annual review of Huizhou Jin Cai's printing permit and environmental conservation permit.

In July 1986, Mr. Li graduated from the Northwestern Polytechnical University (西北工業大學) in aircraft design. In March 2001, Mr. Li passed the training course of business management held by the School of Economics and Management of Tongji University (同濟大學經濟與管理學院). He obtained a degree of master of business administration from the Southern California University in March 2001.

Mr. Wu Ying (吳鷹), aged 45, is the deputy general manager of the Group, responsible for production management of the Group. Mr. Wu has more than 20 years of experience in printing mechanics, printing technology and printing production management. From August 1991 to August 1992, Mr. Wu had worked in 江西印刷公司 (Jiangxi Printing Company*), and he had worked in 江西深盈彩印有限公司 (Jiangxi Shenying Color Printing Co., Ltd.) from August 1992 to February 2000.

Mr. Wu obtained a graduation certificate from the Beijing Institute of Graphic Communication (北京印刷學院) in printing mechanics in July 1991. In December 1998, Mr. Wu was qualified as an engineer by the personnel department of Jiangxi Province, the PRC.

Mr. Wu has joined Shenzhen Oceania as a deputy general manager since December 2006 and has been responsible for production and assisting the general manager of Shenzhen Oceania.

Ms. Lam Kit Yan (林潔恩), aged 38, is the chief financial officer of the Company, responsible for financial management of the Group. Her biographical details are set out above under the paragraph headed "Company secretary" in this section.

Mr. Han Peng (韓鵬), aged 33, is the sales director of the Group, responsible for sales and marketing of the Group. He has joined Shenzhen Oceania as the assistant to the general manager of Shenzhen Oceania since August 2006. Since September 2010, Mr. Han has also held the position of the chief sales representative of Shenzhen Oceania and is responsible for the sales and marketing of Shenzhen Oceania.

Mr. Han obtained a graduation certificate from 河南財政稅務高等專科學校 (Henan Finance and Taxation College*) in July 2000.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration committee will regularly review and determine from time to time the remuneration and compensation of the Directors and the senior management of the Group.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

For each of the years ended 31 December 2010, 2011 and 2012, the aggregate remuneration paid to the Directors amounted to approximately RMB130,000, RMB130,000 and RMB208,000, respectively.

Under the arrangements currently in force, the aggregate emoluments payable by the Group to the Directors for the year ending 31 December 2013 will be approximately RMB513,000.

STAFF

As at the Latest Practicable Date, the Group had a total of 298 full-time employees. The following table sets forth the breakdown of the Group's employees by functions:

	Total
Management	6
Administration	29
Finance and accounting	3
Production	126
Product design	2
Sales and marketing	8
Procurement	3
Quality Control	<u>121</u>
Total	<u><u>298</u></u>

STAFF COST

The staff cost of the Group (including staff welfare expenses but excluding Directors' remuneration which is set out in the paragraph headed "Remuneration of Directors and senior management" above) amounted to approximately RMB10,199,000, RMB11,773,000 and RMB12,540,000 for each of the years ended 31 December 2010, 2011 and 2012, respectively.

RELATIONSHIP WITH EMPLOYEES

The Directors recognise the importance of good relationship with the employees of the Group. The remuneration payable to the Group's employees includes salaries, allowance and bonus.

The Group has not experienced any significant problems with the employees of the Group and any disruption to the operation of the Group, nor have the Group experienced any difficulties in the recruitment and retention of experienced staff. The Directors believe that the Group has good working relationship with the employees.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

OTHER EMPLOYEES' BENEFITS

Save as disclosed in the paragraph headed “Non-compliance matters” in the section headed “Business” in this prospectus, the Group complies in all material aspects with all statutory requirements on retirement contribution in the jurisdictions where the Group operates. In accordance with applicable PRC laws and regulations on social insurance, the Group contributes to various social insurance plans such as pension contribution plans and unemployment insurance plans for the employees in the PRC. For each of the years ended 31 December 2010, 2011 and 2012, the Group’s contribution to pension schemes amounted to approximately RMB566,000, RMB1,367,000 and RMB1,361,000, respectively. As at 31 December 2012, the Group had no employee in any jurisdiction other than the PRC.

The Group also offers its employees other benefits, including sponsored training.

COMPLIANCE ADVISER

The Company has appointed First Shanghai Capital, in accordance with Rule 3A.19 of the Listing Rules, as its compliance adviser for the period commencing on the Listing Date and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date. The material terms of the compliance adviser’s agreement between the Company and First Shanghai Capital are as follows:

1. the compliance adviser’s appointment shall be for a period commencing on the Listing Date and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of the financial results of the Company for the financial year ending 31 December 2014;
2. the compliance adviser shall provide the Company with services including guidance and advice as to compliance with the requirement of the Listing Rules and other applicable laws, rules, codes and guidelines, and accompany the Company to any meetings with the Stock Exchange; and
3. during the period of appointment, the Company must consult with, and if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:
 - (i) before the publication of any regulatory announcement, circular or financial report;
 - (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

DIRECTORS, SENIOR MANAGEMENT AND STAFF

- (iii) where the Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the Group's business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of the Company under Rule 13.10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be issued upon the exercise of any options that may be granted under the Share Option Scheme), the following persons/corporations will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any of its subsidiaries:

Long positions in the Shares

Name	Capacity	No. of Shares held	Position	Percentage of issued share capital
Ocean Ahead (<i>note</i>)	Beneficial owner	240,000,000	Long	75%
Ms. Huang (<i>note</i>)	Interest in controlled corporation	240,000,000	Long	75%

Note: The entire issued share capital of Ocean Ahead is beneficially owned by Ms. Huang. By virtue of the SFO, Ms. Huang, an executive Director, is deemed, or taken to be, interested in all the Shares held by Ocean Ahead. Ms. Huang is the sole director of Ocean Ahead.

Save as disclosed above, the Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be issued upon the exercise of any options that may be granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any of its subsidiaries.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS AND THEIR ASSOCIATES

The Controlling Shareholders — Ms. Huang and Ocean Ahead

Immediately upon completion of the Capitalisation Issue and the Share Offer, without taking into account any Share to be issued pursuant to options which may be granted under the Share Option Scheme, Ms. Huang, through her wholly-owned company, Ocean Ahead, will control more than 30% of the entire issued share capital of the Company. For the purpose of the Listing Rules, Ocean Ahead and Ms. Huang are the Controlling Shareholders of the Company. Each of Ocean Ahead and Ms. Huang confirms that it or she does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with the business of the Group.

Ms. Huang was interested in a number of companies which have been excluded from the Group but are either related to the Group because of their prior equity interests in the Group or engagement in businesses that may compete (directly or indirectly) with the Group's business. The details and principal activities of such companies are summarised as follows:

Asia Modern

Asia Modern was incorporated in Hong Kong as a limited company on 24 August 1993 with an issued share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, and was the ultimate controlling corporate shareholder of all PRC subsidiaries of the Company before the Corporate Reorganisation. At the time of incorporation, Ms. Huang and Mr. Li Guijun (“**Mr. Li**”) owned 70% and 30% respectively of the entire issued share capital of Asia Modern. Ms. Huang and Mr. Li were appointed as the first directors of Asia Modern.

On 7 January 2000, Mr. Li transferred his 30% shareholding in Asia Modern to Ms. Huang Qiulin who was then appointed as a director of Asia Modern to replace Mr. Li. Mr. Huang, a non-executive Director, was appointed as a director of Asia Modern on 12 May 2009. Ms. Huang Qiulin is the elder sister of Ms. Huang, the aunt of Mr. Huang and the wife of Mr. Zheng. She was also one of the directors of Shenzhen Oceania during the Track Record Period until August 2012 when Asia Modern disposed of all of its equity interests in Shenzhen Oceania.

On 17 July 2009, Ms. Huang and Mr. Huang acquired from Ms. Huang Qiulin 2,900 shares and 100 shares of Asia Modern, representing 29% and 1% of the then entire issued share capital of Asia Modern respectively. Immediately upon the aforesaid share transfers and as at the Latest Practicable Date, Ms. Huang and Mr. Huang owned 99% and 1% of the entire issued share capital of Asia Modern respectively.

The major business activity of Asia Modern during the Track Record Period had been investment holding only and it has ceased to carry on any substantial business activities since its disposal of Shenzhen Oceania and Jiangxi Feng Cai Li.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

On 6 December 2002, Asia Modern and 江西金聖實業發展有限公司 (Jiangxi Jin Sheng Industrial Development Company Limited*) (“**Jiangxi Jin Sheng Industrial**”) established Jiangxi Feng Cai Li (then known as 江西金聖印刷包裝有限公司 (Jiangxi Jin Sheng Printing and Packaging Company Limited*)) in Nanchang, Jiangxi Province, the PRC. At the time of its establishment, the equity interests of Jiangxi Feng Cai Li was owned as to 52% by Asia Modern and 48% by Jiangxi Jin Sheng Industrial. The information and principal activities of Jiangxi Feng Cai Li are summarised below.

Jiangxi Feng Cai Li

Jiangxi Feng Cai Li was established by Asia Modern and Jiangxi Jin Sheng Industrial in Nanchang, Jiangxi Province, the PRC on 6 December 2002 as a Chinese-foreign equity joint venture enterprise with a registered capital of RMB25,000,000 which was contributed by Asia Modern and Jiangxi Jin Sheng Industrial as to RMB13,000,000 and RMB12,000,000 respectively. At the time of its establishment, the equity interests of Jiangxi Feng Cai Li was owned as to 52% by Asia Modern and 48% by Jiangxi Jin Sheng Industrial, and its business scope was development, production and sales of packaging and decoration printing and packaging materials for various kinds of products. Ms. Huang was the then chairlady of the board of directors of Jiangxi Feng Cai Li. Mr. Zheng, an executive Director and the chief executive officer of the Company, was also appointed as one of the directors of Jiangxi Feng Cai Li at the time of its establishment.

On 31 July 2006, Jiangxi Jin Sheng Industrial, Jiangxi Huizhong and Asia Modern entered into an equity transfer agreement, pursuant to which Jiangxi Jin Sheng Industrial agreed to transfer its 48% equity interests in Jiangxi Feng Cai Li to Jiangxi Huizhong at a consideration of RMB16,880,000.

On 12 December 2011, Asia Modern entered into an equity transfer agreement with Shenzhen Jinjia Color Printing Group Co., Ltd. (深圳勁嘉彩印集團股份有限公司) (“**Shenzhen Jinjia**”), the A shares of which are listed on the SME Board of the Shenzhen Stock Exchange (stock code: 002191), and Chinese Hongkong International Tobacco Group Co., Limited (中華香港國際煙草集團有限公司) (“**Chinese Hong Kong Tobacco**”), both are Independent Third Parties, pursuant to which Asia Modern agreed to transfer its 27% and 25% equity interests in Jiangxi Feng Cai Li to Shenzhen Jinjia and Chinese Hong Kong Tobacco at a consideration of RMB62,310,000 and RMB57,690,000 respectively which were determined with reference to, among others, the net asset value and the profitability of Jiangxi Feng Cai Li at the relevant time. Chinese Hong Kong Tobacco was a wholly-owned subsidiary of Shenzhen Jinjia at the time of the aforesaid transfers. Immediately after the aforesaid transfers, Jiangxi Feng Cai Li was owned by Shenzhen Jinjia, Chinese Hong Kong Tobacco and Jiangxi Huizhong as to 27%, 25% and 48% respectively, and Ms. Huang and Mr. Zheng ceased to hold any position in the board or management of Jiangxi Feng Cai Li. The Administration Committee of Nanchang Hi-Tech Industry Development Zone (南昌高新技術產業開發區管理委員會) approved the aforesaid transfers and issued an approval on 16 January 2012 and Jiangxi Feng Cai Li obtained new business license on 19 January 2012 issued by the Administration for Industry and Commerce of Jiangxi Province (江西省工商行政管理局).

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Ms. Huang, the controlling shareholder of Asia Modern, did not include in the Group the 52% equity interest Asia Modern had held in Jiangxi Feng Cai Li as Ms. Huang was informed by the then minority shareholder of Jiangxi Feng Cai Li, namely Jiangxi Huizhong, that it had no intention to participate in the proposed Listing. Given that Jiangxi Huizhong held 48% equity interest in Jiangxi Feng Cai Li at the relevant time, Ms. Huang considered that, if the 52% equity interest in Jiangxi Feng Cai Li were to be included in the Group, the co-operation by Jiangxi Huizhong in the Listing process would be essential for a smooth Listing exercise as well as the future management of Jiangxi Feng Cai Li.

It is envisaged that the Listing would bring considerable benefits to the Group, including but not limited to the provision to the Group with new source of capital and a public fund-raising platform, and the promotion of the brand name of the Group and its products. Further, as disclosed in the section headed “Future plans and use of proceeds” in this prospectus, the net proceeds of the Listing will be applied to, among other things, (i) the Huizhou Production Base, which will increase the Group’s total production capacity; (ii) expansion of the sales and marketing network; (iii) enhancement of the design and development capabilities; and (iv) vertical integration. Ms. Huang considered that the listing status coupled with the new source of capital resulting from the Listing would put the Group in a better position to achieve its business strategies as detailed in the section “Business — Business strategies” in this prospectus, and enable the Group to strengthen its competitive edge in the industry and explore the opportunities for future expansion.

Furthermore, the Listing would promote the brand name of its products and enhance the marketing activities of the Group for new customers, and therefore might help broadening the client base of the Group, which is in line with the plan of the Group to reduce its reliance on China Tobacco Jiangxi.

At the time of the disposal of Jiangxi Feng Cai Li by Asia Modern, although both Shenzhen Oceania and Jiangxi Feng Cai Li were suppliers of China Tobacco Jiangxi, there was no overlapping of any sub-brands of China Tobacco Jiangxi to which Shenzhen Oceania and Jiangxi Feng Cai Li supplied cigarette packages. Hence, Ms. Huang considered that the disposal of Jiangxi Feng Cai Li would not have any adverse impact on the Group in its ability in retaining China Tobacco Jiangxi as its customer and/or maintaining its sales to China Tobacco Jiangxi.

On the other hand, the consideration of RMB120 million paid by the purchasers for the 52% of the equity interest in Jiangxi Feng Cai Li held by Asia Modern represented a price-to-earning ratio multiple of 8.66 times to the net profit of Jiangxi Feng Cai Li for the year ended 31 December 2010. With reference to the then prevailing valuation of companies listed on the Stock Exchange which were principally engaged in cigarette package printing, Ms. Huang considered the offer made by Shenzhen Jinjia and Chinese Hong Kong Tobacco provided a satisfactory return for her investment in Jiangxi Feng Cai Li.

In light of the aforesaid and in consideration of (i) the potential benefits brought by the Listing; (ii) the satisfactory investment return resulted from the sale of 52% equity interest in Jiangxi Feng Cai Li; (iii) the disposal of 52% interest in Jiangxi Feng Cai Li would not have any adverse impact on the

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Group's business relationship with China Tobacco Jiangxi; and (iv) the increased uncertainty of the Listing process that might have been resulted should Jiangxi Feng Cai Li be included in the Group, Ms. Huang decided to dispose of the entire equity interest held by Asia Modern in Jiangxi Feng Cai Li.

After Asia Modern has disposed of all of its equity interest in Jiangxi Feng Cai Li, the Group and Jiangxi Feng Cai Li have remained operationally and financially independent from each other.

To the best knowledge of the Directors, the current shareholders of Jiangxi Feng Cai Li do not have any past or present relationship (including, without limitation, any employment, family or trust relationships) with the Company, its subsidiaries, their shareholders, directors, senior management or any of their respective associates.

Save as disclosed above, Ms. Huang and each of the Directors after having made all reasonable enquiries confirm that each of Ocean Ahead and Ms. Huang does not engage in any businesses or hold any interests in any companies engaging in any businesses which compete or may compete, directly or indirectly, with the business of the Group.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE ASSOCIATES

In the opinion of the Directors, the Group is capable of carrying on its businesses independently of, and does not place undue reliance on, the Controlling Shareholders, their respective associates or any other parties, taking into account the following factors:

- (i) *Financial independence*: The Group has an independent financial system and makes financial decisions according to the Group's own business needs. The Group has sufficient capital to operate its business independently, and has adequate internal resources and a strong credit profile to support its daily operations. During the Track Record Period, Ms. Huang provided guarantees to the bank borrowings facilities of the Group and provided guarantees to banks for granting unsecured loans to the Group of nil, RMB20,000,000 and RMB29,600,000 as at 31 December 2010, 2011 and 2012, respectively. In addition, a property owned by Ms. Huang was also pledged to the banks to secure banking facilities granted to the Group for the year ended 31 December 2010. There was also an amount of approximately RMB2,397,000 due to Ms. Huang by the Group as at 31 December 2012. For details, please refer to note 22 (Amount due to a Director) and note 35 (Related Party Transactions) of the accountants' report set out in Appendix I to this prospectus. The Group has procured the release of all guarantees provided to it by Ms. Huang before the Listing. Besides, all the amounts due to Ms. Huang from the Group have been fully waived and/or settled before the Latest Practicable Date.
- (ii) *Operational independence*: The Group has established its own organisational structure comprised individual departments, each with specific areas of responsibilities. The Group has not shared its operational resources, such as suppliers, customers, marketing, sales and general administration resources with the Controlling Shareholders and/or their associates. No services, premises and facilities will be provided by the Controlling Shareholders and/or their associates to the Group.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (iii) *Independence of management*: The Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors. Ms. Huang and Mr. Zheng, being the brother-in-law of Ms. Huang and the chief executive officer of the Company, are executive Directors and Mr. Huang, being the son of Ms. Huang, is the non-executive Director. Ms. Huang is also the sole director of Ocean Ahead, which is a Controlling Shareholder and the investment vehicle of Ms. Huang in holding the Shares.

Each of the Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he or she acts for the benefit and in the best interests of the Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Group and the Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of the Company in respect of such transactions and shall not be counted in the quorum. In addition, save as Ms. Huang, none of the senior management member of the Group has any managerial role or beneficial interest in the Controlling Shareholders or any of their respective associates (save and except members of the Group), and the Board and the senior management team of the Group is able to carry out the business decisions of the Group independently.

Furthermore, the Board's main function includes the approval of the overall business plans and strategies of the Group, monitoring the implementation of these policies and strategies and the management of the Company. The Board acts collectively by majority decisions in accordance with the Articles and applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by the Board.

Having considered the above factors, the Directors are satisfied that they are able to perform their roles in the Company independently, and the Directors are of the view that the Group is capable of managing its business independently from the Controlling Shareholders and their respective associates after the Listing. In addition, the business of the Group has been operated under substantially the same management throughout the Track Record Period and up to the Latest Practicable Date.

- (iv) *Independence of major suppliers*: The Directors confirm that none of the Controlling Shareholders, nor the Directors and their respective associates, have any relationship with the major suppliers of the Group (other than the business contacts in the ordinary and usual course of business of the Group) during the Track Record Period.
- (v) *Independence of major customers*: The Directors confirm that none of the Controlling Shareholders, nor the Directors and their respective associates, have any relationship with the major customers of the Group (other than the business contacts in the ordinary and usual course of business of the Group) during the Track Record Period.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

RULE 8.10 OF THE LISTING RULES

The Controlling Shareholders and the Directors do not have any interest in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business, and would require disclosure under Rule 8.10 of the Listing Rules.

THE DEEDS OF NON-COMPETITION

In order to avoid any possible future competition between the Group and each of the Controlling Shareholders (the "**Covenantors**"), each of the Covenantors has executed a deed of non-competition on 18 June 2013 in favour of the Company (for itself and for the benefit of each member of the Group) (collectively, the "**Deeds of Non-competition**"). Pursuant to the Deeds of Non-competition, during the period that the Deeds of Non-competition remain effective, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and for the benefit of each member of the Group) that she/it shall not, and shall procure her/its associates (other than members of the Group) not to, directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of the Group save for the holding of not more than 5% shareholding interests (individually or with her/its associates) in any company listed on a recognised stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with his/her associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of the relevant Covenantor (individually or with her/its associates).

Where business opportunities which may compete with the business of the Group arise, the respective Covenantor(s) shall, and shall procure her/its associates to, give the Group notice in writing and the Group shall have a right of first refusal to take up such business opportunities. The Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such proposed transactions). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interests or potential conflict of interests including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal. Within 30 days after receipt of written notice concerning offer of such business opportunities from the Covenantor(s) or her/its associate(s), the Company shall notify the Covenantor(s) whether it intends to accept the offer. If the Group declines any such offer, the Covenantor(s) and/or her/its associate(s) shall then be allowed to acquire the business opportunities offered on terms no more favorable than those offered to the Group.

The independent non-executive Directors will review on an annual basis the above undertakings from the Covenantors. The Covenantors also undertake to provide all information necessary for the enforcement of the Deeds of Non-competition as requested by the Group which is necessary for the annual review by the independent non-executive Directors and for the enforcement of the Deeds of Non-competition.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

The Deeds of Non-competition are conditional upon the fulfilment of the following conditions:

- (i) the Listing Committee granting the approval for the listing of, and permission to deal in, the Shares; and
- (ii) the fulfilment of the conditions precedent under the Underwriting Agreements (including waiver of any conditions precedent by the Underwriters, if applicable) and the Underwriting Agreements not being terminated.

If any of such conditions is not fulfilled on or before the date agreed between the Underwriters and the Company or the Underwriters and the Company have agreed to terminate the Underwriting Agreements thereafter, the Deeds of Non-competition shall become null and void and cease to have any effect whatsoever and no party shall have any claim against the other under the Deeds of Non-competition.

The Deeds of Non-competition shall terminate on the earliest of the date on which (i) in relation to Ms. Huang, when Ms. Huang together with her associates, whether individually or taken together, ceases to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of the Company; or (ii) in relation to Ocean Ahead, when Ocean Ahead together with its associates ceases to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of the Company; or (iii) the Shares shall cease to be listed and traded on the Stock Exchange (except for temporary suspension of trading of the Shares on the Stock Exchange due to any reason).

CORPORATE GOVERNANCE MEASURES

Each of the Controlling Shareholders has confirmed that she/it fully comprehends her/its obligations to act in the best interests of the Company and its Shareholders as a whole. To avoid potential conflicts of interest, the Group will adopt certain corporate governance measures as follows:

- (i) the Board is committed to the view that the Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board which can effectively exercise independent judgment. The Company has appointed three independent non-executive Directors. The Directors believe that the independent non-executive Directors are of sufficient caliber, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders. The Directors also believe that the composition of the Board with directors of diverse backgrounds and experience allows the Board to evaluate its decisions from different perspectives. The Company may, where necessary, seek advice from external industry experts and/or consultants in order to provide the independent non-executive Directors with

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

all the necessary support to enable them to exercise their independent judgment and discharge their duties and obligations to the Shareholders. Details of the independent non-executive Directors are set out in the section headed “Directors, senior management and staff” in this prospectus;

- (ii) the independent non-executive Directors will review, on an annual basis, the compliance with the non-competition undertakings by the Controlling Shareholders under the Deeds of Non-competition and to evaluate the effective implementation of the Deeds of Non-competition;
- (iii) the Controlling Shareholders undertake to provide all information requested by the Group which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deeds of Non-competition;
- (iv) the Board will ensure that any material conflict or material potential conflict of interests will be reported to the independent non-executive Directors as soon as practicable when such conflict or potential conflict is discovered. Following the reporting of any material conflict or material potential conflict of interests, the Board will hold a meeting to review and evaluate the implications and risk exposure of such event and will monitor any material irregular business activities and alert the Board, including the independent non-executive Directors, to take any precautionary actions, where necessary;
- (v) the Company will observe any transaction that is proposed between the Group and its connected persons, and will be required to comply with Chapter 14A of the Listing Rules including, where applicable, the announcement, reporting and independent shareholders’ approval requirements of those rules;
- (vi) the Company has appointed First Shanghai Capital as the compliance adviser, which will provide advice and guidance to the Company in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and internal controls; and
- (vii) the Controlling Shareholders will make an annual confirmation as to compliance with her/its undertaking under the Deeds of Non-competition for inclusion in the annual report of the Company.

SHARE CAPITAL

SHARE CAPITAL

The authorised and issued share capital of the Company is as follows:

<i>Authorised share capital:</i>	<i>HK\$</i>
<u>2,000,000,000</u> Shares	<u>20,000,000.00</u>

Assuming that the Share Offer has become unconditional and without taking into account any Share which may be issued upon exercise of any options that may be granted under the Share Option Scheme, or which may be allotted and issued under the general mandate to allot, issue and deal with Shares (see below), or which may be repurchased by the Company pursuant to the general mandate to repurchase Shares (see below), the share capital of the Company immediately following completion of the Capitalisation Issue and the Share Offer will be as follows:

<i>Shares</i>	<i>HK\$</i>
1,000 Shares in issue as at the date of this prospectus	10
239,999,000 Shares to be issued pursuant to the Capitalisation Issue	2,399,990
<u>80,000,000</u> Shares to be issued pursuant to the Share Offer	<u>800,000</u>
<u>320,000,000</u> Total number of Shares	<u>3,200,000</u>

According to Rule 8.08 of the Listing Rules, at the time of the Listing and at all times thereafter, the Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital in the hands of the public.

Ranking

The Offer Shares will rank pari passu in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will qualify in full for all dividends or other distributions declared, paid or made on the Shares in respect of a record date which falls after the date of Listing save for any entitlement to the Capitalisation Issue.

Capitalisation Issue

Pursuant to the resolutions of the sole Shareholder passed on 11 June 2013, subject to the share premium account of the Company being credited as a result of the issue of Offer Shares pursuant to the Share Offer, the Directors are authorised to allot and issue a total of 239,999,000 Shares credited as fully paid at par to the holders of Shares on the register of members of the Company at the close of business on 10 June 2013 (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$2,399,990 standing to be the credit of the share premium account of the Company, and the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued Shares.

SHARE CAPITAL

Share Option Scheme

The Company has conditionally adopted the Share Option Scheme, the principal terms of which are summarised in the paragraph headed “Share Option Scheme” in Appendix V to this prospectus.

The Group does not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into the Shares as at the Latest Practicable Date.

General mandate to issue Shares

The Directors have been granted a general unconditional mandate to exercise all the powers of the Company to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of the Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Articles or pursuant to a specific authority granted by the Shareholders at general meeting or pursuant to the Share Offer, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements and options which might require the exercise of such power, with an aggregate nominal value not exceeding:

- (a) 20% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme; and
- (b) the aggregate nominal value of the share capital of the Company purchased by the Company (if any) under the authority referred to under the paragraph headed “General mandate to repurchase Shares” below.

This general mandate will remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the Company’s next annual general meeting is required by any applicable laws or the Articles to be held; or
- (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders at general meeting.

Further information on this general mandate is set forth in the paragraph headed “Written resolutions of the sole Shareholder passed on 11 June 2013” in Appendix V to this prospectus.

SHARE CAPITAL

General mandate to repurchase Shares

The Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

This general mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and requirements of the Listing Rules. An explanatory statement related to the general mandate to purchase Shares is set forth in the paragraph headed “Repurchase of Shares by the Company” in Appendix V to this prospectus.

This general mandate to purchase Shares will remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the Company’s next annual general meeting is required by any applicable laws or the Articles to be held; or
- (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders at general meeting.

Further information on this general mandate is set forth under the paragraph headed “Written resolutions of the sole Shareholder passed on 11 June 2013” in Appendix V to this prospectus.

FINANCIAL INFORMATION

The following discussion and analysis of the financial condition and results of operations are based on and should be read in conjunction with the financial information of the Group for each of the years ended 31 December 2010, 2011 and 2012, including the notes thereto, as set out in the accountants' report in Appendix I to this prospectus (the "Accountants' Report"). The financial information of the Group has been prepared in accordance with the HKFRSs.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk factors" in this prospectus.

OVERVIEW

The Group is principally engaged in the design, printing and sale of cigarette packages in the PRC. According to the Euromonitor Reports, the Group ranked second with a market share of approximately 17.7% in terms of the sales value of paper cigarette packages in Jiangxi Province, the PRC in 2012.

Products of the Group include cigarette packages for two of the 30 Key Cigarette Brands, namely Hongtashan (紅塔山) and Jinsheng (金聖), and for Cigarette Brand A, which together with Hongtashan (紅塔山), were two of the four largest cigarette brands in the PRC in terms of retail sales volume in 2011. Products of the Group are primarily sold to provincial tobacco industrial companies (省級中煙工業公司), which are state-owned cigarette manufacturers in the PRC. During the Track Record Period, the Group had altogether nine customers, four of which were provincial tobacco industrial companies. During the Track Record Period, the Group only supplied paper cigarette packages to its customers and all of its sales were made to customers in the PRC.

For each of the years ended 31 December 2010, 2011 and 2012, the Group recorded revenue of approximately RMB162.6 million, RMB179.5 million and RMB183.3 million and profit attributable to owners of the Company of approximately RMB32.8 million, RMB32.6 million and RMB31.0 million, respectively.

MAJOR FACTORS AFFECTING THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE GROUP

The financial condition and results of operations of the Group have been and may continue to be affected by a number of factors, including but not limited to those set out as follows:

Conditions of the PRC cigarette industry

During the Track Record Period, all of the sales of the Group were made to customers in the PRC and the Group only supplied paper cigarette packages to its customers. The demand of cigarette packages directly relates to the production volume of cigarettes in the PRC. According to the Euromonitor Reports, the overall PRC cigarette industry seemed to be immune to tobacco control regulations in the past few years, but the cigarette industry may eventually slowdown production and consumption in the long run. Retail sales volume of cigarettes (including both duty paid and non-duty paid) grew from approximately 2,341 billion sticks in 2008 to approximately 2,661 billion sticks in

FINANCIAL INFORMATION

2012, representing a CAGR of approximately 3.3% during the period, and is expected to continue to grow steadily from approximately 2,661 billion sticks in 2012 to approximately 2,918 billion sticks in 2017, representing a CAGR of approximately 1.9% during the forecast period. The demand of the products of the Group may fluctuate according to the production volume of the relevant cigarette brands.

Market consolidation driven by PRC government policies

As detailed in the section headed “Industry overview” in this prospectus, the tobacco industry in the PRC has undergone restructuring and consolidation in the recent decade, where the number of cigarette manufacturers reduced from 146 in 2001 to 26 in 2011 and the number of cigarette brands reduced from 1,183 in 2001 to 124 in 2011. The ongoing consolidation in the cigarette manufacturing industry benefits the cigarette package producers that have maintained a solid connection with the leading cigarette manufacturers who are more likely to expand production scale and entail a higher volume of cigarette packages, and vice versa.

The cigarette manufacturing market in the PRC is monopolised by the government and there are 16 provincial tobacco industrial companies (省級中煙工業公司) in the PRC, which altogether accounted for approximately 86.2% of the cigarette market in terms of sales volume in the PRC in 2012. During the Track Record Period, four of the sixteen state-owned provincial tobacco industrial companies were customers of the Group. Leveraging on the efforts of its senior management and sales and marketing staff, the Group has developed long-term relationships with its major customers. In particular, the Group has supplied cigarette packages to China Tobacco Jiangxi, the largest customer of the Group, for its Jinsheng (金聖) brand for over 10 years and has supplied cigarette packages to China Tobacco Yunnan, which manufactures the Hongtashan (紅塔山) brand cigarette, for over eight years. The Directors believe that these long-term relationships can help the Group to secure a stable customer network and revenue source and are crucial to the long-term business development of the Group. Products of the Group include cigarette packages for two of the 30 Key Cigarette Brands, namely Hongtashan (紅塔山) and Jinsheng (金聖), and for Cigarette Brand A, which together with Hongtashan (紅塔山), were two of the four largest cigarette brands in the PRC in terms of retail sales volume in 2011.

Should the cigarette manufacturers and cigarette brands relevant to the products of the Group be eliminated from the market, the financial condition and results of operations of the Group could be adversely affected. On the other hand, should such cigarette manufacturers and cigarette brands survive in the market consolidation and expand their scale, the financial condition and results of operations of the Group might improve.

Industry competition

China Tobacco Jiangxi was the largest customer of the Group during the Track Record Period. Sales to China Tobacco Jiangxi accounted for approximately 60.5%, 54.9% and 67.3% of the revenue of the Group for each of the years ended 31 December 2010, 2011 and 2012, respectively. China Tobacco Jiangxi had over 20 cigarette package suppliers in 2012 and the Group ranked second in terms of sales value of cigarette packages in Jiangxi Province, the PRC in 2012.

FINANCIAL INFORMATION

As at the Latest Practicable Date, all the provincial tobacco industrial company customers of the Group have adopted the tendering system for their procurement of cigarette packages. There is no assurance that the Group would succeed in winning orders for existing products and new products in future tenders and if it does not, the Group may lose significant amount or all of its sales. The tendering system may also intensify the price competition in the industry, where the Group may have to narrow its profit margin in order to obtain production orders from cigarette manufacturers.

Cost of raw materials

Raw materials required by the Group for production of cigarette packages principally include paper, anti-counterfeit labels, aluminium foil and ink. The cost of raw materials accounted for approximately 78.0%, 78.3% and 80.2% of the total cost of sales of the Group for each of the years ended 31 December 2010, 2011 and 2012, respectively. Paper, in particular, is the major raw material, where paper procurement amount of the Group accounted for approximately 64.4%, 67.8% and 59.6% of the total raw material procurement amount of the Group for each of the years ended 31 December 2010, 2011 and 2012, respectively.

During the Track Record Period, the Group did not enter into long-term procurement contracts of over one year with its suppliers such that the Group could maintain the flexibility to procure quality materials at competitive prices. During the Track Record Period, the Group did not enter into any instrument to hedge the fluctuation in the costs of raw materials. Fluctuations in the costs of raw materials and the inability to pass on any increase in such costs to customers could materially and adversely affect the cost of sales and the gross profit margin of the Group.

SIGNIFICANT ACCOUNTING POLICIES

The financial information of the Group has been prepared in accordance with the HKFRSs. In addition, the financial information of the Group includes applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

In the application of the accounting policies of the Group, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The key assumptions are set out in the Accountants' Report.

The following are the basis of presentation and significant accounting policies adopted in the preparation of financial information of the Group as extracted from the Accountants' Report.

Basis of presentation

The Company was incorporated as an exempted company with limited liability in the Cayman Islands.

FINANCIAL INFORMATION

Meteor River was incorporated in the BVI on 26 January 2011 as a limited liability company and was wholly owned by Ms. Huang, a Controlling Shareholder. Pursuant to a share transfer agreement dated 9 September 2011, Super Future became a wholly owned subsidiary of Meteor River. Prior to 23 August 2012, 79% equity interest of Shenzhen Oceania was held by Asia Modern, which was owned by Ms. Huang and Mr. Huang, while 21% equity interest was held by certain non-controlling shareholders. As part of the Corporate Reorganisation, Super Future acquired 79% equity interest of Shenzhen Oceania from Asia Modern on 23 August 2012. The Group was, and has been, under the common control of Ms. Huang prior to and after the Corporate Reorganisation. The Group comprising the Company and its subsidiaries resulting from the Corporate Reorganisation is regarded as a continuing entity.

The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period which include the results, changes in equity and cash flows of the companies comprising the Group have been prepared as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation/establishment, where it is a shorter period. The combined statement of financial position as at the respective reporting dates have been prepared to present the assets and liabilities of the companies comprising the Group as if the current group structure had been in existence at those dates, taking into account the respective dates of incorporation/establishment, or where applicable. The financial information of the Group is presented in RMB, which is the same as the functional currency of the Company and its subsidiaries.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of cigarette packages is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

FINANCIAL INFORMATION

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

FINANCIAL INFORMATION

Impairment

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land

Interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the combined statements of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

FINANCIAL INFORMATION

Borrowing costs

All borrowing costs not associated with qualifying assets are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the combined statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

FINANCIAL INFORMATION

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the combined statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, other receivables, amounts due from directors, amount due from a former non-controlling shareholder of a subsidiary and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

FINANCIAL INFORMATION

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's the original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly for all loans and receivables with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

FINANCIAL INFORMATION

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and bills payables, other payables and accruals, amount due to a director and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities, when and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

FINANCIAL INFORMATION

RESULTS OF OPERATION

The tables below set out the financial information summary as extracted from the combined statements of comprehensive income and the combined statements of financial position of the Group in the Accountants' Report. The summary should be read in conjunction with the Accountants' Report and this section of the prospectus.

Combined statements of comprehensive income

	For the year ended		
	31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	162,575	179,509	183,347
Cost of sales	<u>(96,562)</u>	<u>(108,388)</u>	<u>(116,274)</u>
Gross profit	66,013	71,121	67,073
Other income and gains	1,889	2,715	225
Selling and distribution expenses	(3,031)	(3,701)	(3,098)
Administrative expenses	(9,479)	(13,581)	(9,858)
Listing expenses	—	—	(2,184)
Finance costs	<u>(1,824)</u>	<u>(1,022)</u>	<u>(1,397)</u>
Profit before taxation	53,568	55,532	50,761
Taxation	<u>(12,066)</u>	<u>(14,239)</u>	<u>(15,203)</u>
Profit and total comprehensive income for the year	<u>41,502</u>	<u>41,293</u>	<u>35,558</u>
Profit and total comprehensive income for the year attributable to:			
Owners of the Company	32,787	32,621	31,005
Non-controlling interests	<u>8,715</u>	<u>8,672</u>	<u>4,553</u>
	<u>41,502</u>	<u>41,293</u>	<u>35,558</u>

FINANCIAL INFORMATION

Combined statements of financial position

	As at 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment	44,301	37,766	53,261
Prepaid lease payments	19,230	18,819	18,408
Deposits for acquisition of property, plant and equipment	345	1,055	—
	<u>63,876</u>	<u>57,640</u>	<u>71,669</u>
Current assets			
Inventories	25,435	23,594	10,293
Prepaid lease payments	411	411	411
Trade and bills receivables	88,890	69,744	108,784
Other receivables, deposits and prepayments	498	1,097	2,440
Amounts due from directors	1,475	2,899	223
Amount due from a former non-controlling shareholder of a subsidiary	—	5,000	3,842
Bank balances and cash	23,143	26,517	30,850
	<u>139,852</u>	<u>129,262</u>	<u>156,843</u>
Current liabilities			
Trade and bills payables	54,339	34,530	58,999
Other payables and accruals	8,258	3,901	8,827
Amount due to a director	—	—	2,397
Tax payable	9,346	5,819	7,450
Bank borrowings	13,000	20,000	29,600
	<u>84,943</u>	<u>64,250</u>	<u>107,273</u>
Net current assets	<u>54,909</u>	<u>65,012</u>	<u>49,570</u>
Total assets less current liabilities	118,785	122,652	121,239
Non-current liability			
Deferred taxation	—	—	1,576
Net assets	<u>118,785</u>	<u>122,652</u>	<u>119,663</u>
Capital and reserves			
Paid-in capital/share capital	48,000	48,000	—
Reserves	45,840	48,895	119,663
Equity attributable to owners of the Company	93,840	96,895	119,663
Non-controlling interests	24,945	25,757	—
Total equity	<u>118,785</u>	<u>122,652</u>	<u>119,663</u>

FINANCIAL INFORMATION

MAJOR COMPONENTS OF THE COMBINED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

During the Track Record Period, the Group only supplied paper cigarette packages to its customers and all of its revenue was generated from sales of cigarette packages to customers in the PRC.

Revenue of the Group increased from approximately RMB162.6 million for the year ended 31 December 2010 to approximately RMB179.5 million for the year ended 31 December 2011 and further increased to approximately RMB183.3 million for the year ended 31 December 2012. The growth in the Group's total revenue from 2010 to 2011 was primarily attributable to the increase in the sales to China Tobacco Yunnan, where more orders for cigarette packages of the Hongtashan (紅塔山) brand were placed to the Group. The growth in revenue from 2011 to 2012 was primarily due to the increase in sales to China Tobacco Jiangxi.

Sales to the largest customer of the Group, namely China Tobacco Jiangxi, accounted for approximately 60.5%, 54.9% and 67.3% of the total revenue of the Group for each of the years ended 31 December 2010, 2011 and 2012, respectively. Revenue from the four provincial tobacco industrial companies, namely China Tobacco Jiangxi, China Tobacco Yunnan, Customer A and Customer B in aggregate contributed approximately 99.8%, 97.1%, and 97.9% of the total revenue of the Group for each of the years ended 31 December 2010, 2011 and 2012, respectively.

FINANCIAL INFORMATION

The following table sets forth the respective breakdown of the Group's revenue, percentage of revenue, gross profit margin, sales volume and average selling prices for each of the years ended 31 December 2010, 2011 and 2012:

Brands	Packages	For the year ended 31 December 2010					For the year ended 31 December 2011					For the year ended 31 December 2012				
		Revenue	% of revenue	Gross profit margin	Average Sales volume	Average selling price	Revenue	% of revenue	Gross profit margin	Average Sales volume	Average selling price	Revenue	% of revenue	Gross profit margin	Average Sales volume	Average selling price
		RMB'000	%	%	Case	RMB'000 per case	RMB'000	%	%	Case	RMB'000 per case	RMB'000	%	%	Case	RMB'000 per case
Jinsheng (金聖) brand	Carton	24,318	15.0%	—	108,832	0.223	24,503	13.7%	—	113,896	0.215	30,584	16.7%	—	143,448	0.213
	Packet	73,271	45.1%	—	108,172	0.677	74,070	41.3%	—	114,819	0.645	92,893	50.7%	—	143,542	0.647
	Overall	97,589	60.0%	41.1%	217,003	0.450	98,573	54.9%	40.6%	228,715	0.431	123,477	67.3%	38.6%	286,990	0.430
Hongtashan (紅塔山) brand	Carton	12,034	7.4%	—	29,044	0.414	15,069	8.4%	—	37,480	0.402	7,036	3.8%	—	29,600	0.238
	Packet	22,872	14.1%	—	27,560	0.830	30,718	17.1%	—	38,206	0.804	15,400	8.4%	—	27,516	0.560
	Overall	34,906	21.5%	42.6%	56,604	0.617	45,787	25.5%	39.9%	75,686	0.605	22,436	12.2%	36.6%	57,116	0.393
Cigarette Brand A	Carton	7,394	4.5%	—	28,110	0.263	8,325	4.6%	—	41,434	0.201	9,446	5.2%	—	49,826	0.190
	Packet	12,496	7.7%	—	35,610	0.351	14,835	8.3%	—	39,109	0.379	15,621	8.5%	—	50,780	0.308
	Overall	19,890	12.2%	44.5%	63,720	0.312	23,160	12.9%	37.5%	80,543	0.288	25,067	13.7%	29.7%	100,606	0.249
Cigarette Brand B	Carton	2,526	1.6%	—	12,188	0.207	1,859	1.0%	—	9,466	0.196	2,308	1.3%	—	12,139	0.190
	Packet	6,595	4.1%	—	12,200	0.541	4,950	2.8%	—	9,465	0.523	6,234	3.4%	—	12,156	0.513
	Overall	9,121	5.6%	21.1%	24,388	0.374	6,809	3.8%	36.3%	18,931	0.360	8,542	4.7%	33.0%	24,295	0.352
Sub-total		161,506	99.3%	40.7%	361,715	0.447	174,329	97.1%	39.8%	403,875	0.432	179,522	97.9%	36.8%	469,007	0.383
Others		1,069	0.7%	23.5%	2,636	0.405	5,180	2.9%	33.2%	11,471	0.452	3,825	2.1%	24.9%	8,762	0.437
Total		162,575	100.0%	40.6%	364,351	0.446	179,509	100.0%	39.6%	415,346	0.432	183,347	100.0%	36.6%	477,769	0.384

FINANCIAL INFORMATION

Revenue

During each of the years ended 31 December 2010, 2011 and 2012, sales of packages for the Jinsheng (金聖) brand, the Hongtashan (紅塔山) brand, Cigarette Brand A and Cigarette Brand B, which were made to China Tobacco Jiangxi, China Tobacco Yunnan, Customer A and Customer B respectively, in aggregate accounted for approximately 99.3%, 97.1% and 97.9% of the Group's total revenue, respectively. Revenue from the Jinsheng (金聖) brand and Cigarette Brand A recorded steady growth during the Track Record Period. Revenue from the Hongtashan (紅塔山) brand increased from approximately RMB34.9 million in 2010 to approximately RMB45.8 million 2011 and dropped to approximately RMB22.4 million in 2012. The significant drop in 2012 was mainly due to the decrease in revenue from a sub-brand of Hongtashan (紅塔山), of which China Tobacco Yunnan has gradually outsourced the manufacturing to external parties and the procurement of relevant package products by China Tobacco Yunnan for such sub-brand was reduced accordingly.

Average selling prices

Average selling prices of the products sold by the Group demonstrated a decreasing trend during the Track Record Period. Since 2011, the provincial tobacco industrial company customers of the Group have adopted the tendering system for the procurement of cigarette package products and the prices of the Group's products supplied to the provincial tobacco industrial companies have been determined with reference to the results of the tenders. The general decline in average selling prices of the Group's products was primarily the result of the more intense competition in the cigarette package industry in the PRC with the adoption of the tendering system by the provincial tobacco industrial companies since 2011.

The relatively more significant decline in average selling prices for the Hongtashan (紅塔山) brand and Cigarette Brand A in 2012 was also attributable to the change in sub-brand mix. The Group supplied packages for two sub-brands of Hongtashan (紅塔山) to China Tobacco Yunnan during the Track Record Period. Since 2012, China Tobacco Yunnan has outsourced the production of one of the two sub-brands to external parties and no longer purchased packages for such sub-brand from the Group. Accordingly, all revenue generated from the Hongtashan (紅塔山) brand since June 2012 was from the other sub-brand which had a lower average selling price. Average selling prices of products for Cigarette Brand A decreased in 2012 as the Group generated a large proportion of revenue from two sub-brands newly procured in 2012, which had relatively lower average selling prices than the three sub-brands the Group supplied packages for in 2010 and 2011.

Gross profit margin

Gross profit margin maintained at approximately 40.6% and 39.6% for each of the years ended 31 December 2010 and 2011, respectively, and declined to approximately 36.6% for the year ended 31 December 2012. The decline in gross profit margin for the year ended 31 December 2012 was primarily attributable to (i) the general decrease in average selling prices of products sold by the Group across brands during the year ended 31 December 2012 as a result of the intensified competition in the industry with the adoption of the tendering system by the provincial tobacco industrial company

FINANCIAL INFORMATION

customers of the Group; (ii) a slight increase in unit production cost of the Group; and (iii) the change in product mix for the Hongtashan (紅塔山) brand and Cigarette Brand A, where the Group sold a higher proportion of products with lower gross profit margin during the year ended 31 December 2012.

Cost of sales

The following table sets out the breakdown of the cost of sales of the Group by cost type and such costs as a percentage of the total cost of sales during the Track Record Period:

	For the year ended					
	31 December					
	2010		2011		2012	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Raw materials	75,310	78.0	84,897	78.3	93,238	80.2
Labour	6,574	6.8	8,071	7.5	8,331	7.2
Manufacturing overheads and others (<i>note</i>)	<u>14,678</u>	15.2	<u>15,420</u>	14.2	<u>14,705</u>	12.6
	<u><u>96,562</u></u>	100.0	<u><u>108,388</u></u>	100.0	<u><u>116,274</u></u>	100.0

Note: Manufacturing overheads and others include but not limited to electricity and water expenses, rental expenses and depreciation of property, plant and equipment.

During the Track Record Period, the major component of cost of sales was raw materials, which comprised approximately 78.0%, 78.3%, and 80.2% of the total cost of sales for each of the years ended 31 December 2010, 2011 and 2012, respectively. Raw materials required by the Group for production of cigarette packages principally include paper, anti-counterfeit labels, aluminium foil and ink.

Paper is the major cost component of raw materials procurement to the Group, where the paper procurement amount of the Group accounted for approximately 64.4%, 67.8% and 59.6% of the total raw material procurement amount of the Group for each of the years ended 31 December 2010, 2011 and 2012, respectively. The Group procured approximately 5,294 tons, 5,905 tons and 4,447 tons of paper and the average procurement price of paper was approximately RMB11,159 per ton, RMB10,820 per ton and RMB10,690 per ton for each of the years ended 31 December 2010, 2011 and 2012, respectively. The average purchase price of the Group of ivory board paper and non-ivory board paper, which mainly comprised transfer paper, was approximately RMB7,259.2 per ton, RMB7,346.4 per ton and RMB6,957.4 per ton and approximately RMB15,848.5 per ton, RMB15,399.4 per ton and RMB14,890.2 per ton for each of the years ended 31 December 2010, 2011 and 2012, respectively.

FINANCIAL INFORMATION

Except under extraordinary circumstances such as a significant increase in raw material price, where the Group might be able to renegotiate the unit selling prices with its customers, the Group is generally not able to pass the increase in raw materials costs to its customers given that the unit selling prices of the products of the Group were usually fixed in sales contracts. Set out in the table below is the price sensitivity analysis of the gross profit and gross profit margin of the Group under scenarios of 5% and 10% increases in the price of paper, which was the major raw material of the Group, during the Track Record Period:

	For the year ended		
	31 December		
	2010	2011	2012
Original gross profit (<i>RMB'000</i>)	66,013	71,121	67,073
Percentage change in gross profit:			
- Assuming 5% increase in paper price	-3.9%	-4.0%	-3.5%
- Assuming 10% increase in paper price	-7.7%	-8.0%	-7.1%
Effect on gross profit margin:			
- Original	40.6%	39.6%	36.6%
- Assuming 5% increase in paper price	39.0%	38.0%	35.3%
- Assuming 10% increase in paper price	37.5%	36.4%	34.0%

Gross profit and gross profit margin

Set out below is an analysis of the gross profit and gross profit margin of the Group during the Track Record Period:

	For the year ended		
	31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	162,575	179,509	183,347
Cost of sales	<u>(96,562)</u>	<u>(108,388)</u>	<u>(116,274)</u>
Gross profit	<u>66,013</u>	<u>71,121</u>	<u>67,073</u>
Gross profit margin	40.6%	39.6%	36.6%

FINANCIAL INFORMATION

Gross profit increased from approximately RMB66.0 million for the year ended 31 December 2010 to approximately RMB71.1 million for the year ended 31 December 2011 and decreased to approximately RMB67.1 million for the year ended 31 December 2012. The increase in gross profit of the Group in 2011 as compared with that in 2010 was mainly attributable to the increase in revenue in 2011, whereas the decrease in gross profit of the Group in 2012 as compared with that in 2011 was mainly because revenue of the Group increased by approximately 2.1% from 2011 to 2012 while cost of sales increased by approximately 7.3% during the same period.

Other income and gains

Other income and gains amounted to approximately RMB1.9 million, RMB2.7 million and RMB225,000, representing approximately 1.2%, 1.5% and 0.1% of the revenue of the Group, for each of the years ended 31 December 2010, 2011 and 2012, respectively. The following table sets out the breakdown of the other income and gains of the Group during the Track Record Period:

	For the year ended		
	31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Gains from sale of packaging materials	949	2,231	23
Interest income	149	162	202
Government grants	700	300	—
Others (<i>note</i>)	91	22	—
Total	<u>1,889</u>	<u>2,715</u>	<u>225</u>

Note: Others include but not limited to value added tax refunded.

Gains from sale of packaging materials were the major component of other income and gains of the Group during the Track Record Period. Sale of packaging materials involved the sale of ivory board paper by the Group for processing into transfer paper for the production of cigarette packages to be sold to China Tobacco Yunnan as discussed in the paragraph headed “Customers — Five largest customers during the Track Record Period — China Tobacco Yunnan” in the section headed “Business” in this prospectus.

Interest income primarily represents interests carried by bank balances at rates which ranged approximately from 0.36% to 0.4%, from 0.36% to 1.49% and from 0.35% to 0.5% as at 31 December 2010, 2011 and 2012, respectively. Interest income amounted to approximately RMB149,000, RMB162,000 and RMB202,000 for each of the years ended 31 December 2010, 2011 and 2012, respectively.

FINANCIAL INFORMATION

The Group obtained government grants of RMB700,000 and RMB300,000 for each of the years ended 31 December 2010 and 2011, respectively. According to the Minutes of the Joint Convention on Government Subsidy Fund Management (《政府資助資金管理聯席會議紀要》) prepared by the Financial Bureau of Longgang District (龍崗區財政局) dated 22 January 2010, RMB700,000 was granted to support Shenzhen Oceania. The Group had no obligation to perform after receiving such government grant. According to the agreement entered into between Shenzhen Oceania and the Science Technology Bureau of Longgang District executed on 17 January 2011, RMB300,000 was granted to the Group for technological development.

Selling and distribution expenses

Selling and distribution expenses amounted to approximately RMB3.0 million, RMB3.7 million and RMB3.1 million, representing approximately 1.9%, 2.1% and 1.7% of the revenue of the Group, for each of the years ended 31 December 2010, 2011 and 2012, respectively. The following table sets out the breakdown of the selling and distribution expenses of the Group during the Track Record Period:

	For the year ended		
	31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Delivery expenses	1,437	1,724	1,722
Staff costs	612	729	552
Travelling expenses	680	697	743
Agency fees	200	—	—
Advertising fees	—	245	—
Other expenses (<i>note</i>)	102	306	81
Total	<u>3,031</u>	<u>3,701</u>	<u>3,098</u>

Note: Other expenses include but not limited to insurance fees.

Delivery expenses, which primarily related to the delivery of finished goods to customers, were the major component of the selling and distribution expenses of the Group during the Track Record Period.

FINANCIAL INFORMATION

Administrative expenses

Administrative expenses amounted to approximately RMB9.5 million, RMB13.6 million and RMB9.9 million, representing approximately 5.8%, 7.6% and 5.4% of the revenue of the Group, for each of the years ended 31 December 2010, 2011 and 2012, respectively. The following table sets out the breakdown of the administrative expenses of the Group during the Track Record Period:

	For the year ended		
	31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Staff costs	2,565	3,387	3,477
Business development and entertainment expenses	951	1,491	804
Depreciation	994	1,037	846
Travelling expenses	627	992	1,228
Staff welfare	946	1,045	991
Government levy	95	1,337	103
Loss on disposals of property, plant and equipment	721	351	59
Professional fees	671	1,202	340
Release of prepaid lease payments	411	411	411
Other expenses (<i>note</i>)	1,498	2,328	1,599
Total	<u>9,479</u>	<u>13,581</u>	<u>9,858</u>

Note: Other expenses include but not limited to office expenses and vehicle fees.

Staff cost was a major component of the administrative expenses of the Group during the Track Record Period.

Listing expenses

The total estimated listing expenses in connection with the Share Offer was approximately RMB17.3 million. For the year ended 31 December 2012, the Group incurred listing expenses amounting to approximately RMB2.2 million, which was fully charged to the profit and loss accounts for the year ended 31 December 2012. It is estimated that approximately RMB4.3 million fees will be capitalised after the Listing and the remaining approximately RMB10.8 million fees will be charged to the profit and loss accounts of the Group for the year ending 31 December 2013.

Finance costs

Finance costs of the Group mainly comprise interest on bank borrowings wholly repayable within five years and represented approximately 1.1%, 0.6% and 0.8% of the revenue of the Group for each of the years ended 31 December 2010, 2011 and 2012, respectively.

FINANCIAL INFORMATION

Finance costs amounted to approximately RMB1.8 million, RMB1.0 million and RMB1.4 million for each of the years ended 31 December 2010, 2011 and 2012, respectively. The changes in the amount of finance costs during the Track Record Period were related to the fluctuations in the amount of bank borrowings of the Group. The Group had a mix of fixed rate and floating rate borrowings during the Track Record Period. The Group had fixed-rate borrowings with effective interest rate of approximately 4.50% per annum as at 31 December 2010 and had floating-rate borrowings with effective interest rate of approximately 6.71% per annum and 6.94% per annum as at 31 December 2011 and 2012, respectively.

Taxation

The Group had no assessable profit subject to the profits tax of Hong Kong and no provision for the profits tax of Hong Kong had been made during the Track Record Period.

The PRC subsidiaries of the Company, in particular, Shenzhen Oceania, the principal operating company of the Group during the Track Record Period, was subject to the PRC enterprise income tax rate during the Track Record Period. Under the Law of the PRC on Enterprise Income Tax and the relevant implementation regulations of the law, the standard tax rate of PRC entities was 25% during the Track Record Period. Nonetheless, pursuant to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa (2007) No. 39), for PRC entities which enjoyed a lower tax rate before the implementation of the law, their transitory tax rate in 2008, 2009, 2010, 2011 and 2012 are 18%, 20%, 22%, 24% and 25%, respectively. Accordingly, the applicable income tax rate for Shenzhen Oceania was 22%, 24% and 25% for each of the years ended 31 December 2010, 2011 and 2012, respectively. Set out in the table below is the details of the taxation of the Group during the Track Record Period.

	For the year ended		
	31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	53,568	55,532	50,761
Taxation	12,066	14,239	15,203
Effective tax rate	22.5%	25.6%	30.0%

With reference to the above table, the effective tax rate of the Group was approximately 22.5%, 25.6% and 30.0% for each of the years ended 31 December 2010, 2011 and 2012, respectively. The effective tax rates of the Group for the year ended 31 December 2012 was higher than the PRC income tax rate applicable to Shenzhen Oceania for the year ended 31 December 2012 mainly due to the inclusion of the deferred tax on undistributed earnings of Shenzhen Oceania amounting to approximately RMB1.6 million in the taxation for the year ended 31 December 2012. According to PRC regulations, dividends distributed from the PRC subsidiaries of the Group to non-PRC tax resident group entities shall be subject to the withholding income tax at 10% or lower tax rate, as applicable. Under the relevant tax treaty, withholding tax rate on distribution to Hong Kong resident

FINANCIAL INFORMATION

companies is 5%. Deferred taxation has been provided on the undistributed earnings of Shenzhen Oceania after the completion of equity transfer of Shenzhen Oceania from Asia Modern to Super Future. Further details of the calculation of the taxation of the Group are set out in the Accountants' Report.

The Group had unused tax losses of approximately RMB1.4 million, RMB3.7 million and RMB4.3 million as at 31 December 2010, 2011 and 2012, respectively, which were available for offset against future profits. The unused tax losses during the Track Record Period were derived from Huizhou Jin Cai, an indirect wholly-owned subsidiary of the Company, which has not yet commenced business operation but has incurred certain incorporation and pre-operation expenses. The tax losses will expire in five years after the year when Huizhou Jin Cai commences business.

Profit attributable to owners of the Company

As a result of the foregoing, profit attributable to owners of the Company amounted to approximately RMB32.8 million, RMB32.6 million and RMB31.0 million for each of the years ended 31 December 2010, 2011 and 2012, respectively.

Year on year discussion of overall operating results

From the year ended 31 December 2010 to the year ended 31 December 2011

Revenue improved from approximately RMB162.6 million for the year ended 31 December 2010 to approximately RMB179.5 million for the year ended 31 December 2011, representing an annual growth of approximately 10.4%. Sales to China Tobacco Jiangxi, the largest customer of the Group, increased from approximately RMB98.3 million for the year ended 31 December 2010 to approximately RMB98.6 million for the year ended 31 December 2011, representing an annual growth of approximately 0.3%. The increase in total revenue was mainly attributable to the increase in the sales to China Tobacco Yunnan from approximately RMB34.9 million for the year ended 31 December 2010 to approximately RMB45.8 million for the year ended 31 December 2011, where more orders for cigarette packages of the Hongtashan (紅塔山) brand were placed with the Group.

Cost of sales increased from approximately RMB96.6 million for the year ended 31 December 2010 to approximately RMB108.4 million for the year ended 31 December 2011, representing an annual growth of approximately 12.2%. The increase was mainly attributable to the growth in revenue for the same period. Consequentially, gross profit improved from approximately RMB66.0 million for the year ended 31 December 2010 to approximately RMB71.1 million for the year ended 31 December 2011, representing an annual growth of approximately 7.7%.

Gross profit margin remained relatively stable from approximately 40.6% for the year ended 31 December 2010 to approximately 39.6% for the year ended 31 December 2011, which was mainly due to the similar growth rate of both revenue and cost of sales.

FINANCIAL INFORMATION

Other income and gains increased from net gain of approximately RMB1.9 million for the year ended 31 December 2010 to net gain of approximately RMB2.7 million for the year ended 31 December 2011, representing an annual growth of approximately 42.1%. The primary component, being sale of packaging materials, increased from gain of approximately RMB0.9 million for the year ended 31 December 2010 to gain of approximately RMB2.2 million for the year ended 31 December 2011 mainly due to the increase in demand of relevant raw material processing procedures as a result of the increase in sales order from China Tobacco Yunnan during the year ended 31 December 2011.

Selling and distribution expenses increased from approximately RMB3.0 million for the year ended 31 December 2010 to approximately RMB3.7 million for the year ended 31 December 2011, representing an annual growth of approximately 23.3%. The increase was primarily attributable to (i) the increase in delivery expenses from approximately RMB1.4 million for the year ended 31 December 2010 to approximately RMB1.7 million for the year ended 31 December 2011 due to the increase in sales and the resulting demand of finished goods delivery, particularly to China Tobacco Yunnan, during the year ended 31 December 2011; (ii) the record of advertising fees of approximately RMB245,000 for the year ended 31 December 2011 primarily for the production of promotional items but recorded nil during the year ended 31 December 2010; and (iii) the increase in staff cost from approximately RMB612,000 for the year ended 31 December 2010 to approximately RMB729,000 for the year ended 31 December 2011 primarily due to the increase in bonus paid.

Administrative expenses increased from approximately RMB9.5 million for the year ended 31 December 2010 to approximately RMB13.6 million for the year ended 31 December 2011, representing an annual growth of approximately 43.2%. The increase was primarily attributable to (i) the increase in government levy from approximately RMB95,000 for the year ended 31 December 2010 to approximately RMB1.3 million for the year ended 31 December 2011, which was mainly attributable to an one-off expense paid to the PRC government in relation to the construction of the Huizhou Production Base including urban infrastructure facilities fee (城市基礎設施配套費) of approximately RMB942,000; (ii) the increase in staff costs from approximately RMB2.6 million for the year ended 31 December 2010 to approximately RMB3.4 million for the year ended 31 December 2011, which was primarily attributable to the incremental payment of housing provident fund (住房公積金) as a result of The Interim Measures on Shenzhen City Housing Provident Fund Management (《深圳市住房公積金管理暫行辦法》) became effective as of 20 December 2010; (iii) the increase in professional fees from approximately RMB0.7 million for the year ended 31 December 2010 to approximately RMB1.2 million for the year ended 31 December 2011, which was primarily attributable to the engagement of professionals for consultancy services; and (iv) the increase in business development and entertainment expenses from approximately RMB1.0 million for the year ended 31 December 2010 to approximately RMB1.5 million for the year ended 31 December 2011, which grew along with the revenue of the Group.

Finance costs decreased from approximately RMB1.8 million for the year ended 31 December 2010 to approximately RMB1.0 million for the year ended 31 December 2011, representing an annual decline of approximately 44.4%. The decrease was primarily attributable to the lower outstanding amount of bank borrowings during the year ended 31 December 2011 as compared with the prior year.

FINANCIAL INFORMATION

Net profit maintained at approximately RMB41.5 million for the year ended 31 December 2010 and approximately RMB41.3 million for the year ended 31 December 2011 as a result of the foregoing.

From the year ended 31 December 2011 to the year ended 31 December 2012

Revenue increased from approximately RMB179.5 million for the year ended 31 December 2011 to approximately RMB183.3 million for the year ended 31 December 2012, representing a slight annual growth of approximately 2.1%. Sales to China Tobacco Jiangxi further increased by approximately 25.3% from approximately RMB98.6 million for the year ended 31 December 2011 to approximately RMB123.5 million for the year ended 31 December 2012. Sales to China Tobacco Yunnan, however, decreased from approximately RMB45.8 million for the year ended 31 December 2011 to approximately RMB22.4 million for the year ended 31 December 2012, representing an approximately 51.1% year-on-year decrease. The significant drop in sales to China Tobacco Yunnan was mainly due to the decrease in revenue from a sub-brand of Hongtashan (紅塔山), which China Tobacco Yunnan has gradually outsourced its manufacturing to external parties and the procurement of relevant packages products by China Tobacco Yunnan for such sub-brand cigarette was reduced accordingly.

Cost of sales increased from approximately RMB108.4 million for the year ended 31 December 2011 to approximately RMB116.3 million for the year ended 31 December 2012, representing an annual growth of approximately 7.3%. The increase was mainly due to the growth in revenue for the same period.

Gross profit margin decreased from approximately 39.6% for the year ended 31 December 2011 to approximately 36.6% for the year ended 31 December 2012. The decrease in gross profit for the year ended 31 December 2012 was mainly due to (i) the general decrease in average selling prices of products sold by the Group across brands during the year ended 31 December 2012 as a result of the intensified competition in the industry with the adoption of tendering system by the provincial tobacco industrial company customers of the Group; (ii) a slight increase in unit production cost of the Group; and (iii) the change in product mix for the Hongtashan (紅塔山) brand and Cigarette Brand A, where the Group sold a higher proportion of products with lower gross profit margin during the year ended 31 December 2012. As a result of the lower gross profit margin in 2012, gross profit of the Group decreased from approximately RMB71.1 million for the year ended 31 December 2011 to approximately RMB67.1 million for the year ended 31 December 2012, representing an approximately 5.6% decrease.

Other income and gains decreased from net gain of approximately RMB2.7 million for the year ended 31 December 2011 to net gain of approximately RMB225,000 for the year ended 31 December 2012, representing an approximately 91.7% decrease. Such decrease was mainly due to the decrease in gain from sale of packaging materials from approximately RMB2.2 million for the year ended 31 December 2011 to approximately RMB23,000 for the year ended 31 December 2012, as the Group was involved in less sale of ivory board paper for processing into transfer paper during the year ended 31 December 2012 as compared to the year ended 31 December 2011, which was due to the change in product mix sold to China Tobacco Yunnan during the year ended 31 December 2012.

FINANCIAL INFORMATION

Selling and distribution expenses decreased from approximately RMB3.7 million for the year ended 31 December 2011 to approximately RMB3.1 million for the year ended 31 December 2012, representing an annual decrease of approximately 16.2%. The decrease was mainly attributable to (i) the decrease in advertising fees from approximately RMB245,000 for the year ended 31 December 2011 to nil for the year ended 31 December 2012; and (ii) the decrease in staff cost from approximately RMB729,000 for the year ended 31 December 2011 to approximately RMB552,000 for the year ended 31 December 2012 due to the decrease in bonus paid.

Administrative expenses decreased from approximately RMB13.6 million for the year ended 31 December 2011 to approximately RMB9.9 million for the year ended 31 December 2012, representing an annual decrease of approximately 27.2%. The decrease was primarily attributable to (i) the decrease in government levy from approximately RMB1.3 million for the year 31 December 2011 to approximately RMB103,000, which was mainly due to the fact that certain one-off expense was paid to the PRC government in relation to the construction of the Huizhou Production Base in 2011 while no such expense was recorded in 2012; (ii) the decrease in professional fees from approximately RMB1.2 million for the year ended 31 December 2011 to approximately RMB340,000 for the year ended 31 December 2012; and (iii) the decrease in business development and entertainment expenses from approximately RMB1.5 million for the year ended 31 December 2011 to approximately RMB804,000 for the year ended 31 December 2012, which was mainly due to the tightened control of spending of the Group in 2012.

The Company incurred approximately RMB2.2 million listing expenses during the year ended 31 December 2012, which were primarily professional fees in relation to the Share Offer.

Finance costs increased from approximately RMB1.0 million for the year ended 31 December 2011 to approximately RMB1.4 million for the year ended 31 December 2012, representing an annual increase of approximately 40.0%. The increase was primarily attributable to the higher amount of bank borrowings during the year ended 31 December 2012 as compared to the prior year.

As a result of the foregoing, profit before taxation decreased from approximately RMB55.5 million for the year ended 31 December 2011 to approximately RMB50.8 million for the year ended 31 December 2012, representing an approximately 8.5% annual decrease. However, taxation increased from approximately RMB14.2 million for the year ended 31 December 2011 to approximately RMB15.2 million for the year ended 31 December 2012, mainly attributable to the inclusion of the deferred tax on undistributed earnings of Shenzhen Oceania amounting to approximately RMB1.6 million for the year ended 31 December 2012. Net profit decreased from approximately RMB41.3 million for the year ended 31 December 2011 to approximately RMB35.6 million for the year ended 31 December 2012.

FINANCIAL INFORMATION

MAJOR COMPONENTS OF THE COMBINED STATEMENTS OF FINANCIAL POSITION

Trade and bills receivables

Sales of the Group are generally made on credit. Trade and bills receivables of the Group amounted to approximately RMB88.9 million, RMB69.7 million and RMB108.8 million, representing approximately 43.6%, 37.3% and 47.6% of the total assets of the Group, as at 31 December 2010, 2011 and 2012, respectively. The decrease in trade and bills receivables balances from 31 December 2010 to 31 December 2011 was primarily attributable to the decrease in sales in the fourth quarter of 2011 as compared with the fourth quarter of 2010. The increase in trade and bills receivables balances from 31 December 2011 to 31 December 2012 was mainly due to the increase in sales in the fourth quarter of 2012 as compared with the fourth quarter of 2011. Breakdown of the trade and bills receivables of the Group as at 31 December 2010, 2011 and 2012 is set out as follows:

	As at 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	53,890	37,544	57,784
Bills receivables	35,000 [^]	32,200	51,000
	<u>88,890</u>	<u>69,744</u>	<u>108,784</u>

[^] *Note:* Discounted bills receivables with full recourse of approximately RMB13.0 million was included in bills receivables as at 31 December 2010 and the advances obtained from discounted bills receivables was recorded as secured bank loans.

The Group generally collects bills receivables upon maturity, which primarily have 90-day maturity period, or endorses the bills to suppliers to settle payments. With reference to the above table, trade receivables represented approximately 60.6%, 53.8% and 53.1% of the trade and bills receivables of the Group as at 31 December 2010, 2011 and 2012, respectively.

The payments of the majority of the sales of the Group are usually received upon the satisfactory receipt of the products by the customers of the Group. Despite that there is no contractually agreed term to strictly govern the credit period with some of the customers of the Group, the Group generally grants credit period of 90 days to its trade customers during the Track Record Period. For certain major customers, the Group accepts settlement of trade receivables by bank bills primarily with 90 days maturity period which extends the effective collection period from such customers to 180 days. During each of the years ended 31 December 2010, 2011 and 2012, the Group received bank bills of approximately RMB121.0 million, RMB110.4 million and RMB123.3 million as settlement of sales, respectively, which represented approximately 62.3%, 45.6% and 63.4% of the total settlement received by the Group in the respective year. The Group has established an internal guideline to follow up with the relevant customers should the Group have not received material amount of payment from its customers 90 days after the products have been delivered, which is an acceptable period after

FINANCIAL INFORMATION

taking into account the long term business relationship, the background of the provincial tobacco industrial company customers and their historical payment records. The following table sets out the aged analysis of the trade and bills receivables as at 31 December 2010, 2011 and 2012 and the relevant turnover days:

	As at 31 December		
	2010 <i>RMB'000</i>	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>
Trade receivables (<i>based on goods delivery date</i>)			
0 to 90 days	42,153	29,709	56,752
91 to 180 days	11,716	4,658	200
181 to 360 days	21	3,177	832
	<u>53,890</u>	<u>37,544</u>	<u>57,784</u>
Bills receivables (<i>based on bill issuance date</i>)			
0 to 90 days	<u>35,000</u>	<u>32,200</u>	<u>51,000</u>
	For the year ended		
	31 December		
	2010	2011	2012
	<i>Day</i>	<i>Day</i>	<i>Day</i>
Trade and bills receivable			
turnover days (<i>note</i>)			
Trade receivables	116.9	93.0	95.1
Bills receivables	64.0	68.3	83.0
	<u>180.9</u>	<u>161.3</u>	<u>178.1</u>

Note: Trade and bills receivables turnover days were derived from dividing the average of the opening and ending balances of trade and/or bills receivables, whichever applicable, for the period by the revenue for the period and multiplied by the number days for the period (365 days for each of the years ended 31 December 2010 and 2011 and 366 days for the year ended 31 December 2012).

The Group had not experienced any material difficulties in collecting payments from its customers during the Track Record Period, where no allowance for doubtful debts was recorded. As at 31 December 2010, 2011 and 2012, approximately 78.2%, 79.1% and 98.2% of the ages of the trade receivables of the Group were within 90 days, respectively. As at 31 May 2013, approximately 97.5% of the trade and bills receivables outstanding as at 31 December 2012 had been received.

With reference to the above table, the total trade and bills receivables turnover days were approximately 180.9 days, 161.3 days and 178.1 days for each of the years ended 31 December 2010, 2011 and 2012, respectively. The total trade and bills receivables turnover days were significantly longer than the credit period granted by the Group to its customers, mainly because trade receivables settled by means of bank acceptance bills remained as receivables of the Group after such settlement until the bills were settled by the relevant bank. After excluding the bills receivables, average trade receivables turnover days were approximately 116.9 days, 93.0 days, 95.1 days for each of the years

FINANCIAL INFORMATION

ended 31 December 2010, 2011 and 2012, respectively. The decrease in average trade receivables turnover days from the year ended 31 December 2010 to the year ended 31 December 2011 was primarily attributable to the decrease in trade receivables as at 31 December 2011 as compared with 31 December 2010, as a result of the lower revenue of the Group in the fourth quarter of 2011 as compared with that in the fourth quarter of 2010. The slight increase in average trade receivables turnover days for the year ended 31 December 2012 as compared to the year ended 31 December 2011 was mainly due to the fact that the balance of trade receivables as at 31 December 2012 was higher than the opening balance of trade receivables for the year ended 31 December 2011, which in turn was due to the higher revenue recorded by the Group in the fourth quarter of 2012. The increase in average bills receivables turnover days for the year ended 31 December 2012 as compared to the previous year was mainly attributable to the increase in bills receivables balance as at 31 December 2012, which was in turn due to the greater amount of sales made to China Tobacco Jiangxi during the fourth quarter of 2012, which primarily made payments by bank bills during the fourth quarter of 2012.

Trade and bills payables

Trade and bills payables of the Group amounted to approximately RMB54.3 million, RMB34.5 million and RMB59.0 million, representing approximately 64.0%, 53.7% and 54.2% of the total liabilities of the Group, as at 31 December 2010, 2011 and 2012, respectively. The decrease in trade and bills payables from 31 December 2010 to 31 December 2011 was primarily the result of the lower amount of raw material purchases made by the Group in the fourth quarter of 2011, which was in line with the lower sales of the Group in the fourth quarter of 2011 as compared with those in the fourth quarter of 2010. The increase in trade and bill payables from 31 December 2011 to 31 December 2012 was primarily due to (i) the higher amount of raw material purchases made by the Group in the fourth quarter of 2012 to meet the production needs of the Group; and (ii) bills receivables of the Group in the amount of approximately RMB16.6 million were endorsed and transferred to suppliers to settle trade payables as at 31 December 2012, however, the Group continued to recognise the full carrying amount of the bills receivables and trade payables as, from an accounting perspective, the Group has not transferred the significant risks and rewards relating to these bills receivables to its suppliers. Breakdown of the trade and bills payables of the Group as at 31 December 2010, 2011 and 2012 is set out as follows:

	As at 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	50,511	34,530	58,999
Bills payables	3,828	—	—
	<u>54,339</u>	<u>34,530</u>	<u>58,999</u>

With reference to the above table, trade payables represented approximately 93.0% of the trade and bills payables of the Group as at 31 December 2010 and the Group had no bills payables as at 31 December 2011 and 2012.

FINANCIAL INFORMATION

In general, the Group entered into one-year procurement contracts with its suppliers and settled payments through telegraphic transfers or by endorsing bank acceptance bills received from customers. The average credit period on purchases of goods is 90 days. The following table sets out the aged analysis of the Group's trade and bills payables based on invoice date as at 31 December 2010, 2011 and 2012:

	As at 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables			
0 to 90 days	49,719	31,322	47,021
91 to 180 days	301	2,778	11,551
181 to 360 days	144	35	196
Over 360 days	<u>347</u>	<u>395</u>	<u>231</u>
	<u>50,511</u>	<u>34,530</u>	<u>58,999</u>
Bills payables			
0 to 90 days	<u>3,828</u>	<u>—</u>	<u>—</u>
Trade and bills payables			
0 to 90 days	53,547	31,322	47,021
91 to 180 days	301	2,778	11,551
181 to 360 days	144	35	196
Over 360 days	<u>347</u>	<u>395</u>	<u>231</u>
	<u>54,339</u>	<u>34,530</u>	<u>58,999</u>
	For the year ended		
	31 December		
	2010	2011	2012
	<i>Day</i>	<i>Day</i>	<i>Day</i>
Trade and bills payables turnover days (note)			
Trade payables	171.0	143.2	147.2
Bills payables	<u>15.5</u>	<u>6.4</u>	<u>—</u>
	<u>186.5</u>	<u>149.6</u>	<u>147.2</u>

Note: Trade and bills payables turnover days were derived from dividing the average of the opening and ending balances of trade and/or bills payables, whichever applicable, for the period by the cost of sales for the period and multiplied by the number days for the period (365 days for each of the years ended 31 December 2010 and 2011 and 366 days for the year ended 31 December 2012).

FINANCIAL INFORMATION

With reference to the above table, approximately 98.5%, 90.7% and 79.7% of the total trade and bills payables of the Group were within 90 days as at 31 December 2010, 2011 and 2012, respectively. The Group's trade payables aged between 91 to 180 days increased as at 31 December 2012 as compared with those as at 31 December 2011 primarily because, despite that certain trade payables had been settled by the Group by endorsing bank bills received from its customers as at 31 December 2012, the Group continued to recognise the full carrying amount of such trade payables settled by endorsement of bank bills as the Group had not transferred the significant risks and rewards relating to these bills receivables. The total trade and bills payables turnover days of the Group during the Track Record Period were longer than the credit period offered by the suppliers of the Group mainly due to (i) the seasonality of the business of the Group, where the Group usually procured greater amount of raw materials in the fourth quarter to meet its increased production needs during the peak seasons; and (ii) the Group's endorsement of bank bills received from its customers to settle trade payables effectively extended its total trade and bills payables turnover days for the reason discussed above. Total trade and bills payables turnover days decreased from approximately 186.5 days for the year ended 31 December 2010 to approximately 149.6 days for the year ended 31 December 2011 primarily due to the lower balance of trade and bills payables as at 31 December 2011, which was in turn mainly due to less purchase made by the Group in the fourth quarter of 2011 as a result of less sales in the same period. Total trade and bills turnover days slightly decreased from approximately 149.6 days for the year ended 31 December 2011 to approximately 147.2 days for the year ended 31 December 2012 mainly because the balance of trade and bills payables as at 31 December 2012 increased to approximately RMB59.0 million, which was close to the opening balance of trade and bills payables for the year ended 31 December 2011.

As at 31 May 2013, approximately 76.8% of the trade and bills payables as at 31 December 2012 had been subsequently settled.

Property, plant and equipment

The carrying amount of property, plant and equipment of the Group amounted to approximately RMB44.3 million, RMB37.8 million and RMB53.3 million, representing approximately 21.7%, 20.2% and 23.3% of the total assets of the Group, as at 31 December 2010, 2011 and 2012, respectively. Excluding the amount of construction in progress of approximately RMB18.8 million as at 31 December 2012 primarily for the construction of the Huizhou Production Base, plant and machinery accounted for over 90% of the property, plant and equipment of the Group as at 31 December 2010, 2011 and 2012.

The decrease in the carrying amount of property, plant and equipment (excluding construction in progress) was mainly attributable to the depreciation provided for plant and machinery, which amounted to approximately RMB6.1 million and RMB5.4 million for each of the two years ended 31 December 2011 and 2012, respectively.

FINANCIAL INFORMATION

The following table sets out the capital expenditures of the Group in relation to its property, plant and equipment during the Track Record Period:

	For the year ended 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Plant and machinery	2,422	652	3,013
Motor vehicles	—	273	—
Furniture, fixtures and equipment	687	52	16
Construction in progress	—	—	18,757
	<u>3,109</u>	<u>977</u>	<u>21,786</u>

The Group purchases equipment and machinery from time to time, in particular, the Group acquired two sets of automated quality checking equipment for an aggregate of approximately RMB1.5 million in 2010 and two sets of foil stamping machines for an aggregate of approximately RMB3.0 million in 2012. The amount of construction in progress of approximately RMB18.8 million as at 31 December 2012 was mainly for the construction of the Huizhou Production Base.

Inventories

Inventories of the Group comprise raw materials, work in progress and finished goods. Raw materials primarily include paper, anti-counterfeit labels, aluminium foil and ink. All of the finished goods are paper cigarette packages produced by the Group. Inventories accounted for approximately 12.5%, 12.6% and 4.5% of the total assets of the Group as at 31 December 2010, 2011 and 2012, respectively.

FINANCIAL INFORMATION

The Group maintains close relationship with its customers and its customers usually inform the Group their production and/or order schedules for the upcoming weeks or month, such that the Group is allowed sufficient time to plan its procurement schedule and liaise with its suppliers in advance. The Group aims to minimise its inventory level and endeavours to procure raw materials only after its customers have indicated their scheduled production and/or order volume. The following table is a summary of the balance of inventories of the Group as at 31 December 2010, 2011 and 2012:

	As at 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	12,779	2,921	4,465
Work in progress	1,573	6,131	4,008
Finished goods	<u>11,083</u>	<u>14,542</u>	<u>1,820</u>
	<u><u>25,435</u></u>	<u><u>23,594</u></u>	<u><u>10,293</u></u>
Average inventories turnover days (<i>note</i>)	75.5	82.6	53.3

Note: Average inventories turnover days were derived from dividing the average of the opening and ending balances of inventories for the period by the cost of sales for the period and multiplied by the number days for the period (365 days for each of the years ended 31 December 2010 and 2011 and 366 days for the year ended 31 December 2012).

The decline in inventories from 31 December 2010 to 31 December 2011 was mainly due to the lower amount of raw materials accumulated along with the reduction in sales in the first quarter of 2012 as compared with that in the first quarter of 2011. The further decline in inventories from 31 December 2011 to 31 December 2012 was mainly due to lower amount of finished goods as at 31 December 2012 as a result of the expedited delivery of finished goods in the fourth quarter of 2012.

Average inventories turnover days increased from approximately 75.5 days for the year ended 31 December 2010 to approximately 82.6 days for the year ended 31 December 2011 primarily due to the lower opening balance of inventories for the year ended 31 December 2010. The lower average inventories turnover days for the year ended 31 December 2012 of approximately 53.3 days was mainly attributable to the lower amount of inventories as at 31 December 2012.

FINANCIAL INFORMATION

The Group writes down inventories for obsolescence based on an assessment of the net realisable value of inventories. Write-down is applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the carrying amount of inventories. The identification of obsolete inventories requires the use of judgment and estimates on the conditions and usefulness of the inventories. The amount of write-down would be changed as a result of the changes in current market conditions subsequently. The following table sets out the amount of write-down on obsolete inventories during the Track Record Period.

	For the year ended		
	31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Reversal) recognition of write-down on obsolete inventories	(29)	105	246
As a percentage of inventories as at the end of the period	0.1%	0.4%	2.4%

The Group recognised write-down on obsolete inventories of approximately RMB105,000 and RMB246,000 in 2011 and 2012, respectively. With reference to the above table, the Group did not make any material provision for written off any inventory for damage or obsolescence during the Track Record Period.

Prepaid lease payments and other receivables, deposits and prepayments

Prepaid lease payments of the Group principally represent payments for land use rights of the Huizhou Site which are held under medium-term lease. Prepaid lease payments amounted to approximately RMB19.6 million, RMB19.2 million and RMB18.8 million, representing approximately 9.6%, 10.3% and 8.2% of the total assets of the Group as at 31 December 2010, 2011 and 2012, respectively. Set out below is a breakdown of the prepaid lease payments of the Group:

	As at 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current assets portion	411	411	411
Non-current assets portion	<u>19,230</u>	<u>18,819</u>	<u>18,408</u>
	<u>19,641</u>	<u>19,230</u>	<u>18,819</u>

FINANCIAL INFORMATION

Other receivables, deposits and prepayments amounted to approximately RMB498,000, RMB1.1 million and RMB2.4 million, representing approximately 0.2%, 0.6% and 1.1% of the total assets of the Group, as at 31 December 2010, 2011 and 2012, respectively. Other receivables, deposits and prepayments generally include but not limited to utilities and rental deposits and various advance payments. The higher amount of other receivables, deposits and prepayments as at 31 December 2012 was primarily related to the record of a retention fund for the construction of the Huizhou Production Base of approximately RMB1.5 million as at 31 December 2012.

Other payables and accruals

Other payables and accruals of the Group amounted to approximately RMB8.3 million, RMB3.9 million and RMB8.8 million, representing approximately 9.7%, 6.1% and 8.1% of the total liabilities of the Group, as at 31 December 2010, 2011 and 2012, respectively. Set out below is the breakdown of the other payables and accruals of the Group:

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Other payables and accruals (<i>note</i>)	1,346	1,546	1,926
Payables for acquisition of property, plant and equipment	2,490	492	—
Other taxes payables	3,384	789	4,494
Salaries payables	970	993	1,546
Dividends payables	—	—	771
Other deposits	68	81	90
	<u>8,258</u>	<u>3,901</u>	<u>8,827</u>

Note: Other payables and accruals include but not limited to land deed tax, rental and delivery.

With reference to the above table, the largest component of other payables and accruals during the Track Record Period was other taxes payables, which were primarily related to the value added tax payable and were directly proportional to the sales amount of the relevant month. As at the Latest Practicable Date, the balance of dividends payables of approximately RMB771,000 as at 31 December 2012 has been fully settled.

FINANCIAL INFORMATION

WORKING CAPITAL

	As at 31 December			As at
	2010	2011	2012	30 April
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current assets				
Inventories	25,435	23,594	10,293	9,486
Prepaid lease payments	411	411	411	411
Trade and bills receivables	88,890	69,744	108,784	91,987
Other receivables, deposits and prepayments	498	1,097	2,440	2,805
Amounts due from directors	1,475	2,899	223	—
Amount due from a former non-controlling shareholder of a subsidiary	—	5,000	3,842	—
Bank balances and cash	<u>23,143</u>	<u>26,517</u>	<u>30,850</u>	<u>26,145</u>
	<u>139,852</u>	<u>129,262</u>	<u>156,843</u>	<u>130,834</u>
Current liabilities				
Trade and bills payables	54,339	34,530	58,999	36,691
Other payables and accruals	8,258	3,901	8,827	4,769
Amount due to a director	—	—	2,397	—
Tax payable	9,346	5,819	7,450	4,437
Bank borrowings	<u>13,000</u>	<u>20,000</u>	<u>29,600</u>	<u>19,800</u>
	<u>84,943</u>	<u>64,250</u>	<u>107,273</u>	<u>65,697</u>
Net current assets	<u>54,909</u>	<u>65,012</u>	<u>49,570</u>	<u>65,137</u>

Current assets primarily comprise trade and bills receivables, inventories and bank balances and cash. Current liabilities primarily comprise trade and bills payables and bank borrowings.

Net current assets increased from approximately RMB54.9 million as at 31 December 2010 to approximately RMB65.0 million as at 31 December 2011 due to, among others, the decrease in trade and bills payables from approximately RMB54.3 million as at 31 December 2010 to approximately RMB34.5 million as at 31 December 2011. Net current assets decreased to approximately RMB49.6 million as at 31 December 2012 due to, among others, the increase in trade and bills payables from approximately RMB34.5 million as at 31 December 2011 to approximately RMB59.0 million as at 31 December 2012 and the increase in bank borrowings from RMB20 million as at 31 December 2011 to RMB29.6 million as at 31 December 2012. Details of the changes in the components of the combined statements of financial position are discussed in the relevant paragraphs above.

FINANCIAL INFORMATION

The net current assets position of the Group further improved from approximately RMB49.6 million as at 31 December 2012 to approximately RMB65.1 million as at 30 April 2013, which was primarily attributable to the decrease in trade and bills payable as a result of the settlement of payables by the Group during the four months ended 30 April 2013 and the decrease in bank borrowings. Cash level of the Group decreased from approximately RMB30.9 million as at 31 December 2012 to approximately RMB26.1 million as at 30 April 2013, primarily as a result of the repayment of bank borrowings of RMB9.8 million that fell due in April 2013.

As detailed in the section headed “Future plans and use of proceeds” in this prospectus, the Group intends to (i) procure additional equipment and machinery amounting to approximately HK\$21.4 million (equivalent to approximately RMB17.0 million) in 2014 to increase its production capacity; and (ii) commence the construction of phase II of the Huizhou Production Base in the fourth quarter of 2013. It is intended by the Directors that the entire funds required to procure the additional machinery and a portion of the construction cost for phase II of the Huizhou Production Base will be paid from the net proceeds from the Share Offer and the shortfall of the construction costs will be satisfied by internal resources of the Group and/or additional bank borrowings.

The Directors are of the opinion that, taking into account the financial resources available to the Group, including internally generated funds, unutilised banking facilities and the estimated net proceeds from the Share Offer, the Group has sufficient working capital for its present requirements and for at least the next 12 months from the date of this prospectus.

BALANCES WITH RELATED PARTIES

The following table sets out the outstanding balances of the amounts due from the Directors and a former non-controlling shareholder of a subsidiary and amount due to a director:

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Outstanding balance due from directors			
- Ms. Huang Li	235	2,899	—
- Mr. Zheng Hua	1,240	—	223
Outstanding balance due from a former non-controlling shareholder of a subsidiary			
- Shenzhen Zhuowei Jiaqi (<i>note</i>)	—	5,000	3,842
Outstanding balance due to a director			
- Ms. Huang Li	—	—	2,397

Note: Shenzhen Zhuowei Jiaqi held 17% equity interests in Shenzhen Oceania as at 31 December 2010 and 2011.

FINANCIAL INFORMATION

The amounts due from the Directors and the former non-controlling shareholder of a subsidiary, namely Shenzhen Zhuowei Jiaqi, were unsecured, non-interest bearing and repayable on demand. As advised by the PRC Legal Advisers, the advances made by the Group did not comply with the Lending General Provisions (《貸款通則》) formulated by the People's Bank of China in 1996, pursuant to which enterprises engaged in lending could be subject to a penalty between one to five times of the income generated from such activities. Since the loans and advances between Shenzhen Oceania and Shenzhen Zhuowei Jiaqi are non-interest bearing, no fines will be imposed on Shenzhen Oceania according to the foregoing provision. As at the Latest Practicable Date, the outstanding balance of the advances made to Shenzhen Zhuowei Jiaqi by the Group has been fully repaid and the Group has not been fined or penalised by the relevant authorities in relation to such lending activities. Moreover, the Controlling Shareholders have agreed to fully indemnify the Group should the relevant governmental authorities impose any fine or penalty on the Group because of its lending activities during the Track Record Period. In view of the above, the PRC Legal Advisers are of the view that the lending activities conducted by the Group during the Track Record Period would not have any material impact on the business of the Group.

The amount due to a director as at 31 December 2012 was unsecured, non-interest bearing and repayable on demand.

The Directors confirm that all the outstanding balances of the Group due from/to the Directors and Shenzhen Zhuowei Jiaqi have been fully waived and/or settled prior to the Latest Practicable Date.

In addition to the above, the Group recorded dividends payables to the former equity owners of Shenzhen Oceania of approximately RMB771,000 as at 31 December 2012, which have been fully settled as at the Latest Practicable Date.

LIQUIDITY AND FINANCIAL RESOURCES

The primary uses of cash by the Group are to satisfy its working capital and capital expenditure needs. Since the establishment of the Group, its working capital and capital expenditure needs have been primarily financed through a combination of shareholders' equity, cash generated from operations and bank borrowings. The Directors confirmed that the Group did not experience any difficulty in obtaining financing during the Track Record Period.

For each of the years ended 31 December 2010, 2011 and 2012, the Group raised bank loans of RMB19.0 million, RMB20.0 million and RMB29.6 million and repaid bank loans of RMB38.0 million, nil and RMB20.0 million, respectively. The Group had available unutilised bank borrowings facilities of approximately RMB17.0 million, nil and RMB400,000 as at 31 December 2010, 2011 and 2012, respectively.

FINANCIAL INFORMATION

Ms. Huang provided guarantees to the bank borrowings facilities of the Group and provided guarantees to banks for granting unsecured loans to the Group of nil, RMB20.0 million and RMB29.6 million as at 31 December 2010, 2011 and 2012, respectively. A property of Ms. Huang was also pledged to the banks to secure banking facilities granted to the Group for the year ended 31 December 2010. All the guarantees and pledges by Ms. Huang have been released prior to the Latest Practicable Date.

On the basis that (i) the Group had a good credit history without defaulting any bank loans during the Track Record Period; and (ii) the net proceeds from the Share Offer could enhance the working capital level of the Group and the Company would become a listed company after the Listing, the Directors consider that the Group is not expected to experience material difficulty in obtaining financing in the foreseeable future.

The following table is a condensed summary of the combined statement of cash flows during the Track Record Period:

	For the year ended		
	31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash from operating activities	33,441	31,622	48,696
Net cash from (used in) investing activities	13,879	(9,800)	(17,187)
Net cash used in financing activities	<u>(77,444)</u>	<u>(18,448)</u>	<u>(27,176)</u>
Net (decrease) increase in cash and cash equivalents	(30,124)	3,374	4,333
Cash and cash equivalents at the beginning of the year	<u>53,267</u>	<u>23,143</u>	<u>26,517</u>
Cash and cash equivalents at the end of the year	<u><u>23,143</u></u>	<u><u>26,517</u></u>	<u><u>30,850</u></u>

Cash flow from operating activities

For the year ended 31 December 2010, net cash from operating activities amounted to approximately RMB33.4 million. Profit before taxation for the same period was approximately RMB53.6 million. The difference of approximately RMB20.2 million was mainly attributable to (i) the increase in trade and bills receivables of approximately RMB22.7 million for the year ended 31 December 2010; (ii) the increase in inventories of approximately RMB10.9 million; and (iii) income tax paid of approximately RMB7.0 million, partially offset by the increase in trade and bills payables of approximately RMB10.0 million and depreciation of property, plant and equipment of approximately RMB8.1 million for the year ended 31 December 2010.

For the year ended 31 December 2011, net cash from operating activities amounted to approximately RMB31.6 million. Profit before taxation for the same period was approximately RMB55.5 million. The difference of approximately RMB23.9 million was mainly attributable to the

FINANCIAL INFORMATION

decrease in trade and bills payables of approximately RMB19.8 million and income tax paid of approximately RMB17.8 million for the year ended 31 December 2011, partially offset by the decrease in trade and bills receivables of approximately RMB6.1 million and depreciation of property plant and equipment of approximately RMB7.0 million for the year ended 31 December 2011.

For the year ended 31 December 2012, net cash from operating activities amounted to approximately RMB48.7 million. Profit before taxation for the same period was approximately RMB50.8 million. The difference of approximately RMB2.1 million was mainly attributable to the increase in trade and bills receivables of approximately RMB39.0 million and income tax paid of approximately RMB12.0 million for the year ended 31 December 2012, partially offset by (i) the decrease in inventories of approximately RMB13.1 million; (ii) the increase in trade and bills payables of approximately RMB24.5 million; and (iii) depreciation of property plant and equipment of approximately RMB6.2 million for the year ended 31 December 2012.

Details of the changes in the components of the combined statements of financial position are discussed in the relevant paragraphs above.

Cash flow from investing activities

For the year ended 31 December 2010, net cash from investing activities amounted to approximately RMB13.9 million which was mainly attributable to (i) the net repayment from Shenzhen Zhuowei Jiaqi of approximately RMB18.0 million, partially offset by the deposits paid for and purchase of property, plant and equipment of approximately RMB4.3 million.

For the year ended 31 December 2011, net cash used in investing activities amounted to approximately RMB9.8 million which was primarily attributable to (i) the advance to Shenzhen Zhuowei Jiaqi of approximately RMB5.0 million; and (ii) the deposits paid for and purchase of property, plant and equipment of approximately RMB3.7 million.

For the year ended 31 December 2012, net cash used in investing activities amounted to approximately RMB17.2 million which was mainly attributable to the deposits paid for and purchase of property, plant and equipment of approximately RMB21.2 million, partially offset by the net repayment from directors of approximately RMB2.7 million.

Cash flow from financing activities

Net cash used in financing activities amounted to approximately RMB77.4 million, RMB18.4 million and RMB27.2 million for each of the years ended 31 December 2010, 2011 and 2012, respectively. The amounts were mainly attributable to (i) the dividends paid, which amounted to approximately RMB56.6 million, RMB37.4 million and RMB37.8 million for each of the years ended 31 December 2010, 2011 and 2012, respectively; and (ii) the net bank loans repaid of RMB19.0 million for the year ended 31 December 2010 and net bank loans raised of RMB20.0 million and RMB9.6 million for each of the two years ended 31 December 2011 and 2012, respectively.

FINANCIAL INFORMATION

INDEBTEDNESS

Bank borrowings

The following table sets forth the bank borrowings of the Group as at the end of each year/period indicated:

	As at 31 December			As at
	2010	2011	2012	30 April
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank borrowings	13,000	20,000	29,600	19,800

Bank borrowings of the Group amounted to RMB13.0 million, RMB20.0 million and RMB29.6 million as at 31 December 2010, 2011 and 2012, respectively. Ms. Huang provided guarantees for the bank borrowing facilities and unsecured loans of the Group of nil, RMB20.0 million and RMB29.6 million as at 31 December 2010, 2011 and 2012, respectively. The bank borrowings of RMB13.0 million as at 31 December 2010 were proceeds from bills receivables discounted with full recourse.

As at 30 April 2013, being the latest practicable date for the purpose of ascertaining information contained in the indebtedness statement prior to the publication of this prospectus, the Group had unsecured bank borrowings of approximately RMB19.8 million. The Group did not have any unutilised banking facilities as at 30 April 2013. Ms. Huang provided guarantees for the bank borrowing facilities and unsecured loans of the Group of RMB19.8 million as at 30 April 2013.

The Group's bank borrowing balance decreased from RMB29.6 million as at 31 December 2012 to RMB19.8 million as at 30 April 2013 as a result of the repayment of bank borrowings of RMB9.8 million upon its expiry in April 2013 by the Group. In May 2013, the Group early repaid the outstanding bank borrowings of RMB19.8 million and the guarantees provided by Ms. Huang for such bank loans were released accordingly. In June 2013, the Group obtained new unsecured banking facilities of RMB80.0 million with one-year maturity, of which unsecured bank loan of RMB30.0 million has been drawn down by the Group. No guarantee by any of the Controlling Shareholders is required for such new banking facilities. As at the Latest Practicable Date, the Group had outstanding bank borrowings of RMB30.0 million and unutilised banking facilities of RMB50.0 million.

The following table sets out the breakdown of the Group's bank borrowings as of the dates indicated:

	At 31 December		
	2010	2011	2012
Fixed-rate borrowings	13,000	—	—
Floating-rate borrowings	—	20,000	29,600
	<u>13,000</u>	<u>20,000</u>	<u>29,600</u>

FINANCIAL INFORMATION

The Group's floating-rate borrowings during the Track Record Period were subject to interest at 110% of RMB Benchmark Loan Rate of the People's Bank of China. The effective interest rates on the Group's borrowings were as follows:

	At 31 December		
	2010	2011	2012
	%	%	%
Fixed-rate borrowings	4.50	Not applicable	Not applicable
Floating-rate borrowings	Not applicable	6.71	6.94

The Group has used the proceeds of the bank borrowings as working capital and to fund its capital expenditures. During the Track Record Period, the Group has not encountered any material difficulty in obtaining bank borrowings and has not experienced any default in repayment of its bank borrowings.

Please refer to the paragraph headed "Balances with related parties" for more details on the Group's outstanding balances with related parties during the Track Record Period and as at the Latest Practicable Date.

Pledge of assets

Save for the pledge of certain property, plant and equipment at an aggregate amount of approximately RMB23.8 million to secure the banking facilities of the Group as at 31 December 2010, none of the assets of the Group were pledged as at 31 December 2010, 2011 and 2012 and the Latest Practicable Date.

Contingent liabilities

As at the Latest Practicable Date, the Group had no material contingent liabilities, where the Group was not involved in any material legal proceedings, nor was aware of any pending or potential material legal proceedings involving the Group.

Save as aforesaid or otherwise disclosed herein, and apart from the intra-group liabilities, the Group did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at 30 April 2013.

The Directors confirm that, save as disclosed in this prospectus, there have been no material changes in the indebtedness and contingent liabilities of the Group since 31 December 2012.

FINANCIAL INFORMATION

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

Operating lease commitments

The Group had commitments for future minimum lease payments under non-cancelable operating leases, which represent rental expenses committed by the Group for its office and manufacturing premises at the Shenzhen Production Base. These operating leases are negotiated from one to five years and rentals are fixed over the respective leases, which fall due as follows:

	As at 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	1,700	1,727	1,761
In the second to fifth year inclusive	<u>1,593</u>	<u>5,829</u>	<u>4,183</u>
	<u>3,293</u>	<u>7,556</u>	<u>5,944</u>

With reference to the above table, the increase in commitments from approximately RMB3.3 million as at 31 December 2010 to approximately RMB7.6 million as at 31 December 2011 was mainly attributable to the renewal of lease agreements of the premises at the Shenzhen Production Base for a contractual term of five years.

Capital commitments

The Group had the following capital commitments:

	As at 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial information	457	2,464	7,196
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for	—	130	—

With reference to the above table, capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial information primarily involved the acquisition of property, plant and equipment which had not yet been delivered to the Group or were not ready for intended use. Save for the above, the Group has not entered into any off-balance sheet transaction during the Track Record Period and up to the Latest Practicable Date.

FINANCIAL INFORMATION

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

The Directors have confirmed that, as at the Latest Practicable Date, there are no circumstances which, had the Group been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

DISTRIBUTABLE RESERVES

The Company was incorporated in the Cayman Islands on 29 November 2012. No distributable reserves were available in cash for distribution to the Shareholders as at 31 December 2012.

DIVIDEND POLICY

The Group currently does not have a fixed dividend policy. The form, frequency and amount of future dividends on the Shares will be at the discretion of the Directors and will depend on factors such as the profitability, financial condition, business development requirements, future prospects and cash requirements of the Group. Moreover, dividend declaration and payment, as well as the amount of dividends, will also be subject to, amongst others, the requirements under the Articles and the Companies Law, including the approval of the Shareholders and the Directors.

Historically, Shenzhen Oceania, the principal operating subsidiary of the Company, declared dividends to its then equity owners prior to completion of the Corporate Reorganisation of approximately RMB32.8 million, RMB37.4 million and RMB38.5 million for each of the years ended 31 December 2010, 2011 and 2012, respectively. Subsequent to 31 December 2012 but before the Latest Practicable Date, the Group did not declare any dividend. Nonetheless, as detailed in the paragraph headed “Future dividend payments” in the section headed “Risk factors” of this prospectus, there is no assurance that the Company will make any dividend payments on the Shares at a similar level as in the past or at all in the future.

FINANCIAL INFORMATION

SUMMARY OF KEY FINANCIAL RATIOS

	As at/for the year ended 31 December		
	2010	2011	2012
Profitability ratios:			
Revenue growth (<i>note 1</i>)	Not applicable	10.4%	2.1%
Net profit growth (<i>note 2</i>)	Not applicable	-0.5%	-13.9%
Gross profit margin (<i>note 3</i>)	40.6%	39.6%	36.6%
Net profit margin before interest and tax (<i>note 4</i>)	34.1%	31.5%	28.4%
Net profit margin (<i>note 5</i>)	25.5%	23.0%	19.4%
Return on equity (<i>note 6</i>)	36.3%	34.2%	29.3%
Return on total assets (<i>note 7</i>)	19.1%	21.1%	17.1%
Liquidity ratios:			
Current ratio (<i>note 8</i>)	1.6	2.0	1.5
Quick ratio (<i>note 9</i>)	1.3	1.6	1.4
Total trade and bills receivables turnover days (<i>note 10</i>)	180.9	161.3	178.1
Total trade and bills payables turnover days (<i>note 11</i>)	186.5	149.6	147.2
Average inventories turnover days (<i>note 12</i>)	75.5	82.6	53.3
Capital adequacy ratios:			
Gearing ratio (<i>note 13</i>)	9.9%	14.0%	19.8%
Net cash to equity (<i>note 14</i>)	8.5%	5.3%	1.0%
Interest coverage (<i>note 15</i>)	30.4	55.3	37.3

Notes:

1. Revenue growth represents the growth of the Group's revenue for the year as compared with the previous year. Revenue growth for the year ended 31 December 2010 was not applicable as the preceding year falls outside the Track Record Period.
2. Net profit growth represents the growth of the Group's net profit for the year as compared with the previous year. Net profit growth for the year ended 31 December 2010 was not applicable as the preceding year falls outside the Track Record Period.
3. Gross profit margin is derived from dividing gross profit of the Group by its revenue for the year and multiplied by 100%.
4. Net profit margin before interest and tax is derived from dividing net profit before interest and tax of the Group by its revenue for the year and multiplied by 100%.
5. Net profit margin is derived from dividing net profit of the Group by its revenue for the year and multiplied by 100%.
6. Return on equity is derived from dividing net profit of the Group for the year by the average of total equity of the Group as at the beginning and the end of the year and multiplied by 100%.

FINANCIAL INFORMATION

7. Return on total assets is derived from dividing net profit of the Group for the year by the average of total assets of the Group as at the beginning and the end of the year and multiplied by 100%.
8. Current ratio is derived from dividing the Group's current assets by its current liabilities as at the end of the year.
9. Quick ratio is derived from dividing the Group's current assets less inventories by its current liabilities as at the end of the year.
10. Total trade and bills receivables turnover days were derived from dividing the average of the opening and ending balances of total trade and bills receivables of the Group for the year by the revenue for the year and multiplied by the number days for the year (365 days for each of the years ended 31 December 2010 and 2011 and 366 days for the year ended 31 December 2012).
11. Total trade and bills payables turnover days were derived from dividing the average of the opening and ending balances of total trade and bills payables of the Group for the year by the cost of sales for the year and multiplied by the number days for the year (365 days for each of the years ended 31 December 2010 and 2011 and 366 days for the year ended 31 December 2012).
12. Average inventories turnover days were derived from dividing the average of the opening and ending balances of inventories of the Group for the year by the cost of sales for the year and multiplied by the number days for the year (365 days for each of the years ended 31 December 2010 and 2011 and 366 days for the year ended 31 December 2012).
13. Gearing ratio is derived from dividing total debt (being the amount of bank borrowings) by the sum of total debt and total equity as at the end of the year and multiplied by 100%.
14. Net cash to equity is derived from dividing bank balances and cash less total debt (being the amount of bank borrowings) by total equity as at the end of the year and multiplied by 100%.
15. Interest coverage is derived from dividing the Group's net profit before interest and tax by its finance costs for the year.

Explanations on the major fluctuations of the key financial ratios of the Group with reference to the above table are set out as follows:

Profitability ratios

Net profit margin before interest and tax of the Group decreased from approximately 34.1% for the year ended 31 December 2010 to approximately 31.5% for the year ended 31 December 2011, primarily due to the decline in gross profit margin from approximately 40.6% for the year ended 31 December 2010 to approximately 39.6% for the year ended 31 December 2011 and the increase in administrative expenses from approximately RMB9.5 million for the year ended 31 December 2010 to approximately RMB13.6 million for the year ended 31 December 2011. Net profit margin before interest and tax of the Group further lowered to approximately 28.4% for the year ended 31 December 2012 primarily due to the further decline in gross profit margin to approximately 36.6% for the year ended 31 December 2012.

FINANCIAL INFORMATION

Return on equity decreased from approximately 36.3% for the year ended 31 December 2010 to approximately 34.2% for the year ended 31 December 2011 mainly due to the increase in the average total equity of the Group, which increased from approximately RMB114.4 million for the year ended 31 December 2010 to approximately RMB120.7 million for the year ended 31 December 2011. Return on equity further decreased to approximately 29.3% for the year ended 31 December 2012 primarily due to the lower net profit of Group for the year ended 31 December 2012.

Return on total assets increased from approximately 19.1% for the year ended 31 December 2010 to approximately 21.1% for the year ended 31 December 2011 mainly due to the decrease in the average total assets of the Group, which decreased from approximately RMB217.2 million for the year ended 31 December 2010 to approximately RMB195.3 million for the year ended 31 December 2011. Return on total assets decreased to approximately 17.1% for the year ended 31 December 2012 primarily due to the lower net profit of Group for the year ended 31 December 2012.

Please refer to the paragraph headed “Major components of the combined statements of comprehensive income” in this section for details on the fluctuations of other profitability ratios.

Liquidity ratios

Current ratio and quick ratio increased as at 31 December 2011 primarily due to the reduction in trade and bills payables from approximately RMB54.3 million as at 31 December 2010 to approximately RMB34.5 million as at 31 December 2011. Current ratio and quick ratio decreased as at 31 December 2012 mainly due to the increase in bank borrowings from RMB20.0 million as at 31 December 2011 to RMB29.6 million as at 31 December 2012 and the increase in trade and bills payables from approximately RMB34.5 million as at 31 December 2011 to approximately RMB59.0 million as at 31 December 2012.

Please refer to the paragraph headed “Major components of the combined statements of financial position” in this section for details on the fluctuations of other liquidity ratios.

Capital adequacy ratios

Gearing ratio increased from approximately 9.9% as at 31 December 2010 to approximately 14.0% as at 31 December 2011 and further rose to approximately 19.8% as at 31 December 2012 primarily due to the increase in bank borrowings, which amounted to RMB13.0 million, RMB20.0 million and RMB29.6 million as at 31 December 2010, 2011 and 2012, respectively. The increase in banking borrowings was for, among others, the strengthening of the liquidity position of the Group.

Net cash to equity ratio decreased from approximately 8.5% as at 31 December 2010 to approximately 5.3% as at 31 December 2011 and further decreased to approximately 1.0% as at 31 December 2012 primarily due to the increase in bank borrowings during the Track Record Period.

FINANCIAL INFORMATION

Interest coverage increased from approximately 30.4 times for the year ended 31 December 2010 to approximately 55.3 times for the year ended 31 December 2011 primarily attributable to the reduction in finance costs from approximately RMB1.8 million for the year ended 31 December 2010 to approximately RMB1.0 million for the year ended 31 December 2011. Interest coverage reduced to approximately 37.3 times for the year ended 31 December 2012 primarily due to the increase in finance costs from approximately RMB1.0 million for the year ended 31 December 2011 to approximately RMB1.4 million for the year ended 31 December 2012 and the lower net profit before interest and taxation for the year ended 31 December 2012 as compared with that for the year ended 31 December 2011.

QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISKS

Market risks are risks in relation to fluctuation of the fair value or future cash flows of a financial instrument due to changes in economic environment. Major categories of market risks include credit risk, liquidity risk, interest rate risk and currency risk.

Credit risk

The maximum exposure of the Group to credit risk at the end of each financial reporting period is represented by the relevant carrying amount of each financial asset in the combined statements of financial position.

The payments of the majority of the sales of the Group are received upon the satisfaction of the products by the customers of the Group, in particular the provincial tobacco industrial companies, which are PRC state-owned enterprises. There is no contractually agreed term to strictly govern the credit period with some of the Group's customers and there is no assurance that the Group can fully recover all its trade and bills receivables in a timely manner. Moreover, the Group has concentration of credit risk, where the four largest customers accounted for approximately 99%, 94% and 97% of the total trade receivables of the Group as at 31 December 2010, 2011 and 2012, respectively. If a significant portion of the trade payables of the Group are not settled for any reason, the Group may incur material impairment losses. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monetary procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are either state-owned banks or banks with high credit ratings and quality located in the PRC.

The Group is exposed to concentrating of credit risk on the amounts due from directors and amount due from a former non-controlling shareholder of a subsidiary. In order to minimise the credit risk on amounts due from directors and amount due from a former non-controlling shareholder of a subsidiary, the management of the Group continuously monitors the credit quality of the directors and

FINANCIAL INFORMATION

the former non-controlling shareholder of a subsidiary and the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual advance balance at the end of each reporting period to ensure adequate impairment losses are made.

Liquidity risk

The Group relies on bank borrowings as a significant source of liquidity. Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations of the Group and mitigate the effects of fluctuations in cash flows. The management of the Group also monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

Further quantitative disclosures in respect of the exposure of the Group to liquidity risk are set out in the Accountants' Report.

Interest rate risk

Fair value interest rate risk relates primarily to the fixed-rate bank borrowings of the Group, whereas cash flow interest rate risk relates primarily to the floating-rate bank balances and bank borrowings of the Group. The Group does not have a specific policy to manage its interest rate risks and has not entered into interest rate swaps to hedge against its exposures to changes in fair values of the borrowings. Nonetheless, the Group will closely monitor the interest rate risk exposure in the future.

Finance costs of the Group mainly comprise interest on bank borrowings wholly repayable within five years and represented approximately 1.1%, 0.6% and 0.8% of the revenue of the Group for each of the years ended 31 December 2010, 2011 and 2012, respectively. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of RMB Benchmark Loan Rate of the People's Bank of China on the Group's bank borrowings.

Further quantitative disclosures in respect of the exposure of the Group to interest rate risk are set out in the Accountants' Report.

Currency risk

RMB is the functional currency of the Group, where the transactions of the Group were mainly conducted in RMB and the major receivables and payables of the Group are denominated in RMB. The management of the Group considers the Group is subject to minimal foreign exchange rate risk arising from monetary assets and liabilities. Accordingly, the Group currently does not have a foreign currency policy.

FINANCIAL INFORMATION

PROPERTY INTERESTS AND PROPERTY VALUATION

DTZ Debenham Tie Leung Limited, an independent property valuer, has valued the property interests of the Group as at 31 March 2013 and is of the opinion that the aggregate value of the property interests as at such date amounted to approximately RMB48.0 million. The full text of the letter, summary of values and valuation certificate with regard to such property interests are set out in Appendix III to this prospectus.

Disclosure of the reconciliation of the property and land use rights interests and the valuation of such property and land use rights interests as required under Rule 5.07 of the Listing Rules is set out below:

	<i>RMB'000</i>
Net book value of property and land use rights interest as at 31 December 2012	37,576
Add: Construction costs paid during the three months ended 31 March 2013	553
Add: Construction costs expended but not paid as at 31 March 2013	7,056
Less: Depreciation and amortisation for the three months ended 31 March 2013	<u>(103)</u>
Net book value as at 31 March 2013 (unaudited)	45,082
Valuation as at 31 March 2013 as per Appendix III to this prospectus	<u>48,000</u>
Valuation surplus	2,918

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

An unaudited pro forma statement of adjusted combined net tangible assets of the Group, which was based on the combined net tangible assets attributable to equity shareholders of the Company as at 31 December 2012 as set out in the Accountants' Report and prepared in accordance with Rule 4.29 of the Listing Rules, is set out in Appendix II to this prospectus.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2012 and there is no event since 31 December 2012, including any shortfall of working capital or deteriorating cash position after the Track Record Period, which would materially affect the information shown in the Accountants' Report.

UNDERWRITING

UNDERWRITERS

Public Offer Underwriters

First Shanghai Securities Limited
Huatai Financial Holdings (Hong Kong) Limited

Placing Underwriters

First Shanghai Securities Limited
Huatai Financial Holdings (Hong Kong) Limited
Yue Xiu Securities Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, the Company is offering the Public Offer Shares under the Public Offer at the Offer Price for subscription by members of the public in Hong Kong on and subject to the terms and conditions of this prospectus.

Subject to, amongst others, (i) the Listing Committee granting the listing of, and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus and (ii) certain other conditions set out in the Public Offer Underwriting Agreement (including the Company, the Sponsor and the Lead Manager (for itself and on behalf of the other Underwriters) agreeing on the Offer Price and the Placing Underwriting Agreement becoming unconditional and not having been terminated), the Public Offer Underwriters have severally agreed to subscribe for or procure subscribers to subscribe for the Public Offer Shares, subject to the terms and conditions of the Public Offer Underwriting Agreement.

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination by notice in writing issued by the Lead Manager (for itself and on behalf of the other Public Offer Underwriter) to the Company, which may be given at any time prior to 8:00 a.m. on the Listing Date upon the occurrence of any of the following events:

- (a) there shall develop, occur, exist or come into effect:
 - (i) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority of the Cayman Islands, Hong Kong, the BVI, the PRC, or any other relevant jurisdiction(s); or

UNDERWRITING

- (ii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change in local, national or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including but not limited to conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting the Cayman Islands, Hong Kong, the BVI, the PRC, or any other relevant jurisdiction(s); or
- (iii) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, or minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by any of the said exchange or by such system or by order of any regulatory or governmental authority, or if a disruption has occurred in securities settlement or clearance services or procedures in the Cayman Islands, Hong Kong, the BVI, the PRC, or any other relevant jurisdiction(s); or
- (iv) a change or development occurs involving a change in taxation or exchange control (or the implementation of any exchange control) or currency exchange rates in the Cayman Islands, Hong Kong, the BVI, the PRC, or any other relevant jurisdiction(s); or
- (v) any change or development involving a prospective change in the condition, financial or otherwise, or in the earnings, business affairs, business prospects or trading position of the Company or any member of the Group, including any litigation or claim of any third party being threatened or instigated against the Company or any member of the Group; or
- (vi) a valid demand by any creditor for repayment or payment of any indebtedness of the Company or any member of the Group or in respect of which the Company or any member of the Group is liable prior to its stated maturity is made, which demand has or could reasonably be expected to have a material adverse effect on the Group taken as a whole; or
- (vii) a petition is presented for the winding-up or liquidation of the Company or any member of the Group, or the Company or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up, of the Company or any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of the Company or any member of the Group or anything analogous thereto occurs in respect of the Company or any member of the Group, which in the sole and absolute opinion of the Lead Manager, may or is likely to be material in the context of the Share Offer; or
- (viii) any of the executive Directors being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of any company; or

UNDERWRITING

- (ix) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk factors” in this prospectus; or
- (x) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary and/or the Hong Kong Monetary Authority or other competent authority), the PRC, the Cayman Islands, the BVI or any other relevant jurisdiction(s); or
- (xi) any outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or wide-spread epidemic or political or social crisis involving the PRC, Hong Kong, the Cayman Islands, the BVI or any other relevant jurisdiction(s) or any escalation thereof, or the declaration by the PRC, Hong Kong, the BVI, the Cayman Islands or any other relevant jurisdiction(s), of a national emergency or war; or
- (xii) any event of force majeure, including without limitation any act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, terrorism (whether or not responsibility has been claimed), labour dispute, strike or lock-out involving the PRC, Hong Kong, the BVI, the Cayman Islands, or any other relevant jurisdiction(s)

and which, in any such case and in the sole and absolute opinion of the Lead Manager (for itself and on behalf of the other Public Offer Underwriter):

- (A) is or will be or is likely to be materially adverse to the business, financial or other condition or prospects of the Group taken as a whole; or
 - (B) has or will have or is likely to have a material adverse effect on the success of the Share Offer or the level of Public Offer Shares being applied for or accepted or the distribution of Public Offer Shares; or
 - (C) makes it inadvisable, inexpedient or impracticable to proceed with the Share Offer; or
- (b) there comes to the notice of the Lead Manager that:
- (i) any statement contained in this prospectus, the formal notice of the Company and any announcements in the agreed form issued by the Company in connection with the Share Offer (including any amendment or supplement thereto) was, has or may become untrue, incorrect or misleading in any material respect, or that any forecasts, expressions of opinion, intention or expectation expressed in this prospectus, the formal notice of the Company and any announcements issued by the Company in connection with the Share Offer (including any amendment or supplement thereto) are not fair and honest in any material respect and based on reasonable assumptions, when taken as a whole; or

UNDERWRITING

- (ii) any matter or event showing any of the warranties given by the Company, any of the Controlling Shareholders and the executive Directors in the Public Offer Underwriting Agreement is untrue, inaccurate or misleading in any respect which is or, in the sole and absolute opinion of the Lead Manager, is likely to be material in the context of the Share Offer when given or repeated; or
- (iii) any breach on the part of the Company, any of the Controlling Shareholders and/or the executive Directors of any of the provisions of the Public Offer Underwriting Agreement has been made; or
- (iv) any matter has arisen or been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in this prospectus, constitutes a material omission therefrom; or
- (v) there shall have occurred any event, act or omission which gives or is likely to give rise to any liability of a material nature of the Group pursuant to the indemnities referred to in the Public Offer Underwriting Agreement.

Similar events will be contained in the Placing Underwriting Agreement that may allow the Lead Manager (for itself and on behalf of the other Placing Underwriters) to terminate their respective obligations thereunder.

Undertakings

Pursuant to the Public Offer Underwriting Agreement, the Company has undertaken to and covenanted with the Sponsor, the Lead Manager and the Public Offer Underwriters that, and each of the Controlling Shareholders and the executive Directors have jointly and severally undertaken and covenanted with the Sponsor, the Lead Manager and the Public Offer Underwriters to procure that, without the prior written consent of the Lead Manager (for itself and on behalf of the other Public Offer Underwriter), and subject always to the requirements of the Stock Exchange, save for the Share Offer, the Shares to be issued pursuant to the Capitalisation Issue, the grant of any options under the Share Option Scheme, and any Shares which may fall to be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme, or by way of scrip dividend schemes or similar arrangements in accordance with the Articles, the Company shall not:

- (a) whether conditionally or unconditionally, allot and issue or agree to allot and issue or offer any shares in the Company from time to time or agree to grant any options, warrants or other rights carrying any rights to subscribe for or otherwise acquire any securities of the Company from time to time during the period commencing on the date by reference to which disclosure of the shareholding of such persons is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Lock-Up Period**”); or

UNDERWRITING

- (b) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of any share capital or securities or any interest therein during the First Lock-Up Period; or
- (c) offer to or agree to do any of the foregoing or announce any intention to do so, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise during the First Lock-Up Period (whether or not such issue of Shares or securities will be completed within such period); or
- (d) allot and issue or agree to allot and issue any of the shares or other interests referred to in (a) above during the further six months commencing on the expiry date of the First Lock-Up Period (the “**Second Lock-Up Period**”) if, immediately following such allotment and issue, (i) the Controlling Shareholders, either individually or taken together with the others of them, would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company or the single largest shareholder of the Company and/or (ii) there expects to be a disorderly or false market for the shares or any other securities of the Company; or
- (e) purchase any Shares or securities of the Company during the First Lock-Up Period.

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Company and the Stock Exchange that, save in connection with the transactions contemplated under the Share Offer or as provided under note (2) to Rule 10.07(2) of the Listing Rules, she or it shall not and shall procure that the relevant registered shareholder(s) shall not, without the prior written consent of the Stock Exchange:

- (i) during the First Lock-up Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which she or it is shown by this prospectus to be the beneficial owner(s); and
- (ii) within the Second Lock-up Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, she or it would cease to be a controlling shareholder of the Company.

Each of the Controlling Shareholders has further undertaken to the Company and the Stock Exchange that, within a period commencing on the date by reference to which disclosure of the shareholding of such persons is made in this prospectus and ending on the date which is 12 months from the Listing Date:

- (a) when she or it pledges or charges any securities of the Company beneficially owned by her or it in favour of an authorised institution pursuant to note (2) to Rule 10.07(2) of the Listing Rules, immediately inform the Company in writing of such pledge or charge together with the number of securities so pledged or charged; and

UNDERWRITING

- (b) when she or it receives any indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities of the Company will be disposed of, immediately inform the Company in writing of such indications.

The Company will also inform the Stock Exchange as soon as the Company has been informed of the above matters (if any) by the Controlling Shareholders and disclose such matters by way of an announcement under the Listing Rules as soon as possible.

Pursuant to the Public Offer Underwriting Agreement, each of the Controlling Shareholders has jointly and severally undertaken with the Company, the Sponsor, the Lead Manager and the Public Offer Underwriters that without the written consent of the Lead Manager (for itself and on behalf of the other Public Offer Underwriter) or as provided under note (2) to Rule 10.07(2) of the Listing Rules and in compliance with the Listing Rules:

- (a) it shall not, and shall procure that its associates or companies controlled by it or nominees or trustees holding in trust for it shall not, sell, transfer or otherwise dispose of (including without limitation the creation of any option over or pledge or charge as security) any of the Shares or securities of the Company owned by it or the relevant company, nominee or trustee (including any interest in any shares in any company controlled by it which is directly or indirectly the beneficial owner of any of the Shares or securities of the Company) immediately following the completion of the Share Offer and the Capitalisation Issue (the “**Relevant Securities**”) within the First Lock-Up Period; and
- (b) it shall not, and shall procure that none of its associates or companies controlled by it or nominees or trustees holding in trust for it shall, within the Second Lock-up Period, sell, transfer or otherwise dispose of (including without limitation the creation of any option over or pledge or charge as security) any of the Relevant Securities, if immediately following such sale, transfer or disposal, the Controlling Shareholders collectively would cease to be a controlling shareholder (within the meaning of the Listing Rules) of the Company, and that in the event of any such sale, transfer or disposal, all reasonable steps shall be taken to ensure that such sale, transfer or disposal shall be effected in such a manner so as not to create a disorderly or false market for the Shares during the progress of such sale, transfer or disposal or after the completion thereof.

Each of the Company, the Controlling Shareholders and the executive Directors has agreed to jointly and severally indemnify the Sponsor, the Lead Manager and the Public Offer Underwriters for certain losses which they may suffer, including losses arising from their proper performance of their obligations under the Public Offer Underwriting Agreement and any breach by the Company of the Public Offer Underwriting Agreement.

UNDERWRITING

Placing

In connection with the Share Offer, it is expected that the Company will enter into the Placing Underwriting Agreement with, among other parties, the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above. Under the Placing Underwriting Agreement, the Placing Shares are expected to be fully underwritten by the Placing Underwriters subject to the terms and conditions of the Placing Underwriting Agreement. The Placing Underwriting Agreement will contain events similar to those set out in the sub-paragraph headed “Grounds for termination” above that may allow the Lead Manager (for itself and on behalf of the other Placing Underwriters) to terminate their respective obligations thereunder.

Underwriting commission

The Public Offer Underwriters will receive an underwriting commission of 3% of the aggregate Offer Price payable for the Public Offer Shares, and the Placing Underwriters are expected to receive an underwriting commission of 3% of the aggregate Offer Price payable for the Placing Shares, out of which the Public Offer Underwriters or the Placing Underwriters (as the case may be) will pay any sub-underwriting commission and (where appropriate) selling concessions.

Based on the Offer Price of HK\$0.8 per Offer Share (being the mid-point of the indicative Offer Price range between HK\$0.7 and HK\$0.9), such underwriting commissions, together with the Stock Exchange listing fee, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing, and other expenses relating to the Share Offer which are estimated to be approximately HK\$19.1 million in aggregate, are payable by the Company.

Underwriters’ interests in the Company

Save as disclosed in this prospectus and other than pursuant to the Share Offer and Underwriting Agreements, none of the Underwriters has any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Pursuant to Rule 3A.19 of the Listing Rules, First Shanghai Capital has been appointed as the compliance adviser of the Company for the period commencing on the Listing Date and ending on the date on which the financial results of the Company for the first full financial year commencing after the Listing Date is published in compliance with Rule 13.46 of the Listing Rules.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

DETERMINING THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Company, the Sponsor and the Lead Manager (for itself and on behalf of the other Underwriters) on or before the Price Determination Date, when market demand for the Share Offer will be determined. The Price Determination Date is expected to be on Thursday, 27 June 2013 but in any event, no later than Wednesday, 3 July 2013. **If, for any reason, the Company, the Sponsor and the Lead Manager (for itself and on behalf of the other Underwriters) are unable to reach an agreement on the Offer Price on or before such date, the Share Offer will not proceed and will lapse.**

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lower than the indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK\$0.9 per Share and is currently expected to be not less than HK\$0.7 per Share. If, based on the level of interest expressed by prospective investors during the book-building process, the Lead Manager (for itself and on behalf of the other Underwriters) and with the consent of the Company and the Sponsor (for instance, if the level of interest expressed by prospective investors is below the indicative Offer Price range as stated in this prospectus), the number of Offer Shares and/or the indicative Offer Price range may be reduced below that as stated in this prospectus at any time not later than the morning of the day which is the last day for lodging applications under the Public Offer. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the Company's website at www.jincaiholding.com and the website of the Stock Exchange at www.hkexnews.hk notice of such reduction. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed among the Lead Manager (for itself and on behalf of the other Underwriters), the Sponsor and the Company, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Share Offer statistics as currently set out in the section headed "Summary" in this prospectus, the use of proceeds from the Share Offer as set out in the section headed "Future plans and use of proceeds" in this prospectus and any other financial information which may change as a result of such reduction. In the absence of any notice being published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the Company's website at www.jincaiholding.com and the website of the Stock Exchange at www.hkexnews.hk of a reduction in the number of Offer Shares and/or the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Public Offer, the Offer Price, if agreed among the Lead Manager (for itself and on behalf of the other Underwriters), the Sponsor and the Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The Company expects to announce the final Offer Price, the level of indication of interests under the Placing, the basis of allotment of the Public Offer Shares and results of application under the Public Offer on or before Thursday, 4 July 2013 on the Company's website at www.jincaiholding.com and the website of the Stock Exchange at www.hkexnews.hk.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration certificate numbers of successful applicants (where supplied) and the number of Public Offer Shares successfully applied for will be made available as described under the section headed “How to apply for the Public Offer Shares” in this prospectus.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$0.9 per Offer Share and is expected to be not less than HK\$0.7 per Offer Share, unless otherwise announced by no later than the morning of the last day for lodging applications under the Public Offer as set out above. You must pay the maximum Offer Price of HK\$0.9 per Offer Share plus a brokerage fee of 1%, a SFC transaction levy of 0.003% and a Stock Exchange trading fee of 0.005%, amounting to a total of HK\$3,636.29 per board lot of 4,000 Offer Shares. The Application Forms have tables showing the exact amount payable for multiples of Offer Shares.

If the Offer Price, as finally determined in the manner as set out above, is lower than the maximum Offer Price of HK\$0.9 per Share, appropriate refund payments (including the related brokerage fee, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application money) will be made to applicants, without interest. Further details in this regard are set out in the section headed “How to apply for the Public Offer Shares” in this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of your application for the Offer Shares is conditional upon:

- (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued under the Share Offer and the Capitalisation Issue and any Shares which may fall to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme (and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange);
- (ii) the Price Determination Agreement being entered into between the Company, the Sponsor and the Lead Manager (for itself and on behalf of the other Underwriters) on or about the Price Determination Date; and
- (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated, on or before 8:00 a.m. on the Listing Date. Details of the Underwriting Agreements and its conditions and grounds for termination are set out in the section headed “Underwriting” in this prospectus.

If the above conditions are not fulfilled or waived prior to the times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published by the Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the Company’s website at www.jincaiholding.com and the website of the Stock Exchange at www.hkexnews.hk on the next day following such lapse. In such

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

event, all application monies will be returned, without interest, on the terms set out in the section headed “How to apply for the Public Offer Shares” in this prospectus. In the meantime, your money will be held in one or more separate bank accounts with the receiving banker or other bank or banks in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the laws of Hong Kong).

OFFER MECHANISM

This prospectus is published in connection with the Share Offer, which comprises the Placing and the Public Offer. Initially, 72,000,000 Shares, representing 90% of the Offer Shares available under the Share Offer, are to be offered pursuant to the Placing to professional, institutional and other investors and 8,000,000 new Shares, representing 10% of the Offer Shares available under the Share Offer, are to be offered to the public in Hong Kong under the Public Offer, subject to reallocation as mentioned below. References herein to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer. The Offer Shares will represent 25% of the Company’s enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue.

The Public Offer is fully underwritten by the Public Offer Underwriters, subject to the terms and conditions of the Public Offer Underwriting Agreement which include, among others, the Company, the Sponsor and the Lead Manager (for itself and on behalf of the other Underwriters) agreeing on the Offer Price. Information relating to the underwriting arrangements in respect of the Share Offer is set out in the paragraph headed “Underwriting arrangements and expenses” in the section headed “Underwriting” in this prospectus. The Share Offer is sponsored by the Sponsor and managed by the Lead Manager.

Investors may apply for Public Offer Shares under the Public Offer or indicate an interest for Placing Shares under the Placing, but may not do both.

Investors who have not received Shares in the Public Offer tranche may receive Shares in the Placing tranche.

PLACING

The Company is initially offering, subject to possible reallocation on the basis discussed below, 72,000,000 new Shares, representing 90% of the total number of Shares being offered under the Share Offer, for subscription by way of the Placing.

Under the Placing, the Placing Underwriters, on behalf of the Company, will conditionally place the Placing Shares with professional, institutional and other investors at the Offer Price. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation of the Placing Shares pursuant to the Placing is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of the Company and its Shareholders as a whole. Investors allocated with the Placing Shares cannot apply for the Public Offer Shares under the Public Offer.

The Placing is subject to the conditions stated in the paragraph headed “Conditions of the Share Offer” above. If the Public Offer is not fully subscribed for, the Lead Manager may reallocate all or any unsubscribed Shares originally included in the Public Offer to the Placing. The total number of Placing Shares to be allotted and issued pursuant to the Placing may change as a result of any reallocation of unsubscribed Shares originally included in the Public Offer as described in the paragraph headed “Reallocation of the Offer Shares between the Public Offer and the Placing” in this section.

PUBLIC OFFER

The Company is initially offering 8,000,000 Shares at the Offer Price under the Public Offer, representing 10% of the total number of Shares being offered under the Share Offer for subscription in Hong Kong, subject to reallocation as mentioned in the paragraph headed “Reallocation of the Offer Shares between the Public Offer and the Placing” in this section. The Public Offer is managed by the Lead Manager and is fully underwritten by the Public Offer Underwriters, subject to the terms and conditions of the Public Offer Underwriting Agreement which include, among others, the Company, the Sponsor and the Lead Manager (for itself and on behalf of the other Underwriters) agreeing on the Offer Price.

The Public Offer is open to all members of the public in Hong Kong. Applicants for the Public Offer Shares under the Public Offer may not apply for Placing Shares under the Placing. An applicant for the Public Offer Shares will be required to give an undertaking and confirmation in the Application Form that he/she/it has not taken up and will not indicate an interest to take up any Placing Shares. Applicants should note that if such undertaking and/or confirmation given by the applicant is breached and/or untrue (as the case may be), such applicant’s application under the Public Offer is bound to be rejected. Multiple or suspected multiple applications under the Public Offer and any application for more than 100% of the Public Offer Shares initially available for subscription will be rejected. The Public Offer will be subject to the conditions stated in the paragraph headed “Conditions of the Share Offer” above.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. Where there is over-subscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares. If the Public Offer is not fully subscribed for, the Lead Manager may reallocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing as described in the paragraph headed “Reallocation of the Offer Shares between the Public Offer and the Placing” in this section.

REALLOCATION OF THE OFFER SHARES BETWEEN THE PUBLIC OFFER AND THE PLACING

The allocation of the Offer Shares between the Placing and the Public Offer is subject to reallocation on the following basis:

- (a) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from Placing so that, the total number of Shares available for subscription under the Public Offer will be increased to 24,000,000 Shares, representing 30% of the Offer Shares;
- (b) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from Placing so that, the number of Shares available for subscription under the Public Offer will be increased to 32,000,000 Shares, representing 40% of the Offer Shares; and
- (c) if the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from Placing so that, the number of Shares available for subscription under the Public Offer will be increased to 40,000,000 Shares, representing 50% of the Offer Shares.

If the Public Offer is not fully subscribed, the Lead Manager will have the discretion to reallocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such number as it deems appropriate to satisfy the demand under the Placing. If the Placing is not fully subscribed, the Lead Manager will have the discretion to reallocate all or any unsubscribed Placing Shares originally included in the Placing to the Public Offer in such number as it deems appropriate should there be sufficient demand under the Public Offer to take up such unsubscribed Placing Shares.

Assuming that the Share Offer becomes unconditional, it is expected that dealings in the Shares on the Main Board will commence at 9:00 a.m. (Hong Kong time) on Friday, 5 July 2013.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

GENERAL

There are three channels to make an application for Public Offer Shares. You may apply for the Public Offer Shares by either (i) using a **WHITE** or **YELLOW** Application Form; (ii) giving **electronic application instructions** to HKSCC to cause HKSCC Nominees to apply for Public Offer Shares on your behalf; or (iii) submitting an electronic application to the **White Form eIPO** Service Provider under the **White Form eIPO** service through the designated website at www.eipo.com.hk. Except where you are a nominee and provide the required information in your application, you and/or your joint applicant(s) may not make more than one application (whether individually or jointly) by using a **WHITE** or **YELLOW** Application Form or by submitting electronic application to the **White Form eIPO** Service Provider or by giving **electronic application instructions** to HKSCC.

WHO CAN APPLY FOR THE PUBLIC OFFER SHARES

You can apply for the Public Offer Shares available for subscription by the public by using a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States;
- are not a United States Person (as defined in Regulation S) under the U.S. Securities Act; and
- are not a legal or natural person of the People's Republic of China (except qualified domestic institutional investors or those who have obtained approval from competent regulatory authorities).

If you wish to apply for Public Offer Shares online through the **White Form eIPO** service at www.eipo.com.hk, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the application form must be stamped with the company chop (bearing the company name) and signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, the Company, the Sponsor and the Lead Manager (or their agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

The Company, the Sponsor and the Lead Manager or the designated **White Form eIPO** Service Provider (where applicable) or their respective agents and nominees have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The Public Offer Shares are not available to existing legal and beneficial owners of Shares or the shares of any of the subsidiaries of the Company, the Directors or chief executive officer of the Company, the Directors or chief executive officer of any of subsidiaries of the Company, or their respective associates or any other connected persons of the Company or persons who will become connected persons immediately upon completion of the Share Offer.

You may apply for Public Offer Shares under the Public Offer or indicate an interest for Placing Shares under the Placing, but may not do both.

APPLYING BY USING A WHITE OR YELLOW APPLICATION FORM

Which Application Form to use

1. **WHITE Application Form**

Use a **WHITE** Application Form if you want the Public Offer Shares to be issued in your own name.

2. **YELLOW Application Form**

Use a **YELLOW** Application Form if you want the Public Offer Shares to be issued in the name of HKSCC Nominees Limited and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Where to collect the Application Forms

1. You can collect a **WHITE** Application Form and this prospectus during normal business hours from 9:00 a.m. on Monday, 24 June 2013 until 12:00 noon on Thursday, 27 June 2013 from any of the Public Offer Underwriters at the following addresses:

First Shanghai Securities Limited

19th Floor
Wing On House
71 Des Voeux Road Central
Hong Kong

or

Huatai Financial Holdings (Hong Kong) Limited

Rooms 5808-12
The Center
99 Queen's Road Central
Hong Kong

or any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

Branches	Address
<i>Hong Kong Island</i>	
Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
Hennessy Road Branch	399 Hennessy Road, Wanchai
Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
<i>Kowloon</i>	
Kwun Tong Hoi Yuen Road	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong, Kowloon
Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
Tsimshatsui Branch	G/F, 8A-10 Granville Road, Tsimshatsui
San Po Kong Branch	Shop A, G/F, Perfect Industrial Building, 31 Tai Yau Street, San Po Kong

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

New Territories

Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan
Tai Po Branch	G/F Shop No. 2, 23 & 25 Kwong Fuk Road, Tai Po Market, Tai Po
Tseung Kwan O Branch	Shop G37-40, G/F, Hau Tak Shopping Centre East Wing, Hau Tak Estate, Tseung Kwan O
New Town Plaza Branch	Shop 215, 222 & 223, Phase 1, New Town Plaza, Shatin

2. You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 24 June 2013 until 12:00 noon on Thursday, 27 June 2013 from:
 - the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong;

or your stockbroker may also have **YELLOW** Application Forms and prospectus available.

How to apply by using the WHITE or YELLOW Application Form

1. Obtain a **WHITE** or **YELLOW** Application Form.
2. You should read the instructions in this prospectus and the relevant Application Form carefully. If you do not follow the instructions, your application is liable to be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated on your Application Form.
3. Decide how many Public Offer Shares you want to purchase. Calculate the amount you must pay on the basis of the Offer Price of HK\$0.9 per Share, plus brokerage fee of 1%, the SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%. The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for numbers of shares applied for up to 8,000,000 Shares.
4. Complete the Application Form in English save as otherwise indicated and sign it. Only written signatures will be accepted. Applications made by corporations, whether on their own behalf, or on behalf of other persons, must be stamped with the company chop (bearing the company name) and signed by a duly authorised officer, whose representative capacity must be stated. If you are applying for the benefit of someone else, you, rather than that person, must sign the Application Form. If it is a joint application, all applicants must sign it. If your application is made by a person duly authorised under a valid power of attorney, the Company, the Sponsor and the Lead Manager (or their respective agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of your attorney.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

5. Each Application Form must be accompanied by either a separate cheque or a banker's cashier order, which must be stapled to the top left hand corner of the Application Form.

If you pay by cheque, the cheque must:

- be in Hong Kong dollars;
- not be post-dated;
- be drawn on your Hong Kong dollar bank account with a licensed bank in Hong Kong;
- show your account name, which must either be pre-printed on the cheque, or be endorsed at the back by person authorised by the bank. This account name must be the same as the name on the Application Form. If it is a joint application, the account name must be the same as the name of the first-named applicant;
- be made payable to “Horsford Nominees Limited — Jin Cai Holdings Public Offer”;
- be crossed “Account Payee Only”; and
- match the amount set out under the column headed “Amount payable on application HK\$” in the table headed “Number of Public Offer Shares that may be applied for and payments” in the Application Form with the corresponding number of Public Offer Shares applied for in the application.

Your application may be rejected if your cheque does not meet all these requirements or is dishonoured on its first presentation.

If you pay by banker's cashier order, the banker's cashier order must:

- be issued by a licensed bank in Hong Kong, and have your name certified on the back by a person authorised by the bank. The name on the back of the banker's cashier order and the name on the Application Form must be the same. If it is a joint application, the name on the back of the banker's cashier order must be the same as the name of the first-named joint applicant;
- be in Hong Kong dollars;
- not be post-dated;
- be made payable to “Horsford Nominees Limited — Jin Cai Holdings Public Offer”;
- be crossed “Account Payee Only”; and

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- match the amount set out under the column headed “Amount payable on application HK\$” in the table headed “Number of Public Offer Shares that may be applied for and payments” in the Application Form with the corresponding number of Public Offer Shares applied for in the application.

Your application may be rejected if your banker’s cashier order does not meet all these requirements.

6. When you are applying for Public Offer Shares using a **WHITE** or **YELLOW** Application Form, you should lodge your Application Form in one of the collection boxes by the time and at one of the locations, as respectively referred to in the paragraph headed “Where to collect the Application Forms” in this section.
7. The right is reserved to present all or any remittance for payment. However, your cheque or banker’s cashier order will not be presented for payment before 12:00 noon on Thursday, 27 June 2013. The Company will not give you a receipt for your payment. The Company will keep any interest accrued on your application monies (up until, in the case of monies to be refunded, the date of despatch of refund checks). The right is also reserved to retain any share certificate(s) and/or any surplus application monies or refunds pending clearance of your check or banker’s cashier order.
8. Multiple or suspected multiple applications are liable to be rejected. Please see the paragraph headed “How many applications you may make” in this section.
9. In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s), must complete the form and sign on the first page of the Application Form. Only written signature will be accepted.

- If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):
 - the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its CCASS Participant I.D. in the appropriate box on the **YELLOW** Application Form.
- If you are applying as an individual CCASS Investor Participant:
 - you must fill in your full name and your Hong Kong identity card number; and
 - you must insert your CCASS Participant I.D. in the appropriate box.
- If you are applying as a joint individual CCASS Investor Participant:
 - you must insert all joint CCASS Investor Participants’ names and the Hong Kong identity card numbers of all joint CCASS Investor Participants; and

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- you must insert your CCASS Participant I.D. in the appropriate box.
- If you are applying as a corporate CCASS Investor Participant:
 - you must insert your company name and your company’s Hong Kong business registration number; and
 - you must fill in your CCASS Participant I.D. and stamp your company chop (bearing your company’s name) in the appropriate box.

Incorrect or incomplete details of the CCASS Participant or CCASS Participant I.D. or other similar matters may render the application invalid.

10. Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked “For nominees” an identification number for each beneficial owner.

There are detailed instructions on each Application Form. You should read those instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker’s cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated in the Application Form.

If your application is made by a person duly authorised under a valid power of attorney, the Company, the Sponsor and the Lead Manager (or their agents or nominees) may accept any application at their discretion, and subject to any conditions they think fit, including evidence of the authority of your attorney. The Company, the Sponsor and the Lead Manager (or their agents or nominees) will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Public Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

How to apply by giving electronic application instructions to HKSCC

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979-7888 or through the CCASS Internet System at <https://ip.ccass.com> (using the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2nd Floor Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to the Company and the Hong Kong share registrar.

Giving Electronic Application Instructions to HKSCC to Apply for Public Offer Shares by HKSCC Nominees On Your Behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Public Offer Shares:

- (a) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus:
- (b) HKSCC Nominees does the following things on behalf of each such person:
 - i. agrees that the Public Offer Shares to be allotted shall be issued in the name of the HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
 - ii. undertakes and agrees to accept the Public Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;
 - iii. undertakes and confirms that that person has not indicated an interest for, applied for or taken up or indicated an interest for, any shares under the Placing nor otherwise participated in the Placing;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- iv. (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit and such application is the only application which has been and will be made for that person's benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service at www.eipo.com.hk;
- v. (if that person is an agent for another person) declares that that person has only given one set of **electronic application instructions** for the benefit of that other person and such application is the only application which has been and will be made for that person's benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service at www.eipo.com.hk and that that person is duly authorised to give those instructions as that other person's agent;
- vi. understands that the above declaration will be relied upon by the Company, the Sponsor and/or the Lead Manager in deciding whether or not to make any allotment of Public Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;
- vii. authorises the Company to place the name of HKSCC Nominees on the register of members as the holder of the Public Offer Shares allotted in respect of that person's **electronic application instructions** and to send share certificate(s) (where applicable) and/or refund monies (where applicable) in accordance with the arrangements separately agreed between the Company and HKSCC;
- viii. confirms that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
- ix. confirms that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf save as set out in any supplement to this prospectus;
- x. agrees that the Company, the Sponsor, the Lead Manager, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer are liable only for the information and representations contained in this prospectus and any supplemental thereto;
- xi. agrees to disclose that person's personal data to the Company, the Hong Kong share registrar, receiving banker(s), the Sponsor, the Lead Manager, the Underwriters and/or their respective agents and any information which they may require about that person;
- xii. agrees (without prejudice to any other rights which that person may have) that once the application to HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- xiii. agrees that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday, or public holiday in Hong Kong), such agreement to take effect as a collateral contract with the Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday, or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday, or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- xiv. agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Public Offer published by the Company;
- xv. agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Public Offer Shares;
- xvi. agrees with the Company, for itself and for the benefit of each of the Shareholders (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, the Companies Ordinance and the Articles;
- xvii. agrees with the Company (for the Company itself and for the benefit of each Shareholder) the Shares are freely transferable by the holders; and
- xviii. agrees that the person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Effect of Giving Electronic Application Instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the offer price per Share initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your behalf, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for those purposes of considering whether multiple applications have been made.

Minimum Subscription Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 4,000 Public Offer Shares. Such instructions in respect of more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the **WHITE** and **YELLOW** Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given will be treated as an applicant.

Section 40 of the Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance).

Personal Data

The section of the Application Form entitled “Personal Data” applies to any personal data held by us and the Hong Kong share registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. The Company, the Directors, the Sponsor, the Lead Manager and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC’s Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 27 June 2013, or such later time as described in the paragraph headed “Effect of bad weather on the opening of the application lists” in this section.

APPLYING BY USING WHITE FORM eIPO

General

If you are an individual and meet the criteria set out in the paragraph headed “Who can apply for the Public Offer Shares” in this section, you may apply through **White Form eIPO** services by submitting an application through the designated website at www.eipo.com.hk. If you apply through **White Form eIPO** services, the Shares will be issued in your own name.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

How to apply by using White Form eIPO

Detailed instructions for application through the **White Form eIPO** services are set out on the designated website at www.eipo.com.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **White Form eIPO** Service Provider and may not be submitted to the Company.

If you give electronic application instructions through the designated website at www.eipo.com.hk, you will have to authorise the designated **White Form eIPO** Service Provider to apply on the terms and conditions set out in this prospectus, as supplemented and amended by the terms and conditions applicable to the **White Form eIPO** services.

In addition to the terms and conditions set out in this prospectus, the designated **White Form eIPO** Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** services. Such terms and conditions are set out on the designated website at www.eipo.com.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

By submitting an application through the **White Form eIPO** services, you are deemed to have authorised the designated **White Form eIPO** Service Provider to transfer the details of your application to the Company and the Hong Kong share registrar.

You may submit an application through the **White Form eIPO** service in respect of a minimum of 4,000 Public Offer Shares. Each electronic application instruction in respect of more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at www.eipo.com.hk.

You should give electronic application instructions through the **White Form eIPO** services at the times set out in the paragraph headed “Time for applying for the Public Offer Shares” in this section.

You should make payment for your application made by the **White Form eIPO** services in accordance with the methods and instructions set out in the designated website at www.eipo.com.hk. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Thursday, 27 June 2013, or such later time as described in the paragraph headed “Effect of bad weather on the opening of the application lists” in this section, the **White Form eIPO** Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.eipo.com.hk.

Multiple applications

If you apply by means of White Form eIPO, once you complete payment in respect of any electronic application instruction given by you or for your benefit to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under White Form eIPO more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If you are suspected of submitting more than one application through the White Form eIPO service by giving electronic application instructions through the designated website at www.eipo.com.hk and completing payment in respect of such electronic application instructions, or of submitting one application through the White Form eIPO service and one or more applications by any other means, all of your applications are liable to be rejected.

Warning

The application for Public Offer Shares through the **White Form eIPO** services is only a facility provided by the designated **White Form eIPO** Service Provider to public investors. The Company, the Directors, the Sponsor, the Lead Manager, the Underwriters and the **White Form eIPO** Service Provider take no responsibility for such applications, and provide no assurance that applications through the **White Form eIPO** services will be submitted to the Company or that you will be allotted any Public Offer Shares.

Environmental Protection

The obvious advantage of White Form eIPO is to save the use of papers via the self-served and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK\$2 per each “Jin Cai Holdings Company Limited” White Form eIPO application submitted via www.eipo.com.hk to support the funding of “Source of DongJiang — Hong Kong Forest” project initiated by Friends of the Earth (HK).

Please note that internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your application through the **White Form eIPO** services at www.eipo.com.hk, you are advised not to wait until the last day for lodging applications in the Public Offer to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the **White Form eIPO** services at www.eipo.com.hk, you should submit a **WHITE** Application Form. However, once you have submitted electronic application instructions and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** or **YELLOW** Application Form. See the paragraph headed “How many applications you may make” in this section.

HOW MANY APPLICATIONS YOU MAY MAKE

You may make more than one application for the Public Offer Shares if, and only if:

You are a nominee, in which case you may give **electronic application instructions** to HKSCC (if you are a CCASS Participant) and lodge more than one **WHITE** or **YELLOW** Application Form in your own name if each application is made on behalf of different beneficial owners. In the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

for each beneficial owner or, in the case of joint beneficial owners, for each such beneficial owner. If you do not include this information, the application will be treated as being for your benefit.

Otherwise, multiple applications or suspected multiple applications are liable to be rejected.

All of your applications under the Public Offer (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**) will be rejected as multiple applications if you, or you and your joint applicants together or any of your joint applicants:

- make more than one application whether individually or jointly with others on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant) or by applying through the **White Form eIPO** services;
- apply both (whether individual or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC or by applying through the **White Form eIPO** services;
- apply (whether individually or jointly with others) on one (or more) **WHITE** or **YELLOW** Application Form (whether individually or jointly with others) or by giving **electronic application instructions** to HKSCC or by applying through the **White Form eIPO** services to apply for more than 8,000,000 Shares, being 100% of the Public Offer Shares initially available for subscription under the Public Offer; or
- have applied for or taken up, or indicated an interest in applying for or taking up or have been or will be placed (including conditionally and/or provisionally) any Placing Shares under the Placing.

All of your applications will also be rejected as multiple applications if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or by applying through **White Form eIPO** services at www.eipo.com.hk is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then that application will be treated as being for your benefit.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control means you:

- *control the composition of the board of directors of that company; or*
- *control more than half of the voting power of that company; or*
- *hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).*

HOW MUCH ARE THE PUBLIC OFFER SHARES

The maximum Offer Price of the Public Offer Shares is HK\$0.9 per Share. You must also pay the brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. This means that for every board lot of 4,000 Public Offer Shares you will pay HK\$3,636.29. The Application Forms have tables showing the exact amount payable for numbers of the Public Offer Shares.

You must pay the maximum Offer Price, the brokerage, the SFC transaction levy and the Stock Exchange trading fee in full when you apply for the Public Offer Shares. Your payment must be by cheque or banker's cashier order and must comply with the terms of the Application Forms. Your cheque or banker's cashier order will not be presented for payment before Thursday, 27 June 2013.

If your application is successful, brokerage will be paid to participants of the Stock Exchange, the SFC transaction levy will be paid to the SFC and the Stock Exchange trading fee will be paid to the Stock Exchange.

For further details on the Offer Price, please see the section headed "Structure and conditions of the Share Offer" in this prospectus.

TIME FOR APPLYING FOR THE PUBLIC OFFER SHARES

1. **WHITE or YELLOW Application Forms**

Completed **WHITE** or **YELLOW** Application Forms, with payment attached, must be lodged by **12:00 noon on Thursday, 27 June 2013**, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed "Effect of bad weather on the opening of the application lists" in this section.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Your completed Application Form, with payment attached, should be deposited in the special collection boxes provided at any of the branches of Standard Chartered Bank (Hong Kong) Limited listed in this section at the following times:

Monday, 24 June 2013 : 9:00 a.m. to 5:00 p.m.
Tuesday, 25 June 2013 : 9:00 a.m. to 5:00 p.m.
Wednesday, 26 June 2013 : 9:00 a.m. to 5:00 p.m.
Thursday, 27 June 2013 : 9:00 a.m. to 12:00 noon

The application lists will open from **11:45 a.m. to 12:00 noon on Thursday, 27 June 2013, except as provided in the paragraph headed “Effect of bad weather on the opening of the application lists” below. No proceedings will be taken on applications for the Public Offer Shares and no allotment of any such Shares will be made until after the closing of the application lists.**

2. **Electronic application instructions to HKSCC**

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, 24 June 2013 : 9:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, 25 June 2013 : 8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 26 June 2013 : 8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, 27 June 2013 : 8:00 a.m.⁽¹⁾ to 12:00 noon⁽¹⁾

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 24 June 2013 until 12:00 noon on Thursday, 27 June 2013 (24 hours daily, except the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 27 June 2013, the last application day, or if the application lists are not open on that day, by the time and date stated in the paragraph headed “Effect of bad weather on the opening of the application lists” in this section.

3. **White Form eIPO**

You may submit your application through the designated website at www.eipo.com.hk from 9:00 a.m. on Monday, 24 June 2013 until 11:30 a.m. on Thursday, 27 June 2013 or such later time as described under the paragraph headed “Effect of bad weather on the opening of the application lists” in this section (24 hours daily, except on the last application day). The latest time for completing full

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

payment of application monies in respect of such applications will be 12:00 noon on Thursday, 27 June 2013, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed “Effect of bad weather on the opening of the application lists” in this section.

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

EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 27 June 2013. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 12:00 noon in Hong Kong.

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

Full details of the circumstances in which you will not be allotted Public Offer Shares are set out in the notes attached to the Application Forms, and you should read them carefully. You should note in particular the following situations in which Shares will not be allocated to you:

- **If your application is revoked:**

By completing and submitting an Application Form or submitting **electronic application instructions** to HKSCC or applying through **White Form eIPO** services at www.eipo.com.hk, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the expiration of the fifth day after the time of the opening of the application lists. This agreement will take effect as a collateral contract with the Company, and will become binding when you lodge your Application Form or submit your **electronic application instructions** to HKSCC or apply through **White Form eIPO** services at www.eipo.com.hk and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person before the expiration of the fifth day after the time of the opening of the application lists except by means of one of the procedures referred to in this prospectus.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Your application or the application made by HKSCC Nominees on your behalf may only be revoked before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a Business Day) if a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to the prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicant(s) shall be deemed to have applied on the basis of the prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

- **If the allotment of the Public Offer Shares is void:**

Allotment of the Public Offer Shares to you or to HKSCC Nominees (if you give **electronic application instruction** to HKSCC or applying by a **YELLOW** Application Form) will be void if the Listing Committee does not grant permission to list and deal in the Shares either:

- within three weeks from the closing of the application lists in respect of the Public Offer; or
 - within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing of the application lists in respect of the Public Offer.
- **At the discretion of the Company or its agents or nominees, your application is rejected:**

The Company, the Sponsor and the Lead Manager and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any rejection or acceptance.

- **You will not receive any allotment if:**

- you make multiple or suspected to have made multiple applications;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- your Application Form has not been completed in accordance with the instructions as stated in the Application Forms or fully completed (if you apply by an Application Form);
 - you or the person(s) for whose benefit you are applying have applied for or have been allotted Placing Shares;
 - you apply on an Application Form for more than 8,000,000 Public Offer Shares;
 - the Company, the Sponsor or the Lead Manager (on behalf of the Company) believes that acceptance of your application would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which the application is completed and/or signed or your address appeared in the Application Form is located;
 - your payment is not in the correct form or amount; or
 - you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation.
- **If the Public Offer does not become unconditional:**

Your application will not be accepted if:

- the Public Offer Underwriting Agreement does not become unconditional in accordance with its terms and conditions;
- the Public Offer Underwriting Agreement is terminated in accordance with its terms and conditions; or
- the Price Determination Agreement is not reached.

PUBLICATION OF RESULTS

The Company will publish an announcement of the final Offer Price, the level of indication of interests in the Placing, the basis of allocation of the Public Offer Shares, results of applications and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer on or before Thursday, 4 July 2013 on the respective websites of the Stock Exchange and the Company at www.hkexnews.hk and www.jincaiholding.com.

The results of allocation and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- results of allocation for the Public Offer will be available from the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.jincaiholding.com by no later than 9:00 a.m. on Thursday, 4 July 2013;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- results of allocation for the Public Offer will be available from the designated results of allocation website at www.iporeresults.com.hk on a 24-hour basis from 8:00 a.m. on Thursday, 4 July 2013 to midnight on Wednesday, 10 July 2013. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;
- results of allocation will be available from the Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Public Offer Shares allocated to them, if any, by calling 2862-8669 between 9:00 a.m. and 6:00 p.m. from Thursday, 4 July 2013 to Sunday, 7 July 2013; and
- special allocation results booklets setting out the results of allocation will be available for inspection during opening hours of individual locations from Thursday, 4 July 2013 to Saturday, 6 July 2013 at all the receiving bank locations at the addresses set out in the paragraph headed “Where to collect the Application Forms” in this section.

DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the offer price per Public Offer Share (excluding brokerage 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% thereon) initially paid on application, or if the conditions of the Share Offer are not fulfilled in accordance with the paragraph headed “Conditions of the Share Offer” in the section headed “Structure and conditions of the Share Offer” in this prospectus or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

You will receive one share certificate for all the Public Offer Shares issued to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC where the Share certificates will be deposited into CCASS as described below).

No temporary documents of title will be issued with respect to the Hong Kong Public Offer Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on your Application Form:

- (a) for applications on **WHITE** Application Forms or by giving electronic instructions under **White Form eIPO** at www.eipo.com.hk: (i) Share certificate(s) for all the Hong Kong Public Offer Shares applied for, if the application is wholly successful; or (ii) Share certificate(s) for the number of Hong Kong Public Offer Shares successfully applied for, if

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

the application is partially successful (for wholly successful and partially successful applicants on **YELLOW** Application Forms: Share certificates for their Hong Kong Public Offer Shares successfully applied for will be deposited into CCASS as described below); and/or

- (b) for applications on **WHITE** or **YELLOW** Application Forms, refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Public Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the maximum offer price per Share paid on application in the event that the Offer Price is less than the offer price per Share initially paid on application, in each case including the brokerage fee of 1 %, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest;
- (c) for applications made through the **White Form eIPO** service by paying the application monies through a single bank account, and where an applicant’s application is wholly or partially unsuccessful and/or the final Offer Price is different from the Offer Price initially paid on the application, e-Refund payment instructions (if any) will be despatched to the application payment account on or before Thursday, 4 July 2013; and
- (d) for applications made through the **White Form eIPO** service by paying the application monies through multiple bank accounts, and where applicant’s application is wholly or partially unsuccessful and/or the final Offer Price is different from the Offer Price initially paid on the application, refund cheque(s) will be sent to the address specified in the application instructions to the designated **White Form eIPO** Service Provider on or before Thursday, 4 July 2013, by ordinary post and at applicant’s own risk.

Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first named applicant, provided by you may be printed on your refund cheque, if any. Such data could also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of, or may invalidate, your refund cheque.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and the difference between the Offer Price and the offer price per share initially paid on application (if any) under **WHITE** or **YELLOW** Application Forms and **White Form eIPO**; and share certificates for wholly and partially successful applicants under **WHITE** Application Forms and **White Form eIPO** are expected to be posted on or before Thursday, 4 July 2013. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Share certificates will only become valid certificates of title at 8:00 a.m. on Friday, 5 July 2013 provided that the Share Offer has become unconditional in all respects and the right of termination described in the paragraph headed “Underwriting arrangements and expenses — Grounds for termination” in the section headed “Underwriting” in this prospectus has not been exercised.

(e) **If you apply using a WHITE Application Form:**

If you apply for 1,000,000 Public Offer Shares or more and have indicated your intention in your **WHITE** Application Form to collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) in person from the Hong Kong share registrar and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) from the Hong Kong share registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 4 July 2013 or such other date as notified by the Company in the newspapers as the date of collection/despatch of e-Refund payment instructions/refund cheques/share certificates. If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant who opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong share registrar. If you do not collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares or if you apply for 1,000,000 Public Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) in person, your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) will be sent to the address on your Application Form on Thursday, 4 July 2013 by ordinary post and at your own risk.

(f) **If you apply using a YELLOW Application Form:**

If you apply for 1,000,000 Public Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you have applied for 1,000,000 Public Offer Shares or above and have not indicated on your Application Form that you will collect your refund cheque (if any) in person, or if you have applied for less than 1,000,000 Public Offer Shares, your refund cheque (if any) will be sent to the address on your Application Form on the date of despatch, which is expected to be on Thursday, 4 July 2013, by ordinary post and at your own risk.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If you apply for Public Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Thursday, 4 July 2013, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominee.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

- for Public Offer Shares credited to the stock account of your designated CCASS Participant (Other than a CCASS Investor Participant), you can check the number of Public Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant:

- the Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Public Offer on Thursday, 4 July 2013. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 4 July 2013 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your stock account.

(g) If you apply by giving electronic application instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of application monies

- No temporary document of title will be issued. No receipt will be issued for application monies received.
- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant Stock Account on Thursday, 4 July 2013, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, it will include information relating to the relevant beneficial owner, if supplied), your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner described in the paragraph headed “Publication of results” in this section on Thursday, 4 July 2013. You should check the announcement published by the Company and report any discrepancies to HKSCC or HKSCC Nominees before 5:00 p.m. on Thursday, 4 July 2013 or such other date as shall be determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). Immediately after the credit of the Public Offer Shares to your CCASS Investor Participant stock account and the credit of refund monies to your designated bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the offer price per Share initially paid on application, in each case including brokerage of 1.0%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 4 July 2013. No interest will be paid thereon.

(h) **If you apply through White Form eIPO**

If you apply for 1,000,000 Public Offer Shares or more through the **White Form eIPO** service by submitting an electronic application through the designated website at www.eipo.com.hk and your application is wholly or partially successful, you may collect your share certificate(s) (where applicable) in person from the Hong Kong share registrar

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 4 July 2013, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions through the designated website at www.eipo.com.hk on Thursday, 4 July 2013 by ordinary post and at your own risk.

If you apply through the **White Form eIPO** service and paid the application monies from a single bank account, refund monies (if any) will be despatched to the application payment account in the form of e-Refund payment instructions: If you apply through **White Form eIPO** service and paid the application monies from multiple bank accounts, refund monies (if any) will be despatched to the address as specified on your **White Form eIPO** application in the form of refund cheque(s), by ordinary post at your own risk.

For the purposes of allocating Public Offer Shares, each applicant giving electronic application instructions through **White Form eIPO** service to the **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **White Form eIPO** Service Provider, the designated **White Form eIPO** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **White Form eIPO** Service Provider on the designated website at www.eipo.com.hk.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, 5 July 2013.

Shares will be traded on the Stock Exchange in board lots of 4,000 Shares each. The Stock Exchange stock code for the Shares is 1250.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date as determined by HKSCC.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements, as such arrangements will affect their rights and interests.

EFFECT OF MAKING AN APPLICATION

You should note that by completing and submitting an Application Form, among other things, you:

- instruct and authorise the Company and/or the Sponsor and/or the Lead Manager and/or the Underwriters (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect the registration of any Public Offer Shares allocated to you in your name(s) or HKSCC Nominees, as the case may be, as required by the Articles and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;
- undertake to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Public Offer Shares allocated to you, and as required by the Articles;
- confirm that you have received a copy of this prospectus and have only relied on the information and representations contained in this prospectus in making the application, and not on any other information or representation concerning the Company and you agree that none of the Company, the Sponsor, the Lead Manager and the Underwriters nor any of their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Share Offer will have any liability for any such other information or representations;
- agree (without prejudice to any other rights which you may have) that once the application has been accepted, you may not revoke or rescind it because of an innocent misrepresentation;
- if the application is made for your own benefit, warrant that the application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or by applying via **White Form eIPO** service at www.eipo.com.hk;
- if the application is by an agent on your behalf, warrant that you have validly and irrevocably conferred on the agent all necessary power and authority to make the application;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- if you are an agent for another person, warrant that reasonable enquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or by applying via **White Form eIPO** service at www.eipo.com.hk, and that you are duly authorised to sign the Application Form or to give **electronic application instruction** as that other person's agent;
- agree that once your application is accepted, your application will be evidenced by the results of the Public Offer made available by the Company;
- undertake and confirm that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any Placing Shares in the Placing, nor otherwise participate in the Placing;
- warrant the truth and accuracy of the information contained in your application;
- agree to disclose to the Company, the Hong Kong share registrar, the receiving bankers, the Sponsor, the Lead Manager, the Underwriters and their respective advisers and agents any personal data and information about you or the person(s) for whose benefit you have made the application;
- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- undertake and agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- represent and warrant that you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act and you are outside the United States (as defined in Regulation S) when completing this application and you are not, and none of the other person(s) for whose benefit you are applying, is a U.S. person (as defined in Regulation S) described under the U.S. Securities Act;
- authorise the Company to place your name(s) or the name of HKSCC Nominees, as the case may be, on the register of members of the Company as the holder(s) of any Public Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) (where applicable) and/or any refund cheque(s) (where applicable) to you or (in case of joint applicants) the first-named applicant on the Application Form by ordinary post at your own risk to the address stated on your Application Form (unless you have applied for 1,000,000 Public Offer Shares or more and have indicated on the Application Form that you will collect the share certificate(s) (where applicable) and/or refund cheques (where applicable) in person in accordance with the terms set out in this prospectus);
- understand that these declarations and representations will be relied upon by the Company, the Sponsor, the Lead Manager and the Underwriters in deciding whether or not to make any allotment of Public Offer Shares in response to your application;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- if the laws of any place outside Hong Kong are applicable to your application, you agree and warrant that you have complied with all such laws and none of the Company, the Sponsor, the Lead Manager and the Underwriters nor any of their respective directors, employees, partners, agents, officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to subscribe, or any actions arising from your rights and obligations under the terms and conditions set out in this prospectus;
- agree with the Company, for itself and the benefit of each of the Shareholders, and the Company agrees with each of the Shareholders, to observe and comply with the Companies Law, the Memorandum and the Articles;
- agree with the Company, for itself and the benefit of each of the Shareholders, that the Shares are freely transferable by the holder(s);
- authorise the Company to enter into a contract on your behalf with each of the Directors and officers of the Company under which such Directors and officers undertake to observe and comply with their obligations to Shareholders stated in the Memorandum and the Articles;
- confirm that you are aware of the restrictions on offering of the Public Offer Shares described in this prospectus;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and Application Forms and agree to be bound by them;
- agree that the processing of your application including the despatch of refund cheque(s) (if any), in person may be done by any of the Company's receiving bankers and is not restricted to the bank at which the Application Form is lodged; and
- agree that the Company, the Directors, the Sponsor, the Lead Manager, the Underwriters and any of their respective directors, officers, employees, partners, agents or advisers, and any other parties involved in the Share Offer are liable only for, and that you have only relied upon, the information and representations contained in the Prospectus and any supplement to the Prospectus (and only then to the extent such liability is held to exist by a court with competent jurisdiction).

If you apply for the Public Offer Shares using a **YELLOW** Application Form, in addition to the confirmations and agreements referred to above, you (and if you are joint applicants, each of you jointly and severally) are deemed to do the following:

- (a) agree that any Public Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, in accordance with your election on the Application Form;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (b) agree that each of HKSCC and HKSCC Nominees reserves the right at its absolute discretion (1) not to accept any or part of such allotted Public Offer Shares in the name of HKSCC Nominees or not to accept such allotted Public Offer Shares for deposit into CCASS; (2) to cause such allotted Public Offer Shares to be withdrawn from CCASS and transferred into your name (or, if you are a joint applicant, to the name of the first-named applicant) at your own risk and costs; (3) to cause such allotted Public Offer Shares to be issued in your name (or, if you are a joint applicant, in the name of the first-named applicant) and in such a case, to post the share certificates for such allotted Public Offer Shares at your own risk to the address stated on the Application Form by ordinary post or to make available the same for your collection;
- (c) agree that each of HKSCC and HKSCC Nominees may adjust the number of allotted Public Offer Shares and issued in the name of HKSCC Nominees;
- (d) agree that neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the Application Form; and
- (e) agree that neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

The following the text of a report, prepared for the purpose of incorporation in this prospectus, received from the reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.

德勤

德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

24 June 2013

The Directors
Jin Cai Holdings Company Limited

First Shanghai Capital Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to Jin Cai Holdings Company Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended 31 December 2012 (the “Relevant Periods”) for inclusion in the prospectus of the Company dated 24 June 2013 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law (2007 Revision) Chapter 22 of the Cayman Islands on 29 November 2012. Pursuant to a corporate reorganisation, as more fully explained in the section headed “History, Corporate Reorganisation and Group Structure — Corporate Reorganisation” to the Prospectus (the “Corporate Reorganisation”), the Company became the holding company of the companies comprising the Group on 24 May 2013.

All companies now comprising the Group have adopted 31 December as their financial year end date.

As of the end of respective reporting period and the date of this report, the Company has the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest to the Group				Principal activities
			As at 31 December			At date of this report	
			2010	2011	2012		
			%	%	%	%	
Meteor River Limited (“Meteor River”)	British Virgin Islands (“BVI”) 26 January 2011	Ordinary share US\$1	N/A	100	100	100	Investment holding

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest to the Group				Principal activities
			As at 31 December			At date of this report	
			2010	2011	2012		
			%	%	%	%	
Super Future Investments Limited ("Super Future")	Hong Kong 19 January 2011	Ordinary share HK\$1	N/A	100	100	100	Investment holding
深圳大洋洲印務有限公司 Shenzhen Oceania Printing Company Limited ("Shenzhen Oceania")*	The People's Republic of China (the "PRC") 23 March 2000	Registered capital RMB48,000,000	79	79	100	100	Design, printing and sale of cigarette packages
惠州金彩印務有限公司 ("Huizhou Jin Cai")**	PRC 20 August 2008	Registered capital RMB22,000,000	79	79	100	100	Inactive

* It was a sino-foreign joint venture enterprise with limited liability, and became a wholly foreign owned enterprise since 23 August 2012.

** Limited liability company established in the PRC.

Other than Meteor River which is wholly-owned directly by the Company, all other subsidiaries are indirectly held by the Company.

No audited statutory financial statements have been prepared for the Company and Meteor River since their respective dates of incorporation as there are no statutory audit requirements in the Cayman Islands and the BVI.

For the purpose of this report, we have, however, reviewed all the relevant transactions of the Company and Meteor River since their respective dates of incorporation and carried out such procedures as we considered necessary for inclusion of the financial information relating to these companies in this report.

The statutory financial statements of Super Future for the period from 19 January 2011 (date of incorporation) to 31 December 2011 and for the year ended 31 December 2012 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and audited by Deloitte Touche Tohmatsu, Certified Public Accountants.

The statutory financial statements of the following subsidiaries established in the PRC were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC. They were audited by the following certified public accountants registered in the PRC:

Name of subsidiary	Financial year	Name of auditor
Shenzhen Oceania	Each of three years ended 31 December 2012	深圳市大信會計師事務所 有限公司
Huizhou Jin Cai	Each of three years ended 31 December 2012	深圳市大信會計師事務所 有限公司

For the purpose of this report, the sole director of Meteor River has prepared the consolidated financial statements of Meteor River for the Relevant Periods in accordance with HKFRSs issued by the HKICPA (“Meteor River Financial Statements”). We have undertaken an independent audit on Meteor River Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined Meteor River Financial Statements or when necessary, the management accounts of the Company (collectively referred to as the “Underlying Financial Statements”) in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements, on the basis set out in Note 1 of Section A below. No adjustments are considered necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the sole director of Meteor River who approve their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in Note 1 of Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company at 31 December 2012 and of the Group at 31 December 2010, 2011 and 2012 and of the combined results and combined cash flows of the Group for the Relevant Periods.

A. FINANCIAL INFORMATION

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December		
		2010	2011	2012
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	5	162,575	179,509	183,347
Cost of sales		<u>(96,562)</u>	<u>(108,388)</u>	<u>(116,274)</u>
Gross profit		66,013	71,121	67,073
Other income and gains	6	1,889	2,715	225
Selling and distribution expenses		(3,031)	(3,701)	(3,098)
Administrative expenses		(9,479)	(13,581)	(9,858)
Listing expenses		—	—	(2,184)
Finance costs	7	<u>(1,824)</u>	<u>(1,022)</u>	<u>(1,397)</u>
Profit before taxation		53,568	55,532	50,761
Taxation	8	<u>(12,066)</u>	<u>(14,239)</u>	<u>(15,203)</u>
Profit and total comprehensive income for the year	9	<u>41,502</u>	<u>41,293</u>	<u>35,558</u>
Profit and total comprehensive income for the year attributable to:				
Owners of the Company		32,787	32,621	31,005
Non-controlling interests		<u>8,715</u>	<u>8,672</u>	<u>4,553</u>
		<u>41,502</u>	<u>41,293</u>	<u>35,558</u>

STATEMENTS OF FINANCIAL POSITION

	Notes	THE GROUP			THE COMPANY
		At 31 December			At 31
		2010	2011	2012	December
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	13	44,301	37,766	53,261	—
Prepaid lease payments	14	19,230	18,819	18,408	—
Deposits for acquisition of property, plant and equipment		345	1,055	—	—
		<u>63,876</u>	<u>57,640</u>	<u>71,669</u>	<u>—</u>
Current assets					
Inventories	15	25,435	23,594	10,293	—
Prepaid lease payments	14	411	411	411	—
Trade and bills receivables	16	88,890	69,744	108,784	—
Other receivables, deposits and prepayments		498	1,097	2,440	—
Amounts due from directors	17	1,475	2,899	223	—
Amount due from a former non-controlling shareholder of a subsidiary	18	—	5,000	3,842	—
Bank balances and cash	19	23,143	26,517	30,850	—
		<u>139,852</u>	<u>129,262</u>	<u>156,843</u>	<u>—</u>
Current liabilities					
Trade and bills payables	20	54,339	34,530	58,999	—
Other payables and accruals	21	8,258	3,901	8,827	—
Amount due to a director	22	—	—	2,397	2,269
Tax payable		9,346	5,819	7,450	—
Bank borrowings	23	13,000	20,000	29,600	—
		<u>84,943</u>	<u>64,250</u>	<u>107,273</u>	<u>2,269</u>
Net current assets (liabilities)		<u>54,909</u>	<u>65,012</u>	<u>49,570</u>	<u>(2,269)</u>
Total assets less current liabilities		118,785	122,652	121,239	(2,269)
Non-current liability					
Deferred taxation	24	—	—	1,576	—
		<u>118,785</u>	<u>122,652</u>	<u>119,663</u>	<u>(2,269)</u>
Capital and reserves					
Paid-in capital/share capital	25	48,000	48,000	—	—
Reserves	26	45,840	48,895	119,663	(2,269)
Equity attributable to owners of the Company		93,840	96,895	119,663	(2,269)
Non-controlling interests		24,945	25,757	—	—
		<u>118,785</u>	<u>122,652</u>	<u>119,663</u>	<u>(2,269)</u>

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Paid-in capital/ share capital RMB'000	Statutory Surplus reserve RMB'000 (Note a)	Special reserves RMB'000 (Note b)	Retained earnings RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
At 1 January 2010	48,000	24,385	39	14,505	86,929	23,108	110,037
Profit and total comprehensive income for the year	—	—	—	32,787	32,787	8,715	41,502
Dividend recognised as distribution during the year (Note 11)	—	—	—	(25,876)	(25,876)	(6,878)	(32,754)
At 31 December 2010	48,000	24,385	39	21,416	93,840	24,945	118,785
Profit and total comprehensive income for the year	—	—	—	32,621	32,621	8,672	41,293
Dividend recognised as distribution during the year (Note 11)	—	—	—	(29,566)	(29,566)	(7,860)	(37,426)
At 31 December 2011	48,000	24,385	39	24,471	96,895	25,757	122,652
Profit and total comprehensive income for the year	—	—	—	31,005	31,005	4,553	35,558
Dividends recognised as distribution during the year (Note 11)	—	—	—	(30,452)	(30,452)	(8,095)	(38,547)
Transfer upon Corporate Reorganisation	(48,000)	—	48,000	—	—	—	—
Deemed contribution from controlling shareholder	—	—	18,570	—	18,570	—	18,570
Acquisition of additional equity interests from non-controlling shareholders	—	—	3,645	—	3,645	(22,215)	(18,570)
At 31 December 2012	—	24,385	70,254	25,024	119,663	—	119,663

Notes:

- a. As stipulated by the relevant laws and regulations for enterprises in the PRC, the Company's PRC subsidiaries are required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of profit after taxation as reflected in the statutory financial statements of the relevant PRC subsidiaries while the amounts and allocation basis are decided by its board of directors annually. The appropriation to statutory surplus reserve may cease if the balance of the statutory surplus reserve has reached 50% of the relevant PRC subsidiaries' registered capital. The statutory reserves can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

b. Special reserves comprise of:

- (i) an amount of RMB39,000, being the difference between the paid-in capital of a subsidiary, Shenzhen Oceania, and the fair value of the property, plant and equipment invested to Shenzhen Oceania by Asia Modern (Hong Kong) International Limited (“Asia Modern”) on 22 November 2000;
- (ii) an amount of RMB48,000,000 represented the paid-in capital of Shenzhen Oceania which has been transferred to special reserve as part of the Corporate Reorganisation set out in note 1; and
- (iii) an amount of RMB3,645,000, being the difference between the carrying amount of the share of net assets acquired and the consideration of RMB18,570,000 in respect of the acquisition of additional interests in subsidiaries on 23 August 2012. The consideration of RMB18,570,000 was treated as deemed contribution from the controlling shareholder.

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
OPERATING ACTIVITIES			
Profit before taxation	53,568	55,532	50,761
Adjustments for:			
Depreciation of property, plant and equipment	8,108	7,014	6,232
Release of prepaid lease payments	411	411	411
(Reversal) recognition of write-down on obsolete inventories	(29)	105	246
Interest income	(149)	(162)	(202)
Loss on disposals of property, plant and equipment	721	351	59
Finance costs	<u>1,824</u>	<u>1,022</u>	<u>1,397</u>
Operating cash flows before movements in working capital	64,454	64,273	58,904
(Increase) decrease in inventories	(10,891)	1,736	13,055
(Increase) decrease in trade and bills receivables	(22,653)	6,146	(39,040)
Increase in other receivables, deposits and prepayments	(211)	(599)	(1,343)
Increase (decrease) in trade and bills payables	10,006	(19,809)	24,469
(Decrease) increase in other payables and accruals	<u>(236)</u>	<u>(2,359)</u>	<u>4,647</u>
Cash generated from operations	40,469	49,388	60,692
Income tax paid	<u>(7,028)</u>	<u>(17,766)</u>	<u>(11,996)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>33,441</u>	<u>31,622</u>	<u>48,696</u>

	Year ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
INVESTING ACTIVITIES			
Interest received	149	162	202
Deposits paid for and purchase of property, plant and equipment	(4,324)	(3,685)	(21,223)
Proceeds from disposal of property, plant and equipment	294	147	—
Advance to directors	(330)	(2,724)	(1,625)
Repayment from directors	100	1,300	4,301
Advance to a former non-controlling shareholder of a subsidiary	(8,000)	(5,000)	(4,942)
Repayment from a former non-controlling shareholder of a subsidiary	<u>25,990</u>	<u>—</u>	<u>6,100</u>
NET CASH FROM (USED IN) INVESTING ACTIVITIES	<u>13,879</u>	<u>(9,800)</u>	<u>(17,187)</u>
FINANCING ACTIVITIES			
Dividends paid	(56,620)	(37,426)	(37,776)
Bank loans raised	19,000	20,000	29,600
Repayment of bank loans	(38,000)	—	(20,000)
Interest paid	(1,824)	(1,022)	(1,397)
Advance from a director	—	—	59,200
Repayment to a director	<u>—</u>	<u>—</u>	<u>(56,803)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(77,444)</u>	<u>(18,448)</u>	<u>(27,176)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(30,124)	3,374	4,333
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>53,267</u>	<u>23,143</u>	<u>26,517</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR REPRESENTING BANK BALANCES AND CASH	<u>23,143</u>	<u>26,517</u>	<u>30,850</u>

NOTES TO THE FINANCIAL INFORMATION

1. CORPORATION INFORMATION AND BASIS OF PRESENTATION OF THE FINANCIAL INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (2007 Revision) Chapter 22 of the Cayman Islands on 29 November 2012. The registered office is located at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY 1-1108, Cayman Islands, and the address of the principal place of business is Tongfuyu Industrial Area, Jianlong, Henggang Town, Longgang District, Shenzhen, Guangdong Province, the PRC. The Company is an investment holding company. The principal activities of the Group are engaged in the design, printing and sale of cigarette packages in the PRC.

Meteor River was incorporated in the BVI on 26 January 2011 as a limited liability company and was wholly owned by Ms. Huang Li, the controlling shareholder (the "Controlling Shareholder"). Pursuant to a share transfer agreement dated 9 September 2011, Super Future which was a shell company at the time of transfer, became a wholly owned subsidiary of Meteor River.

Prior to 23 August 2012, 79% equity interest of Shenzhen Oceania was held by Asia Modern, which was owned by Ms. Huang Li and her son, Mr. Huang Chao, while 21% equity interest was held by non-controlling shareholders of Shenzhen Oceania. Accordingly, the Group is considered holding 79% equity interest of Shenzhen Oceania which holds 100% equity interest of Huizhou Jin Cai throughout the Relevant Periods. As part of the Corporate Reorganisation, Super Future entered into equity transfer agreement with Asia Modern on 31 July 2012 pursuant to which Super Future acquired 79% equity interest of Shenzhen Oceania from Asia Modern with consideration of RMB69,850,000 which was financed by the Controlling Shareholder and was subsequently waived by the Controlling Shareholder. Shenzhen Oceania and Super Future were under common control of Ms. Huang Li, the Controlling Shareholder, both before and after the transfer of interest in Shenzhen Oceania to Super Future and that control was not transitory.

On 31 July 2012 and 2 August 2012, Super Future also entered into equity transfer agreements with non-controlling shareholders of Shenzhen Oceania to acquire the remaining 21% equity interest of Shenzhen Oceania with the total consideration of RMB18,570,000. The consideration was financed by the Controlling Shareholder which was subsequently waived and treated as deemed contribution to the Group. The transfer of 79% equity interest and acquisition of 21% equity interest of Shenzhen Oceania were completed on 23 August 2012.

Pursuant to the Corporate Reorganisation, which was completed by interspersing the Company between Meteor River and its shareholder, the Company became the holding company of the companies now comprising the Group on 24 May 2013. The Group is under the common control of the Controlling Shareholder prior to and after the Corporate Reorganisation. The Group comprising the Company and its subsidiaries resulting from the Corporate Reorganisation is regarded as a continuing entity.

The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Relevant Periods which include the results, changes in equity and cash flows of the companies comprising the Group have been prepared as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation/establishment, where it is a shorter period.

The combined statements of financial position as at the respective reporting dates have been prepared to present the assets and liabilities of the companies comprising the Group as if the current group structure had been in existence at those dates, taking into account the effective interest of the Controlling Shareholder in the respective group companies.

The Financial Information is presented in Renminbi (“RMB”), which is the same as the functional currency of the Company and its subsidiaries.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has consistently adopted Hong Kong Accounting Standards (“HKASs”), Hong Kong Financial Reporting Standards (“HKFRSs”), amendments and interpretations (“HK(IFRIC)-Int”) issued by HKICPA which are effective for the accounting periods beginning on 1 January 2012 throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following new and revised standards, amendments and interpretations that are not yet effective. The Group has not early applied these standards, amendments and interpretations.

Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 Cycle ¹
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ²
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ⁴
HKFRS 9	Financial Instruments ²
HKFRS 10	Consolidated Financial Statements ¹
HKFRS 11	Joint Arrangements ¹
HKFRS 12	Disclosure of Interests in Other Entities ¹
HKFRS 13	Fair Value Measurement ¹

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income ³
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ⁴
HKAS 19 (Revised 2011)	Employee Benefits ¹
HKAS 27 (Revised 2011)	Separate Financial Statements ¹
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures ¹
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine ¹

¹ Effective for annual periods beginning on or after 1 January 2013

² Effective for annual periods beginning on or after 1 January 2015

³ Effective for annual periods beginning on or after 1 July 2012

⁴ Effective for annual periods beginning on or after 1 January 2014

The directors of the Company anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods. The principal accounting policies adopted are as follows:

Basis of combination

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired during the year are included in the combined statement of comprehensive income from the effective date of acquisition, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on combination.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the carrying amount of the net assets attributable to the change in interests by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of cigarette packages is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land

Interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the combined statements of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

All borrowing costs not associated with qualifying assets are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the combined statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the combined statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, other receivables, amounts due from directors, amount due from a former non-controlling shareholder of a subsidiary and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's the original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly for all loans and receivables with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and bills payables, other payables and accruals, amount due to a director and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities, when and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated useful lives of property, plant and equipment

The Group depreciates the property, plant and equipment over their estimated useful lives, using straight-line method. The estimated useful lives that the Group depreciates the property, plant and equipment reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the assets. Actual economic lives may differ from estimated useful lives. If the actual useful lives of property, plant and equipment is less than the original estimate useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charges for the remaining period.

At 31 December 2010, 2011 and 2012, the carrying amount of property, plant and equipment are RMB44,301,000, RMB37,766,000 and RMB53,261,000 respectively. Details of the useful lives of the property, plant and equipment are disclosed in note 13.

Net realisable value of inventories

The Group writes down inventories for obsolescence based on an assessment of the net realisable value of inventories. Write-down is applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the carrying amount of inventories. The identification of obsolete inventories requires the use of judgment and estimates on the conditions and usefulness of the inventories. The amount of write-down would be changed as a result of the changes in current market conditions subsequently.

At 31 December 2010, 2011 and 2012, the carrying amount of inventories are RMB25,435,000, RMB23,594,000 and RMB10,293,000 respectively.

5. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on sales of cigarette packages for the Relevant Periods.

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the chief executive officer of the Group) in order to allocate resources to the segment and to assess its performance.

For management purpose, the Group operates in one business unit based on their products, and has one operating segment: design, printing and sale of cigarette packages. The chief operating decision maker monitors the revenue, results, assets and liabilities of its business unit as a whole based on the monthly sales reports, monthly delivery reports and monthly management accounts, and considers the segment assets and segment liabilities of the Group included all assets and liabilities as stated in the combined statements of financial position respectively, and considers the segment revenue and segment results of the Group represented all revenue and profit before taxation as stated in the combined statements of comprehensive income respectively. Accordingly, no analysis of this single reportable and operating segment is presented.

Geographical information

As all the Group's revenue is derived from customers located in the PRC and all the Group's identifiable non-current assets are principally located in the PRC, no geographical segment information is presented.

Information about major customers

Revenues from customers of the Relevant Periods contributing over 10% of the total sales of the Group are as follow:

	Year ended 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	98,281	98,573	123,477
Customer B	34,906	45,787	22,436
Customer C	<u>19,890</u>	<u>23,160</u>	<u>25,067</u>

6. OTHER INCOME AND GAINS

	Year ended 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Gains from sale of packaging materials	949	2,231	23
Interest income	149	162	202
Government grants (<i>Note</i>)	700	300	—
Others	<u>91</u>	<u>22</u>	<u>—</u>
	<u>1,889</u>	<u>2,715</u>	<u>225</u>

Note: Government grants represented subsidies from various PRC governmental authorities which had no conditions or limitations attached.

7. FINANCE COSTS

	Year ended 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank borrowings wholly repayable within five years	<u>1,824</u>	<u>1,022</u>	<u>1,397</u>

8. TAXATION

	Year ended 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
PRC Enterprise Income Tax ("EIT")			
Current tax	12,066	14,239	13,627
Deferred tax	<u>—</u>	<u>—</u>	<u>1,576</u>
	<u>12,066</u>	<u>14,239</u>	<u>15,203</u>

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit subject to Hong Kong Profits Tax during the Relevant Periods.

Under the Law of the PRC on EIT (the "New Tax Law") and Implementation Regulations of the Law, the standard tax rate of the PRC entities was 25% during the Relevant Periods.

According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa (2007) No. 39), the tax concessions of Shenzhen Oceania are still applicable under the New Tax Law. Therefore, the applicable income tax rate for Shenzhen Oceania is 22%, 24% and 25% for the years ended 31 December 2010, 2011 and 2012, respectively.

Upon the New Tax Law and Implementation Regulations, PRC withholding income tax is applicable to dividends payable to investors that are "non-PRC tax resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries to non-PRC tax resident group entities shall be subject to the withholding income tax at 10% or lower tax rate, as applicable. Under the relevant tax treaty, withholding tax rate on distribution to Hong Kong resident companies is 5%. Prior to the completion of equity transfers of Shenzhen Oceania to Super Future, no deferred tax has been recognised in respect of the aggregate amount of temporary differences associated with earnings of

Shenzhen Oceania as withholding income taxes upon dividends distribution on those earnings to Shenzhen Oceania's then existing equity holders who did not form part of the Group will be borne by the then existing equity holders. After the completion of equity transfer of Shenzhen Oceania from Asia Modern to Super Future, deferred taxation has been provided on undistributed earnings of Shenzhen Oceania.

The tax charge for the Relevant Periods can be reconciled to the profit before taxation per combined statements of comprehensive income as follows:

	Year ended 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	<u>53,568</u>	<u>55,532</u>	<u>50,761</u>
Tax at the standard tax rate of 25%	13,392	13,883	12,690
Tax effect of expenses not deductible for tax purpose	268	372	742
Effect of income tax on concessionary rate	(1,665)	(593)	—
Tax effect of tax losses not recognised	214	572	155
Deferred tax on undistributed earnings of PRC subsidiaries	—	—	1,576
Others	<u>(143)</u>	<u>5</u>	<u>40</u>
	<u>12,066</u>	<u>14,239</u>	<u>15,203</u>

9. PROFIT FOR THE YEAR

	Year ended 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year has been arrived at after charging:			
Staff costs:			
Directors' emoluments (Note 10)	130	130	208
Other staff costs			
Salaries and other benefits	10,199	11,773	12,540
Retirement benefits scheme contributions	566	1,367	1,354
	<u>10,895</u>	<u>13,270</u>	<u>14,102</u>
Auditor's remuneration	40	90	77
Depreciation of property, plant and equipment	8,108	7,014	6,232
Release of prepaid lease payments	411	411	411
Operating lease rentals in respect of rented premises	1,553	1,758	1,727
Cost of inventories recognised as an expense	96,337	106,745	114,300
(Reversal) recognition of write-down on obsolete inventories (<i>Note</i>)	(29)	105	246
Loss on disposals of property, plant and equipment	<u>721</u>	<u>351</u>	<u>59</u>

Note: Cost of sales includes reversal of write-down on obsolete inventories of RMB29,000 which were sold during the year ended 31 December 2010.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

Details of the emoluments paid or payable to the directors of the Company during the Relevant Periods are as follows:

For the year ended 31 December 2010

	Fee	Retirement benefit scheme contributions	Salaries and other benefits	Incentive performance bonus	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Ms. Huang Li	—	—	120	10	130
Mr. Zheng Hua	—	—	—	—	—
	—	—	120	10	130

For the year ended 31 December 2011

	Fee	Retirement contributions	Salaries and other benefits	Incentive performance bonus	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Ms. Huang Li	—	—	120	10	130
Mr. Zheng Hua	—	—	—	—	—
	—	—	120	10	130

For the year ended 31 December 2012

	Fee	Retirement benefit scheme contributions	Salaries and other benefits	Incentive performance bonus	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Ms. Huang Li	—	—	120	11	131
Mr. Zheng Hua	—	7	63	7	77
	—	7	183	18	208

Incentive performance bonus for the years ended 31 December 2010, 2011 and 2012 were determined by the management having regard to the performance of directors of the Company and the Group's operation results.

Employees

The five highest paid individuals included one director of the Company for the years ended 31 December 2010, 2011 and 2012, respectively. The emoluments of the remaining four individuals for the years ended 31 December 2010, 2011 and 2012 are as follows:

	Year ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Salaries and other benefits	541	544	512
Retirement benefit schemes contributions	<u>23</u>	<u>66</u>	<u>85</u>
	<u>564</u>	<u>610</u>	<u>597</u>

Each of their emoluments during each of the year ended 31 December 2010, 2011 and 2012 was within HK\$1,000,000.

During the Relevant Periods, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (included directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the Relevant Periods.

11. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation. Prior to the Corporate Reorganisation, Shenzhen Oceania had declared dividends to its then equity owners as follows:

	Year ended 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Asia Modern	25,876	29,566	30,452
Non-controlling interests	<u>6,878</u>	<u>7,860</u>	<u>8,095</u>
	<u>32,754</u>	<u>37,426</u>	<u>38,547</u>

The rate of dividend and number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of this report.

12. EARNINGS PER SHARE

No earnings per share information is presented, as its inclusion, for the purpose of this report, is not considered meaningful due to the preparation of Financial Information, on the basis as set out in note 1.

13. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST					
At 1 January 2010	81,750	2,838	3,375	—	87,963
Additions	2,422	—	687	—	3,109
Disposals	<u>(10,144)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(10,144)</u>
At 31 December 2010	74,028	2,838	4,062	—	80,928
Additions	652	273	52	—	977
Disposals	<u>(1,152)</u>	<u>(513)</u>	<u>—</u>	<u>—</u>	<u>(1,665)</u>
At 31 December 2011	73,528	2,598	4,114	—	80,240
Additions	3,013	—	16	18,757	21,786
Disposals	<u>(190)</u>	<u>—</u>	<u>(402)</u>	<u>—</u>	<u>(592)</u>
At 31 December 2012	<u>76,351</u>	<u>2,598</u>	<u>3,728</u>	<u>18,757</u>	<u>101,434</u>
DEPRECIATION					
At 1 January 2010	34,677	870	2,101	—	37,648
Provided for the year	7,152	510	446	—	8,108
Eliminated on disposals	<u>(9,129)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(9,129)</u>
At 31 December 2010	32,700	1,380	2,547	—	36,627
Provided for the year	6,147	438	429	—	7,014
Eliminated on disposals	<u>(751)</u>	<u>(416)</u>	<u>—</u>	<u>—</u>	<u>(1,167)</u>
At 31 December 2011	38,096	1,402	2,976	—	42,474
Provided for the year	5,394	499	339	—	6,232
Eliminated on disposals	<u>(171)</u>	<u>—</u>	<u>(362)</u>	<u>—</u>	<u>(533)</u>
At 31 December 2012	<u>43,319</u>	<u>1,901</u>	<u>2,953</u>	<u>—</u>	<u>48,173</u>
CARRYING VALUES					
At 31 December 2010	<u>41,328</u>	<u>1,458</u>	<u>1,515</u>	<u>—</u>	<u>44,301</u>
At 31 December 2011	<u>35,432</u>	<u>1,196</u>	<u>1,138</u>	<u>—</u>	<u>37,766</u>
At 31 December 2012	<u>33,032</u>	<u>697</u>	<u>775</u>	<u>18,757</u>	<u>53,261</u>

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis, after taking into account of their residual values, over the following useful lives:

Plant and machinery	5 years to 10 years
Motor vehicles	5 years
Furniture, fixtures and equipment	5 years

Details of property, plant and equipment being pledged are set out in Note 30.

14. PREPAID LEASE PAYMENTS

	At 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Analysed for reporting purposes as:			
Current assets	411	411	411
Non-current assets	19,230	18,819	18,408
	<u>19,641</u>	<u>19,230</u>	<u>18,819</u>

The prepaid lease payments represent payments for land use rights in the PRC which are held under medium-term lease.

15. INVENTORIES

	At 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	12,779	2,921	4,465
Work in progress	1,573	6,131	4,008
Finished goods	11,083	14,542	1,820
	<u>25,435</u>	<u>23,594</u>	<u>10,293</u>

16. TRADE AND BILLS RECEIVABLES

	At 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	53,890	37,544	57,784
Bills receivables	<u>35,000</u>	<u>32,200</u>	<u>51,000</u>
	<u>88,890</u>	<u>69,744</u>	<u>108,784</u>

The Group generally allows credit period of 90 days to its trade customers. For certain major customers, the Group accepts settlement of trade receivables by bank bills with 90 days maturity period.

The following is an aged analysis of trade receivables presented based on the date of delivery of goods, which approximated the date on which revenue was recognised.

	At 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	42,153	29,709	56,752
91 to 180 days	11,716	4,658	200
181 to 360 days	<u>21</u>	<u>3,177</u>	<u>832</u>
	<u>53,890</u>	<u>37,544</u>	<u>57,784</u>

The following is an aged analysis of bills receivables presented based on the date of issuance of bills at the end of reporting period:

	At 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	<u>35,000</u>	<u>32,200</u>	<u>51,000</u>

Discounted bills receivables with full recourse of approximately RMB13,000,000 was included in bills receivables as at 31 December 2010. The advances obtained from discounted bills receivables were recorded as secured bank loans (Note 23).

Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by each customer. Limits attributed to customers are reviewed once a year.

The trade and bill receivables that are neither past due nor impaired are mainly due from those customers which have long-term relationship with the Group and the repayment history of these customers were good.

Included in Group's trade receivables are receivables with the following carrying amounts which are past due as at the end of each reporting period for which the Group has not provided for impairment loss. Aging of trade and bills receivables which are past due but not impaired:

	At 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Over 90 days	<u>11,737</u>	<u>7,835</u>	<u>1,032</u>

The average age of these receivables is 150 days, 160 days and 190 days at 31 December 2010, 2011 and 2012 respectively. The Group does not hold any collateral over these balances.

17. AMOUNTS DUE FROM DIRECTORS

Amounts due from directors disclosed pursuant to section 161B of the Companies Ordinance is as follows:

	At 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Ms. Huang Li	235	2,899	—
Mr. Zheng Hua	<u>1,240</u>	<u>—</u>	<u>223</u>
	<u>1,475</u>	<u>2,899</u>	<u>223</u>

**Maximum amount outstanding
during the year
Year ended 31 December**

	Year ended 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Ms. Huang Li	335	2,899	3,935
Mr. Zheng Hua	<u>1,240</u>	<u>1,240</u>	<u>390</u>

The amounts are unsecured, non-interest bearing and repayable on demand.

18. AMOUNT DUE FROM A FORMER NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

	At 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
深圳市焯威佳奇投资有限公司 Shenzhen City Zhuowei Jiaqi Investment Company Limited (“Shenzhen Zhuowei Jiaqi”)	<u>—</u>	<u>5,000</u>	<u>3,842</u>

The amount represents advance to a former non-controlling shareholder of a subsidiary which is non-trade, unsecured, non-interest bearing and repayable on demand. Shenzhen Zhuowei Jiaqi held 17% equity interest in Shenzhen Oceania at 31 December 2010 and 2011.

19. BANK BALANCES AND CASH

Bank balances carry interest at rates which range from 0.36% to 0.4%, 0.36% to 1.49% and 0.35% to 0.5% as at 31 December 2010, 2011 and 2012, respectively.

Bank balances and cash that are denominated in currency other than the functional currencies of the respective group entities are set out below:

	As at 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Hong Kong Dollars	<u>—</u>	<u>—</u>	<u>288</u>

20. TRADE AND BILLS PAYABLES

	At 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	50,511	34,530	58,999
Bills payables	<u>3,828</u>	<u>—</u>	<u>—</u>
	<u>54,339</u>	<u>34,530</u>	<u>58,999</u>

The average credit period on purchases of goods is 90 days. The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of each reporting period:

	As at 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
0 - 90 days	53,547	31,322	47,021
91 to 180 days	301	2,778	11,551
181 to 360 days	144	35	196
Over 360 days	347	395	231
	<u>54,339</u>	<u>34,530</u>	<u>58,999</u>

21. OTHER PAYABLES AND ACCRUALS

	At 31 December		
	2010	2011	2012
	RMB'000	RMB'000	RMB'000
Other payables and accruals	1,346	1,546	1,926
Payables for acquisition of property, plant and equipment	2,490	492	—
Other taxes payables	3,384	789	4,494
Salaries payables	970	993	1,546
Dividends payables (<i>Note</i>)	—	—	771
Other deposits	68	81	90
	<u>8,258</u>	<u>3,901</u>	<u>8,827</u>

Note: The amount represents dividends payables to the former equity owners of Shenzhen Oceania.

22. AMOUNT DUE TO A DIRECTOR

	THE GROUP			THE COMPANY
	At 31 December			At 31 December
	2010	2011	2012	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Ms. Huang Li	<u>—</u>	<u>—</u>	<u>2,397</u>	<u>2,269</u>

The amount is unsecured, non-interest bearing and repayable on demand.

23. BANK BORROWINGS

	2010	At 31 December	
	<i>RMB'000</i>	2011	2012
		<i>RMB'000</i>	<i>RMB'000</i>
Bank borrowings comprise:			
Unsecured	—	20,000	29,600
Secured	<u>13,000</u>	<u>—</u>	<u>—</u>
	<u>13,000</u>	<u>20,000</u>	<u>29,600</u>

Included in bank borrowings were proceeds from bills receivables discounted with full recourse of RMB13,000,000 at 31 December 2010.

Breakdown of the bank borrowings

	2010	At 31 December	
		2011	2012
Fixed-rate borrowings	13,000	—	—
Floating-rate borrowings	<u>—</u>	<u>20,000</u>	<u>29,600</u>
	<u>13,000</u>	<u>20,000</u>	<u>29,600</u>

The Group's floating-rate borrowings are subject to interest at 110% of RMB Benchmark Loan Rate issued by the People's Bank of China. The effective interest rates on the Group's borrowings were as follows:

	2010	At 31 December	
	%	2011	2012
		%	%
Fixed-rate borrowings	4.50	N/A	N/A
Floating-rate borrowings	<u>N/A</u>	<u>6.71</u>	<u>6.94</u>

24. DEFERRED TAXATION

The following is the major deferred tax liabilities recognised and movements thereon during the Relevant Periods:

	Undistributed earnings of PRC subsidiary <i>RMB'000</i>
At 1 January 2012	—
Charge to profit or loss	<u>1,576</u>
At 31 December 2012	<u>1,576</u>

The Group had unused tax losses of RMB1,442,000, RMB3,730,000 and RMB4,349,000 at 31 December 2010, 2011 and 2012 respectively, which were available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The tax losses will expire in 5 years after the year of commencement of the business of the subsidiary, Huizhou Jin Cai. Huizhou Jin Cai has not yet commenced business during the Relevant Periods.

25. PAID-IN CAPITAL/SHARE CAPITAL

The paid-in capital of the Group at 1 January 2010, 31 December 2010 and 2011 represented the registered capital of Shenzhen Oceania. The share capital at 31 December 2012 of the Group represented the combined issued and fully paid share capital of the Company and Meteor River. Details of movements of share capital of the Company is as follow:

	Number of shares	Share capital <i>HK\$'000</i>
<i>Ordinary shares of HK\$0.01 each</i>		
Authorised:		
At 29 November 2012 (date of incorporation) and at 31 December 2012	38,000,000	380
Issued and fully paid:		
At 29 November 2012 (date of incorporation) and at 31 December 2012	<u>1</u>	<u>—</u>
		31 December 2012
		<i>RMB'000</i>
Presented in the Financial Information as		<u>—</u>

26. RESERVE

The Company

The movement in the reserve of the Company was as follows:

	<i>RMB'000</i>
At 29 November 2012 (date of incorporation)	—
Loss for the period	<u>2,269</u>
At 31 December 2012	<u>2,269</u>

27. CAPITAL RISK MANAGEMENT

The Groups manages its capital to ensure that group companies in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the Relevant Periods.

The capital structure of the Group consists of debt, which include the bank borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

The management review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The management will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

28. FINANCIAL INSTRUMENTS**a. Categories of financial instruments**

	THE GROUP			THE COMPANY
	At 31 December			At 31 December
	2010	2011	2012	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets				
Loans and receivables (including cash and cash equivalents)	<u>113,875</u>	<u>105,052</u>	<u>145,944</u>	<u>—</u>
Financial liabilities				
Amortised cost	<u>72,145</u>	<u>57,561</u>	<u>95,239</u>	<u>2,269</u>

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, other receivables, amounts due from directors, amount due from a former non-controlling shareholder of a subsidiary, bank balances and cash, trade and bills payables, other payables and accruals, amount due to a director and bank borrowings. Details of these financial instruments are set out in respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effectively manner.

Interest rate risk

The Group's fair value interest rate risk relates primarily to its fixed-rate bank borrowings. The Group's cash flow interest rate risk relates primarily to its floating-rate bank balances and bank borrowings. The Group has not entered into interest rate swaps to hedge against its exposure to changes in fair values of the borrowings. Currently, the Group does not have a specific policy to manage their interest rate risk, but will closely monitor the interest rate risk exposure in the future.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of RMB Benchmark Loan Rate of the People's Bank of China on the Group's bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates on floating-rate bank borrowings. The analysis is prepared assuming the floating-rate bank borrowings outstanding at the end of each reporting period were outstanding for the whole year. As the management considers the exposure to interest rate risk in relation to bank balances is insignificant due to the low level of bank interest rate, bank balances are excluded from sensitivity analysis. A 100 basis points increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been increased/decreased by 100 basis points and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by approximately RMBnil, RMB152,000 and RMB222,000 for the years ended 31 December 2010, 2011 and 2012, respectively. This is mainly attributable to the Group's exposure to interest rates on its floating-rate bank borrowings.

Currency risk

The Group's transactions were mainly conducted in RMB, the functional currency of the Company and its subsidiaries, and their major receivables and payables are denominated in RMB. The Group is subject to minimal foreign exchange rate risk arising from monetary assets, denominated in Hong Kong dollars. Accordingly, the Group currently does not have a foreign currency policy and no sensitivity analysis has been presented.

Credit risk management

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position.

The Group has concentration of credit risk as 99%, 94% and 97% of the total trade receivables was due from the Group's four largest customers as at 31 December 2010, 2011 and 2012, respectively.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monetary procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are either state-owned banks or banks with high credit ratings located in the PRC.

The Group is exposed to concentrating of credit risk on the amounts due from directors and amount due from a former non-controlling shareholder of a subsidiary. In order to minimise the credit risk on amounts due from directors and amount due from a former non-controlling shareholder of a subsidiary, the management of the Group continuously monitor the credit quality of the directors and the former non-controlling shareholder of a subsidiary and the level of exposure to ensure that following action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual advance balance at the end of each reporting period to ensure adequate impairment losses are made.

Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. The Group has available unutilised bank borrowings facilities of approximately RMB17,000,000, RMB nil and RMB400,000 as at 31 December 2010, 2011 and 2012, respectively.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

THE GROUP

	Weighted average effective interest rate %	On demand or less than 3 months RMB'000	3 months to 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2010					
Trade and bills payables	N/A	54,339	—	54,339	54,339
Other payables and accruals	N/A	4,806	—	4,806	4,806
Bank borrowings - fixed rate	4.50	13,000	—	13,000	13,000
		<u>72,145</u>	<u>—</u>	<u>72,145</u>	<u>72,145</u>
At 31 December 2011					
Trade and bills payables	N/A	34,530	—	34,530	34,530
Other payables and accruals	N/A	3,031	—	3,031	3,031
Bank borrowings - floating rate	6.71	20,253	—	20,253	20,000
		<u>57,814</u>	<u>—</u>	<u>57,814</u>	<u>57,561</u>
At 31 December 2012					
Trade and other payables	N/A	58,999	—	58,999	58,999
Other payables and accruals	N/A	4,243	—	4,243	4,243
Amount due to a director	N/A	2,397	—	2,397	2,397
Bank borrowings - floating rate	6.94	514	30,057	30,571	29,600
		<u>66,153</u>	<u>30,057</u>	<u>96,210</u>	<u>95,239</u>

THE COMPANY

At 31 December 2012					
Amount due to a director	N/A	<u>2,269</u>	<u>—</u>	<u>—</u>	<u>2,269</u>

Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the Financial Information approximate their fair values.

c. **Transfers of financial assets**

- (i) The following were the financial assets of the Group (measured at amortised cost) transferred to a bank, which did not qualify for derecognition in their entirety, at 31 December 2010:

	Bills receivables discounted to banks with recourse <i>RMB'000</i>
Carrying amount of transferred assets	13,000
Carrying amount of associated liabilities	<u>13,000</u>
Net position	<u>—</u>

Under the above arrangements, the Group transferred the contractual rights to receive cash flows from the bills receivables to the bank by discounting the bills receivables for cash on a full recourse basis. Therefore, the directors of the Company consider the Group retained substantially all of the risks and rewards of ownership of the bills receivables and continued to recognise the bills receivables. Associated liabilities have been recognised and included in bank borrowings.

- (ii) The following were the Group's bills receivables as at 31 December 2012 that were transferred to suppliers by endorsing those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and trade payables. These financial assets and liabilities are carried at amortised cost in the Group's combined statements of financial position.

	Bills receivables endorsed to suppliers with full recourse <i>RMB'000</i>
Carrying amount of bills receivables	16,600
Carrying amount of trade payables	<u>16,600</u>
Net position	<u>—</u>

29. RETIREMENT BENEFIT PLANS

The employees of the PRC subsidiaries are members of state-managed retirement benefit scheme operated by the PRC Government. The PRC subsidiaries are required to contribute a certain percentage of payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions.

The Group made total contributions to the retirement scheme of approximately RMB566,000, RMB1,367,000 and RMB1,361,000 for the years ended 31 December 2010, 2011 and 2012, respectively.

30. PLEDGE OF ASSETS

At the end of each reporting period, the following assets were pledged to banks to secure the Group's banking facilities:

	At 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	<u>23,847</u>	<u>—</u>	<u>—</u>

31. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

In August 2012, the Group completed the acquisition of the remaining 21% equity interests in Shenzhen Oceania at a consideration of RMB18,570,000. The consideration was paid by the Controlling Shareholder, which has been treated as deemed contribution to the Group. Upon completion of acquisition, Shenzhen Oceania and Huizhou Jin Cai became indirect wholly-owned subsidiaries of the Company. The difference between the fair value of consideration paid for the acquisition of additional equity interests in Shenzhen Oceania and its subsidiary and the carrying amount of non-controlling interests acquired amounting to RMB3,645,000 is credited to special reserves.

32. CAPITAL COMMITMENTS

The Group had the following capital commitments:

	At 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the Financial Information	<u>457</u>	<u>2,464</u>	<u>7,196</u>
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for	<u>—</u>	<u>130</u>	<u>—</u>

33. OPERATING LEASE COMMITMENT**The Group as lessee**

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancelable operating leases which fall due as follows:

	At 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	1,700	1,727	1,761
In the second to fifth year inclusive	<u>1,593</u>	<u>5,829</u>	<u>4,183</u>
	<u><u>3,293</u></u>	<u><u>7,556</u></u>	<u><u>5,944</u></u>

Operating lease payments represent rentals payable by the Group for its office and manufacturing premises. Leases are negotiated from one to five years and rentals are fixed over the respective leases.

34. MAJOR NON-CASH TRANSACTIONS

- (i) In August 2012, the Group completed the acquisition of 79% and 21% equity interests in Shenzhen Oceania from Asia Modern and the non-controlling shareholders of Shenzhen Oceania at a consideration of RMB69,850,000 and RMB18,570,000, respectively. Such consideration was financed by the Controlling Shareholder.
- (ii) During the year ended 31 December 2010, certain bills receivables were discounted with recourse to a bank. During the year ended 31 December 2010 and 2011, the bank directly received the contractually entitled cash flows of RMB6,000,000 and RMB13,000,000, respectively, upon maturity of the discounted bills receivable from the Group's debtors as settlement of the related bank borrowings granted to the Group.

35. RELATED PARTY TRANSACTIONS

- (a) Details of the outstanding balances with related parties are set out in the combined statements of financial position and in notes 17, 18, 21 and 22.
- (b) During the Relevant Periods, the Controlling Shareholder provided guarantees to the bank borrowings facilities of the Group and also provided guarantees to banks for granting unsecured loans to the Group of RMBnil, RMB20,000,000 and RMB29,600,000 as at 31 December 2010, 2011 and 2012, respectively. In addition, a property owned by the Controlling Shareholder was also pledged to the banks to secure banking facilities granted to the Group for the year ended 31 December 2010.

(c) Compensation of key management personnel

The remuneration of key management personnel which represent the directors and key executives of the Company during the Relevant Periods were as follows:

	Year ended 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and other benefits	671	674	713
Retirement benefit schemes contributions	<u>23</u>	<u>66</u>	<u>92</u>
	<u>694</u>	<u>740</u>	<u>805</u>

The remuneration of directors and key executives is determined having regard to the performance of individuals and market trends.

B. DIRECTORS' REMUNERATION

Save as disclosed herein, no remuneration has been paid or payable by the Group to the directors of the Company during the Relevant Periods.

Under the arrangements currently in force, the aggregate emoluments payable by the Group to the Directors for the year ending 31 December 2013 will be approximately RMB513,000.

C. SUBSEQUENT EVENTS

The following events took place subsequent to 31 December 2012:

- (a) On 24 May 2013, the companies comprising the Group underwent and completed the reorganisation in preparation for listing of the Company's shares on Main Board of The Stock Exchange of Hong Kong Limited. Further details of the Corporate Reorganisation are set out in the section headed "Corporate Reorganisation" in Appendix V to the Prospectus.
- (b) On 11 June 2013, written resolutions of sole shareholder of the Company were passed to approve the matters set out in the paragraph headed "Written resolutions of the sole Shareholder passed on 11 June 2013" in Appendix V to the Prospectus.
- (c) On 11 June 2013, the Company conditionally adopted a share option scheme pursuant to a resolution passed by its sole shareholder on 11 June 2013, where eligible employees and directors of the Group, among others, may be granted options entitling them to subscribe for the Company's shares. No share has been granted since the adoption of the scheme. The principal terms of the share option scheme are summarised in the section headed "Share Option Scheme" in Appendix V to the Prospectus.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2012.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the accountants' report prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and the accountants' report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group attributed to owners of the Company prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purpose only, and is set out here to illustrate the effect of the Share Offer on net tangible assets as at 31 December 2012 as if it had taken place on 31 December 2012.

The unaudited pro forma statement of adjusted net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2012 or any future date following the Share Offer. It is prepared based on the combined net assets of the Group attributable to owners of the Company as at 31 December 2012 as set out in the Accountants' Report contained in Appendix I to this prospectus and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets of the Group attributable to owners of the Company does not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2012⁽¹⁾	Estimated net proceeds from the Share Offer⁽²⁾	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share⁽³⁾	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB</i>	<i>HK\$⁽⁴⁾</i>
Based on an Offer Price of HK\$0.7 per Offer Share	119,663	29,556	149,219	0.47	0.59
Based on an Offer Price of HK\$0.9 per Offer Share	119,663	41,747	161,410	0.50	0.63

Notes:

- (1) The audited combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2012 is extracted from the Accountants' Report set out in Appendix I to this prospectus.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (2) The estimated net proceeds from the Share Offer are based on 80,000,000 Shares to be issued under the Share Offer and the Offer Price of HK\$0.7 per Offer Share and HK\$0.9 per Offer Share, being the lower end and higher end of the stated Offer Price range, after deduction of the underwriting fees and other related expenses (excluding approximately RMB2.2 million listing-related expenses which have been accounted for prior to 31 December 2012) payable by the Company in connection with the Share Offer. The estimated net proceeds from the Share Offer are converted from Hong Kong dollars into Renminbi at the rate of HK\$1.00 to RMB0.7937. No representation is made that the Renminbi amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

- (3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share is calculated based on 320,000,000 Shares expected to be in issue immediately following the completion of the Share Offer. It does not take into account of any Shares that may be issued pursuant to the Share Option Scheme.

- (4) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share is converted from Renminbi into Hong Kong dollars at the rate of HK\$1.00 to RMB0.7937. No representation is made that the Renminbi amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

- (5) By comparing the valuation of the property interests as set out in Appendix III to this prospectus the net valuation surplus is approximately RMB3.2 million as compared to the carrying amounts of the Group's property interests as at 31 March 2013, which has not been included in the above combined net tangible assets attributable to owners of the Company. The valuation surplus of the property interests will not be incorporated in the Group's consolidated financial statements in the future. If the valuation surplus were to be included in the consolidated financial statements, an additional annual depreciation charge of approximately RMB68,000 would be incurred.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose of incorporation in this prospectus.

Deloitte.
德勤

德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**TO THE DIRECTORS OF JIN CAI HOLDINGS COMPANY LIMITED**

We report on the unaudited pro forma financial information of Jin Cai Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the public offering and placing of 80,000,000 shares of HK\$0.01 each in the Company might have affected the financial information presented, for inclusion in Appendix II of the prospectus dated 24 June 2013 (the "Prospectus"). The basis of preparation of the unaudited pro forma financial information is set out in page II-1 to II-2 to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 31 December 2012 or any future date.

Opinion

In our opinion:

- a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu*Certified Public Accountants*

Hong Kong

24 June 2013

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this prospectus and received from DTZ Debenham Tie Leung Limited, an independent valuer, in connection with their valuations of the properties of the Group in the PRC and Hong Kong as at 31 March 2013.



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

24 June 2013

The Directors
Jin Cai Holdings Company Limited
Suite 2312,
Tower One,
Times Square,
1 Matheson Street,
Causeway Bay,
Hong Kong

Dear Sirs,

INSTRUCTIONS, PURPOSE AND DATE OF VALUATION

We refer to your instructions to us to carry out market valuations of the properties in the People's Republic of China (the "PRC") and Hong Kong in which Jin Cai Holdings Company Limited (referred to as the "Company") and its subsidiaries (collectively the "Group") have interests. We confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of those properties as at 31 March 2013 (the "date of valuation").

BASIS OF VALUATION

Our valuation of each of the properties represents its market value which in accordance with The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION ASSUMPTIONS

Our valuation of each property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoing of any onerous nature which could affect their values.

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards (2012 Edition) issued by The Hong Kong Institute of Surveyors.

METHOD OF VALUATION

In valuing property No. 1 in Group I, we have adopted the Depreciated Replacement Costs (“DRC”) Approach. DRC is based on an estimate of the market value of the land in its existing use, plus the current cost of replacement of the improvements, less allowance for physical deterioration and all relevant forms of obsolescence and optimization. This figure includes fees and finance charges payable during the construction periods and other associated expenses directly related to the construction of the building. The DRC Approach generally furnishes a reliable indication of value for property with specific nature and design of buildings, in the absence of identifiable market sales comparables. The DRC is subject to adequate potential profitability of the business.

The properties in Group II and Group III which are leased to the Group in the PRC and Hong Kong have no commercial value mainly due to the prohibitions against assignment and subletting or otherwise due to the lack of substantial profit rents.

SOURCE OF INFORMATION

In the course of our valuation, we have relied to a considerable extent on the information given by the Group in respect of the properties in the PRC and have accepted advice on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, lease terms, site and floor areas, interests attributable to the Group, development schemes, construction costs and all other relevant matters.

However, we have not been able to conduct searches to verify the ownership of the properties or to ascertain any amendment which may not appear on the copies handed to us. We have been provided with extracts of documents in relation to the title to the properties in the PRC. We have also relied on the Group’s PRC legal adviser, Shu Jin Law Firm, in respect of the title to each of the properties and the interests of the Group in the properties in the PRC.

Dimensions, measurements and areas included in the valuation certificates are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

In the course of our valuation of the properties in the PRC, we have assumed that, unless otherwise stated, the transferable land use rights of the properties for their respective specific terms at nominal annual land use fees have been granted and that any land grant premium payable has already been fully paid. In valuing the properties, we have assumed that the Group has an enforceable title to each of the properties and has free and uninterrupted right to use, occupy or assign the properties for the whole of the respective unexpired terms as granted.

SITE INSPECTION

We have inspected the exterior and, where possible, the interior of the properties. The site inspections were carried out on 3 May 2013 by Ms. Liang Zhen Hua who is Registered China Real Estate Appraiser. However, we have not carried out investigations on site to determine the suitability of the soil conditions and the services etc.. In the course of our inspections, we did not note any serious defects. We are not, however, able to report that the properties are free of rot, infestation or any other structural defect and no tests have been carried out on any of the services. Our valuations are prepared on the assumption that these aspects are satisfactory. Unless otherwise stated, we have not carried out on-site measurements to verify the site and floor areas of the property and we have assumed that the areas shown on the copies of the documents handed to us are correct.

CURRENCY

Unless otherwise stated, all sums stated in our valuations are in Renminbi (RMB), the official currency of the PRC.

We enclose herewith a summary of our valuations and our valuation certificates for your attention.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited

Andrew K.F. Chan
Registered Professional Surveyor (General Practice)
Registered China Real Estate Appraiser
MSc, MHKIS, MRICS
Senior Director

Note: Mr. Andrew K.F. Chan is a Registered Professional Surveyor (General Practice) who has over 25 years' experience in the valuation of properties in the PRC and Hong Kong.

SUMMARY OF VALUATIONS

Property	Market value in existing state as at 31 March 2013 (RMB)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at 31 March 2013 (RMB)
Group I — Property held by the Group for owner occupation in the PRC			
1. Land and buildings, Yuan Xi Qu Ke Ji Gong Ye District, Dayawan Economic and Technology Development Zone, Huizhou, Guangdong Province, the PRC	48,000,000	100	48,000,000
Sub-total:			48,000,000
Group II — Properties leased to the Group in the PRC			
2. Workshop No. 1, No. 21 Jianlong Street, Bao'an Community, Henggang Sub-district, Longgang District, Shenzhen, Guangdong Province, the PRC	No commercial value	—	No commercial value
3. Levels 1 to 4, Workshop No. 2, No. 21 Jianlong Street, Bao'an Community, Henggang Sub-district, Longgang District, Shenzhen, Guangdong Province, the PRC	No commercial value	—	No commercial value

Property	Market value in existing state as at 31 March 2013 (RMB)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at 31 March 2013 (RMB)
4. Levels 1 to 4, Workshop, No. 39 Jianlong Street, Bao'an Community, Henggang Sub-district, Longgang District, Shenzhen, Guangdong Province, the PRC	No commercial value	—	No commercial value
5. Levels 1 to 5, Dormitory Building No. 1, No. 21 Jianlong Street, Bao'an Community, Henggang Sub-district, Longgang District, Shenzhen, Guangdong Province, the PRC	No commercial value	—	No commercial value
6. Levels 1 to 5, Dormitory Building No. 2, No. 21 Jianlong Street, Bao'an Community, Henggang Sub-district, Longgang District, Shenzhen, Guangdong Province, the PRC	No commercial value	—	No commercial value

Property	Market value in existing state as at 31 March 2013 (RMB)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at 31 March 2013 (RMB)
7. Levels 1 to 5, Dormitory Building, No. 39 Jianlong Street, Bao'an Community, Henggang Sub-district, Longgang District, Shenzhen, Guangdong Province, the PRC	No commercial value	—	No commercial value
Sub-total:	<u>No commercial value</u>	—	<u>No commercial value</u>
Group III — Property leased to the Group in Hong Kong			
8. Suite 2312, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong	No commercial value	—	No commercial value
Sub-total:	<u>No commercial value</u>	—	<u>No commercial value</u>
Total	<u><u>48,000,000</u></u>		<u><u>48,000,000</u></u>

Group I — Property held by the Group for owner occupation in the PRC

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2013
1. Land and buildings, Yuan Xi Qu Ke Ji Gong Ye District, Dayawan Economic and Technology Development Zone, Huizhou, Guangdong Province, the PRC	<p>The property comprises a parcel of land with a total site area of 54,886 sq.m. (the site) and buildings erected thereon.</p> <p>A workshop and ancillary buildings with a total gross floor area of approximately 9,644.16 sq m are built on the site.</p> <p>The workshop and ancillary buildings were completed in 2013.</p> <p>The property is located in Dayawan Economic and Technological Development Zone, which is in suburban area of Huizhou. Developments nearby are mainly industrial and residential developments.</p> <p>The land use rights of the property have been granted for a term of 50 years, which is due to expire on 8 October 2058 for industrial use.</p>	As at the date of valuation, the workshop and ancillary buildings of the property were vacant.	RMB48,000,000

Notes:

- (1) According to State-owned Land Use Rights Certificate No. (2011)13210100212 issued by 惠州市人民政府 (Huizhou Municipal People's Government) on 15 April 2011, the land use rights of the property, comprising a total site area of 54,886 sq.m., have been granted to 惠州金彩印務有限公司 (Huizhou Jin Cai Printing Company Limited) for industrial use due to expire on 8 October 2058.
- (2) According to Land Use Rights Grant Contract No. 441304-D-[2008]205 entered into between 惠州市國土資源局大亞灣經濟技術開發區分局 (Huizhou Municipal Land Resources Bureau (Dayawan Economic and Technological Development Zone Branch)) (the "Grantor") and 惠州金彩印務有限公司 (Huizhou Jin Cai Printing Company Limited) (the "Grantee") on 9 October 2008, the land use rights of the property have been contracted to be granted to the Grantee, The particulars of the aforesaid contract are summarized as follows:

Site Area	:	54,886 sq.m.
Land Use	:	Industrial
Land Use Term	:	50 years
Land Premium	:	RMB19,760,000
Building Covenant	:	Construction works to commence before 8 April 2009

- (3) According to Planning Permit for Construction Land No. 441303201020203 issued by 惠州市住房和城乡建设局 (Huizhou Housing and Urban-Rural Planning and Construction Bureau) on 13 April 2010, the planning of the construction site of the property with a total site area of 54,886 sq.m. is in compliance with the urban planning requirements and has been approved.
- (4) According to Commencement Permit for Construction Works No. 441301201207190101 dated 19 July 2012, the construction works of a portion of the property, having a total proposed gross floor area of 9,300 sq.m. are in compliance with the works commencement requirements and have been permitted to commence.
- (5) According to Completion and Acceptance Certificate dated 7 June 2013, the property with a total gross floor area of 9,644.16 sq.m. was completed.
- (6) According to the information provided by the Group, the expended construction cost as at 31 March 2013 was approximately RMB25,300,000. In the course of our valuation, we have included such cost.
- (7) According to Business Licence No. 441300000051958 dated 23 August 2012, 惠州金彩印務有限公司 (Huizhou Jin Cai Printing Company Limited) was established with limited liability with a registered capital of RMB22,000,000 for a valid operation period from 20 August 2008 to 20 August 2013.
- (8) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser, which contains, inter alia, the following information:
- (i) 惠州金彩印務有限公司 (Huizhou Jin Cai Printing Company Limited) possesses the land use rights of the property; and
- (ii) 惠州金彩印務有限公司 (Huizhou Jin Cai Printing Company Limited) has obtained the relevant permits for construction of the property. Upon completion of the construction works for the property and submission of the relevant construction permits and completion acceptance certificate to the relevant government authorities, 惠州金彩印務有限公司 (Huizhou Jin Cai Printing Company Limited) is entitled to apply for building ownership certificate of the property. There is no legal impediment to obtain the building ownership certificate of the property.
- (9) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group is as follows:
- | | |
|--|-----|
| State-owned Land Use Rights Certificate | Yes |
| Land Use Rights Grant Contract | Yes |
| Planning Permit for Construction Land | Yes |
| Commencement Permit for Construction Works | Yes |
| Completion and Acceptance Certificate | Yes |
| Business Licence | Yes |

Group II — Properties leased to the Group in the PRC

VALUATION CERTIFICATE

Property	Description and tenure	Market value in existing state as at 31 March 2013
2. Workshop No. 1, No. 21 Jianlong Street, Bao'an Community, Henggang Sub-district, Longgang District, Shenzhen, Guangdong Province, the PRC	<p>The property comprises a 4-storey factory building completed in the late 1990s with a total gross floor area of 3,688 sq.m..</p> <p>The property is located at No. 21 Jianlong Street, Longgang District in Shenzhen, which is in suburban area of Shenzhen. Developments nearby are mainly industrial developments. The property is occupied by the Group for production plant use.</p> <p>The property has been leased to the Group from an independent third party from 15 April 2011 to 15 April 2016 at a monthly rent of RMB33,081.36.</p> <p>According to the PRC legal opinion, the lessor is entitled to lease the property; the lease has been registered in the relevant authority; the lessor does not possess building ownership certificate and construction permit; by reason of such title defects, the lease may be held invalid and unenforceable under the PRC law.</p>	No commercial value
3. Levels 1 to 4, Workshop No. 2, No. 21 Jianlong Street, Bao'an Community, Henggang Sub-district, Longgang District, Shenzhen, Guangdong Province, the PRC	<p>The property comprises a 4-storey factory building completed in the late 1990s with a total gross floor area of 3,701 sq.m..</p> <p>The property is located at No. 21 Jianlong Street, Longgang District in Shenzhen, which is in suburban area of Shenzhen. Developments nearby are mainly industrial developments. The property is occupied by the Group for production plant use.</p> <p>The property has been leased to the Group from an independent third party from 15 April 2011 to 15 April 2016 at a monthly rent of RMB33,197.97.</p> <p>According to the PRC legal opinion, the lessor is entitled to lease the property; the lease has been registered in the relevant authority; the lessor does not possess building ownership certificate and construction permit; by reason of such title defects, the lease may be held invalid and unenforceable under the PRC law.</p>	No commercial value

VALUATION CERTIFICATE

Property	Description and tenure	Market value in existing state as at 31 March 2013
<p>4. Levels 1 to 4, Workshop, No. 39 Jianlong Street, Bao'an Community, Henggang Sub-district, Longgang District, Shenzhen, Guangdong Province, the PRC</p>	<p>The property comprises a 4-storey factory building completed in the late 1990s with a total gross floor area of 3,740.72 sq.m..</p> <p>The property is located at No. 39 Jianlong Street, Longgang District in Shenzhen, which is in suburban area of Shenzhen. Developments nearby are mainly industrial developments. The property is occupied by the Group for production plant use.</p> <p>The property has been leased to the Group from an independent third party from 15 April 2011 to 15 April 2016 at a monthly rent of RMB31,085.38.</p> <p>According to the PRC legal opinion, the lessor is entitled to lease the property; the lease has been registered in the relevant authority; the lessor does not possess building ownership certificate and construction permit; by reason of such title defects, the lease may be held invalid and unenforceable under the PRC law.</p>	No commercial value
<p>5. Levels 1 to 5, Dormitory Building No. 1, No. 21 Jianlong Street, Bao'an Community, Henggang Sub-district, Longgang District, Shenzhen, Guangdong Province, the PRC</p>	<p>The property comprises a 5-storey dormitory building completed in the late 1990s with a total gross floor area of 1,588 sq.m..</p> <p>The property is located at No. 21 Jianlong Street, Longgang District in Shenzhen, which is in suburban area of Shenzhen. Developments nearby are mainly industrial developments. The property is occupied by the Group as staff quarters.</p> <p>The property has been leased to the Group from an independent third party from 15 April 2011 to 15 April 2016 at a monthly rent of RMB14,244.</p> <p>According to the PRC legal opinion, the lessor is entitled to lease the property; the lease has been registered in the relevant authority; the lessor does not possess building ownership certificate and construction permit; by reason of such title defects, the lease may be held invalid and unenforceable under the PRC law.</p>	No commercial value

VALUATION CERTIFICATE

Property	Description and tenure	Market value in existing state as at 31 March 2013
<p>6. Levels 1 to 5, Dormitory Building No. 2, No. 21 Jianlong Street, Bao'an Community, Henggang Sub-district, Longgang District, Shenzhen, Guangdong Province, the PRC</p>	<p>The property comprises a 5-storey dormitory building completed in the late 1990s with a total gross floor area of 1,597 sq.m..</p> <p>The property is located at No. 21 Jianlong Street, Longgang District in Shenzhen, which is in suburban area of Shenzhen. Developments nearby are mainly industrial developments. The property is occupied by the Group as staff quarters.</p> <p>The property has been leased to the Group from an independent third party from 15 April 2011 to 15 April 2016 at a monthly rent of RMB14,325.</p> <p>According to the PRC legal opinion, the lessor is entitled to lease the property; the lease has been registered in the relevant authority; the lessor does not possess building ownership certificate and construction permit; by reason of such title defect, the lease may be held invalid and unenforceable under the PRC law.</p>	No commercial value
<p>7. Levels 1 to 5, Dormitory Building, No. 39 Jianlong Street, Bao'an Community, Henggang Sub-district, Longgang District, Shenzhen, Guangdong Province, the PRC</p>	<p>The property comprises a 5-storey dormitory building completed in the late 1990s with a total gross floor area of 2,166.02 sq.m..</p> <p>The property is located at No. 39 Jianlong Street, Longgang District in Shenzhen, which is in suburban area of Shenzhen. Developments nearby are mainly industrial developments. The property is occupied by the Group as staff quarters.</p> <p>The property has been leased to the Group from an independent third party from 15 April 2011 to 15 April 2016 at a monthly rent of RMB17,999.63.</p> <p>According to the PRC legal opinion, the lessor is entitled to lease the property; the lease has been registered in the relevant authority; the lessor does not possess building ownership certificate and construction permit; by reason of such title defects, the lease may be held invalid and unenforceable under the PRC law.</p>	No commercial value

Group III — Property leased to the Group in Hong Kong

VALUATION CERTIFICATE

Property	Description and tenure	Market value in existing state as at 31 March 2013
8. Suite 2312, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong	<p>The property comprises an office unit on the 23rd floor of a 47-storey commercial tower erected upon a 6-level basement completed in 1993.</p> <p>The property has a gross floor area of approximately 745 sq. ft.</p> <p>The property is currently leased to Super Future Investments Limited, an indirect wholly-owned subsidiary of the Company, for a term of 2 years from 15 March 2013 to 14 March 2015 at a monthly rent of HK\$43,210 (exclusive of rates and management fees).</p>	No commercial value

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and the Articles and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 November 2012 under the Companies Law. The Company's constitutional documents consist of the Memorandum and the Articles.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 11 June 2013. The following is a summary of certain provisions of the Articles:

- (a) **Shares**
 - (i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

- (ii) *Share certificates*

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to bearer.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words “restricted voting” or “limited voting” or “non-voting” or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than 4 persons as joint holders of any share.

(b) **Directors**

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(ii) *Power to dispose of the assets of the Company or any subsidiary*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) *Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors and their associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) *Disclosure of interest in contracts with the Company or with any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

- (aa) the giving of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors, his associate(s) and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates; or
- (ee) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(vi) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) *Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least 7 days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;
- (bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (cc) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;
- (gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or
- (hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) ***Borrowing powers***

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

(ix) ***Register of Directors and officers***

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(x) *Proceedings of the Board*

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) **Alterations to the constitutional documents**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

(d) **Variation of rights of existing shares or classes of shares**

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

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

(e) **Alteration of capital**

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Reduction of share capital — subject to the Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

(f) Special resolution - majority required

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 clear days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote, and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded or otherwise required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles). A poll may be demanded by:

- (i) the chairman of the meeting; or
- (ii) at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(h) **Annual general meetings**

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(i) **Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarized financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Companies Law and the Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of Directors in place of those retiring;
- (dd) the appointment of auditors;
- (ee) the fixing of the remuneration of the Directors and of the auditors;
- (ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and
- (gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(k) Transfer of shares

Subject to the Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(l) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

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

(m) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(n) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 % per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

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

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(o) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(q) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(s) **Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(t) **Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) **Untraceable members**

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

- (i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;
- (ii) upon the expiry of the 12 years and 3 months period (being the 3 months notice period referred to in sub-paragraph (iii)), the Company has not during that time received any indication of the existence of the member; and
- (iii) the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(v) **Subscription rights reserve**

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 29 November 2012 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) **Company operations**

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) **Share capital**

In accordance with the Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Companies Law provides that where

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company’s or a subsidiary’s shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm’s-length basis.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorised by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Under Section 37A(1) the Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorised in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of sections 34 and 37A(7) of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

- (i) an act which is *ultra vires* the company or illegal;
- (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and
- (iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions in the Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interest of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

Section 59 of the Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Section 59 of the Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If the Company keeps its books of account at any place other than at its registered office or at any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of twenty years from 3 January 2013.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(l) Loans to directors

The Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of the company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. The Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(o) Winding up

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the Company so resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(p) **Reconstructions**

Reconstructions and amalgamations are governed by specific statutory provisions under the Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) **Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(r) **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. **GENERAL**

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE COMPANY AND ITS SUBSIDIARIES**1. Incorporation of the Company**

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 29 November 2012. The Company has been registered as a non-Hong Kong company under Part XI of the Companies Ordinance on 14 February 2013 and the principal place of business in Hong Kong is at Suite 2312, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. Loong and Yeung has been appointed as the authorised representative of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

As the Company is incorporated in the Cayman Islands, it operates subject to the relevant laws of the Cayman Islands and its constitution, which comprises the Memorandum and the Articles. A summary of the various provisions of the Memorandum and the Articles, and relevant aspects of the Companies Law are set out in Appendix IV to this prospectus.

2. Changes in share capital of the Company

As at the date of incorporation of the Company, the authorised share capital was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. One Share was allotted and issued nil paid to the subscriber, namely Reid Services Limited on 29 November 2012, which was subsequently transferred to Ocean Ahead on the same date.

Pursuant to the Corporate Reorganisation and as consideration for the acquisition by the Company of the entire issued capital of Meteor River from Ms. Huang, on 24 May 2013, (i) 999 Shares, all credited as fully paid, were allotted and issued to Ocean Ahead; and (ii) the one nil-paid Share held by Ocean Ahead was credited as fully paid.

On 11 June 2013, the sole Shareholder resolved to increase the authorised share capital of the Company from HK\$380,000 to HK\$20,000,000 by the creation of an additional of 1,962,000,000 Shares, each ranking pari passu with the Shares then in issue in all respects.

Assuming that the Share Offer becomes unconditional, then, immediately after completion of the Capitalisation Issue and the Share Offer, and taking no account of any Shares which may be issued under the Share Option Scheme, the authorised share capital of the Company will be HK\$20,000,000 divided into 2,000,000,000 Shares, of which 320,000,000 Shares will be issued fully paid or credited as fully paid, and 1,680,000,000 Shares will remain unissued.

Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “Written resolutions of the sole Shareholder passed on 11 June 2013” in this Appendix and pursuant to the Share Option Scheme, the Company does not have any present intention to issue any part of the authorised but unissued share capital of the Company and, without prior approval of the Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed in this prospectus, there has been no alteration in the share capital of the Company since the date of its incorporation.

3. Written resolutions of the sole Shareholder passed on 11 June 2013

On 11 June 2013, resolutions in writing were passed by the sole Shareholder pursuant to which, among other things:

- (a) the Company approved and adopted the Memorandum and the Articles;
- (b) the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 of HK\$0.01 each by the creation of an additional of 1,962,000,000 Shares of HK\$0.01 each, each ranking pari passu with the Shares then in issue in all respects;
- (c) conditional on (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned in this prospectus, including any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
 - (i) the Share Offer was approved and the Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer to rank pari passu with the Shares then in issue in all respects;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” in this Appendix, were approved and adopted and the Directors were authorised, at their absolute discretion and subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme; and
 - (iii) conditional further on the share premium account of the Company being credited as a result of the Share Offer, the Directors were authorised to capitalise an amount of HK\$2,399,990 standing to the credit of the share premium account of the Company and to appropriate such amount as capital to pay up in full at par 239,999,000 Shares for allotment and issue to the person(s) whose name(s) appear on the register of members of the Company at the close of business on 10 June 2013 in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in the Company, each ranking pari passu in all respects with the Shares then in issue, and the Directors were authorised to give effect to such capitalisation and distributions and the Capitalisation Issue was approved;

- (d) a general unconditional mandate was given to the Directors to exercise all powers of the Company to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of the Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Articles or pursuant to a specific authority granted by the Shareholders at general meeting or pursuant to the Share Offer, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements and options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, and such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders at general meeting;
- (e) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, and such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders at general meeting; and

- (f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

4. Corporate Reorganisation

The companies comprising the Group underwent the Corporate Reorganisation to rationalise the Group's structure in preparation for the Listing, pursuant to which the Company became the holding company of the Group. The Corporate Reorganisation which was effected in preparation for the Listing, whereby the Company became the holding company of the Group, included the following major steps:

(a) *Incorporation of the holding companies*

Meteor River

Meteor River was incorporated in BVI with limited liability on 26 January 2011 and is an investment holding company. 1 share of Meteor River with a par value of US\$1 each was issued and allotted to Ms. Huang on 11 July 2011.

Super Future

Super Future was incorporated in Hong Kong with limited liability on 19 January 2011 and is an investment holding company. It also carries out certain administrative functions for the Group.

On 9 September 2011, Cartech Limited, the subscriber of Super Future, transferred 1 share of Super Future with a par value of HK\$1.00 each, being the entire issued share capital of Super Future, to Meteor River. After the aforesaid share transfer, Super Future became a wholly-owned subsidiary of Meteor River.

(b) *Acquisition of the equity interests in Shenzhen Oceania*

As part of the Corporate Reorganisation, Super Future entered into an equity transfer agreement with each of Asia Modern, Shenzhen Zhuowei Jiaqi and Hefei Haiyi on 31 July 2012 and entered into an equity transfer agreement with Xinfangjia Investment on 2 August 2012, pursuant to which Asia Modern, Shenzhen Zhuowei Jiaqi, Hefei Haiyi and Xinfangjia Investment agreed to transfer their respective equity interests of 79%, 17%, 2% and 2% in Shenzhen Oceania to Super Future for a consideration of RMB69,850,000, RMB15,030,000, RMB1,770,000 and RMB1,770,000 respectively, which were determined with reference to the net asset value of Shenzhen Oceania as at 31 December

2011 after deduction of the dividend payable to the equity owners of Shenzhen Oceania before the equity transfers and in proportion to the corresponding shareholding of each of the then equity holders. After completion of the aforesaid transfers of equity interests, Super Future became the sole equity owner of Shenzhen Oceania, which in turn wholly owned Huizhou Jin Cai.

(c) *Incorporation of the Company and acquisition of Meteor River*

On 29 November 2012, the Company was incorporated under the laws of the Cayman Islands as an exempted company with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares with a par value of HK\$0.01 each and one Share was allotted and issued nil-paid to Reid Services Limited, the subscriber to the memorandum and articles of association of the Company. On the same date, Reid Services Limited subsequently transferred the nil-paid Share to Ocean Ahead.

On 24 May 2013, the Company acquired the entire issued capital of Meteor River from Ms. Huang, and as consideration for which: (i) 999 Shares, all credited as fully paid, were allotted and issued to Ocean Ahead; and (ii) the one nil-paid Share held by Ocean Ahead was credited as fully paid. Upon completion of the above transfer, Meteor River became wholly-owned by the Company.

Immediately after completion of the above share transfer, the Company became the holding company of the Group.

5. Changes in share capital of subsidiaries

The subsidiaries of the Company are listed in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. Apart from the alterations described in paragraph headed "Corporate Reorganisation" above, no change in the share capital (or registered capital, as the case may be) of the subsidiaries of the Company has taken place within the two years immediately preceding the date of this prospectus.

6. Repurchase of the Shares by the Company

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase of the Shares by the Company.

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) *Shareholders' approval*

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of the sole Shareholder passed on 11 June 2013, a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors authorising the Directors to exercise all powers of the Company to repurchase on the Stock Exchange, or any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal amount of the Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of the Company, the expiration of the period within which the next annual general meeting of the Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held, or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of the Shareholders at general meeting.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for such purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by the Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of the Company or out of the Company’s share premium account before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) *Connected parties*

The Listing Rules prohibit the Company from knowingly repurchasing the Shares on the Stock Exchange from a “connected person”, which includes a Director, chief executive or substantial shareholder of the Company or any of its subsidiaries or an associate of any of them and a connected person shall not knowingly sell his/her Shares to the Company.

(b) *Reasons for repurchases*

The Directors believe that it is in the best interests of the Company and the Shareholders for the Directors to have a general authority from the Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of the Company’s net asset value and/or earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

(c) *Exercise of the Repurchase Mandate*

Exercise in full of the Repurchase Mandate, on the basis of 320,000,000 Shares in issue after completion of the Capitalisation Issue and Share Offer, could accordingly result in up to 32,000,000 Shares being repurchased by the Company during the period in which the Repurchase Mandate remains in force.

(d) *Funding of repurchase*

In repurchasing Shares, the Company may only apply funds legally available for such purposes in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

The Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

(e) *General*

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules), has any present intention if the Repurchase Mandate is exercised to sell any Shares to the Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers and Share Repurchases (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of the Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, the Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

The Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person (as defined in the Listing Rules) of the Company has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS**1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:

- (a) an equity transfer agreement (股權轉讓協議書) dated 31 July 2012 in Chinese entered into between Asia Modern and Super Future, pursuant to which Asia Modern transferred its 79% equity interest in Shenzhen Oceania to Super Future at a consideration of RMB69,850,000;
- (b) an equity transfer agreement (股權轉讓協議書) dated 31 July 2012 in Chinese entered into between Shenzhen Zhuowei Jiaqi and Super Future, pursuant to which Shenzhen Zhuowei Jiaqi transferred its 17% equity interest in Shenzhen Oceania to Super Future at a consideration of RMB15,030,000;
- (c) an equity transfer agreement (股權轉讓協議書) dated 31 July 2012 in Chinese entered into between Hefei Haiyi and Super Future, pursuant to which Hefei Haiyi transferred its 2% equity interest in Shenzhen Oceania to Super Future at a consideration of RMB1,770,000;
- (d) an equity transfer agreement (股權轉讓協議書) dated 2 August 2012 in Chinese entered into between Xinfangjia Investment and Super Future, pursuant to which Xinfangjia Investment transferred its 2% equity interest in Shenzhen Oceania to Super Future at a consideration of RMB1,770,000;
- (e) a sale and purchase agreement dated 24 May 2013 entered into between Ms. Huang and the Company, pursuant to which Ms. Huang transferred 1 share in the share capital of Meteor River to the Company and as consideration for which (i) 999 Shares, all credited as fully paid, were allotted and issued to Ocean Ahead; and (ii) the one nil-paid Share held by Ocean Ahead was credited as fully paid;
- (f) an instrument of transfer dated 24 May 2013 entered into between Ms. Huang and the Company for the transfer of 1 share in the share capital of Meteor River as referred to in paragraph (e) above;
- (g) a deed of non-competition (不競爭契約) dated 18 June 2013 in Chinese executed by Ms. Huang and the Company, details of which are set out in the paragraph headed “The Deeds of Non-competition” under the section headed “Relationship with the Controlling Shareholders” in this prospectus;
- (h) a deed of non-competition (不競爭契約) dated 18 June 2013 in Chinese executed by Ocean Ahead and the Company, details of which are set out in the paragraph headed “The Deeds of Non-competition” under the section headed “Relationship with the Controlling Shareholders” in this prospectus;

- (i) a deed of indemnity dated 18 June 2013 executed by Ms. Huang, Ocean Ahead and the Company containing the indemnities referred to in the paragraph headed “Tax and other indemnities” in this Appendix; and
- (j) the Public Offer Underwriting Agreement.

2. Intellectual property rights

Set out below is a summary of the material intellectual property rights of the Group as at the Latest Practicable Date. The material intellectual property rights were determined by the Directors on the basis of their materiality to the business operation, financial position and prospects.

(a) Trademarks

As at the Latest Practicable Date, the Group has registered the following trademark:

Trademark	Class	Trademark No.	Registration Date	Place of Registration	Registrant
	16, 39, 42	302475775	21 December 2012	Hong Kong	Meteor River

As at the Latest Practicable Date, the Group has applied for registration of the following trademarks, the registration of which has yet been granted:

Trademark	Class	Application Number	Application Date	Place of Application	Applicant
	40	11763600	19 November 2012	PRC	Shenzhen Oceania
	40	11763614	19 November 2012	PRC	Shenzhen Oceania

(b) Domain Name

As at the Latest Practicable Date, the Group has registered the following domain name:

Registrant	Domain Name	Registration Date	Expiration Date
Shenzhen Oceania	jincaiholding.com	23 November 2012	12 February 2016

The contents of the website do not form part of this prospectus.

(c) *Patent*

As at the Latest Practicable Date, the Group had the following registered patents in the PRC:

Type of Patent	Patent Description	Registered Owner	Effective Period	Patent Number
實用新型 (Practical New Model)	視覺識別與射頻識別相結合的防偽烟盒 (Anti-counterfeit cigarette case of combined visual and radio frequency identification)	Shenzhen Oceania	28 May 2007 — 27 May 2017	ZL200720120443.X
實用新型 (Practical New Model)	雙重識別防偽標籤的印製設備 (Printing equipment of dual identification anti-counterfeit labels)	Shenzhen Oceania	8 June 2007 — 7 June 2017	ZL200720120819.7

Except the aforesaid, there are no other trademarks, patents, other intellectual or industrial property rights of the Group which are or may be material in relation to the Group's business as at the Latest Practicable Date.

3. Information about the PRC subsidiaries of the Group**Name: Shenzhen Oceania**

Date of establishment:	23 March 2000
Corporate nature:	Limited liability company (solely owned by legal person of Taiwan, Hong Kong and Macau Special Administrative Region, PRC)
Total Investment:	RMB96,000,000
Total registered capital:	RMB48,000,000
Attributable interest of the Company:	100%
Term:	From 23 March 2000 to 23 March 2030
Scope of business:	Printing of packaging and decoration printed materials, and research and development of the technology of holographic anti-counterfeiting; import and export of goods and technology
Legal representative:	Ms. Huang

Name: Huizhou Jin Cai

Date of establishment:	20 August 2008
Corporate nature:	Limited liability company and solely owned by foreign-owned enterprise
Total registered capital:	RMB22,000,000
Attributable interest of the Company:	100%
Term:	From 20 August 2008 to 20 August 2013
Scope of business:	Preparation and establishment: operation activities are not allowed in the course of preparation and establishment
Legal representative:	Ms. Huang

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

- (a) Immediately following the completion of the Capitalisation Issue and the Share Offer but taking no account of the Shares to be issued pursuant to options which may be granted under the Share Option Scheme, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the Stock Exchange, will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange, will be as follows:

(i) *Long position in the Shares*

Name of Director	Capacity/Nature	No. of Shares held	Percentage of interest
Ms. Huang ⁽¹⁾	Interest of controlled corporation	240,000,000	75%

(ii) *Long position in the ordinary shares of associated corporation*

Name of Director	Name of associated corporation	Capacity/Nature	No. of shares held	Percentage of interest
Ms. Huang ⁽¹⁾	Ocean Ahead	Beneficial owner	100	100%

Note:

- (1) Ms. Huang beneficially owns the entire issued share capital of Ocean Ahead. Therefore, Ms. Huang is deemed or taken to be interested in all the Shares held by Ocean Ahead for the purposes of the SFO. Ms. Huang is the sole director of Ocean Ahead.

- (b) So far as is known to the Directors and save as disclosed in this prospectus and taking no account of any Shares which may be taken up under the Share Offer, and the Shares to be issued pursuant to options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of the Company) will, immediately following the completion of the Capitalisation Issue and the Share Offer, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Substantial Shareholder

Name	Nature of Interest	No. of Shares held	Percentage of shareholding
Ocean Ahead	Beneficial owner	240,000,000	75%

2. Particulars of service agreements

Each of the executive Directors has entered into a service agreement with the Company for an initial term commencing on the Listing Date and ending on the conclusion of the 2015 annual general meeting of the Company to be held in 2016, subject to the termination provision therein. Each of the executive Directors or the Company may terminate the appointment by giving the other party not less than six months' prior notice in writing.

The non-executive Director has entered into a service agreement with the Company for an initial term commencing on the Listing Date and ending on the conclusion of the 2014 annual general meeting of the Company to be held in 2015, subject to the termination provision therein. The non-executive Director or the Company may terminate the appointment by giving the other party not less than six months' prior notice in writing.

Each of the independent non-executive Directors has entered into a service agreement with the Company as an independent non-executive Director for a term commencing on the Listing Date and ending on the conclusion of the 2014 annual general meeting of the Company to be held in 2015. Each of the independent non-executive Directors or the Company may terminate the appointment by giving the other party not less than six months' prior notice in writing.

Save as disclosed in this prospectus, no Director has entered into any service agreement with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' remuneration

- (a) The aggregate amount of remuneration paid to the Directors by the Group in respect of each of the years ended 31 December 2010, 2011 and 2012 were approximately RMB130,000, RMB130,000 and RMB208,000, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by the Group to the Directors for the year ending 31 December 2013 will be approximately RMB513,000.
- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by the Group to each of the Directors will be as follows:

Executive Directors

Ms. Huang Li	HK\$144,000
Mr. Zheng Hua	HK\$144,000

Non-executive Director

Mr. Huang Chao	HK\$144,000
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Independent non-executive Directors

Mr. Zeng Shiquan	HK\$144,000
Professor Lam Sing Kwong Simon	HK\$144,000
Mr. Tam Tak Kei Raymond	HK\$144,000

4. Fees or commission received

Save as disclosed in the paragraph headed "Underwriting commission and expenses" in the section headed "Underwriting" of this prospectus, none of the Directors or the experts named in the paragraph headed "Consents of experts" in this Appendix had received any agency fee or commissions from the Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under note 35 to the Accountants' Report set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;
- (b) none of the Directors or the experts named in the paragraph headed “Consents of experts” in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (c) none of the Directors or the experts named in the paragraph headed “Consents of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
- (d) taking no account of the Shares to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme, none of the Directors knows of any person (not being a Director or chief executive of the Company) who will, immediately following completion of the Capitalisation Issue and the Share Offer, have any interest in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group;
- (e) none of the Directors or chief executive of the Company has any interest or short position in the Shares, underlying Shares or debentures of the Company or any of the associated corporations (within the meaning of the SFO) which, once the Shares are listed on the Stock Exchange, will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to the Company and the Stock Exchange; and
- (f) so far as is known to the Directors, none of the Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of the Company has any interests in the five largest customers or the five largest suppliers of the Group.

D. SHARE OPTION SCHEME**(a) Definitions**

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	11 June 2013, the date on which the Share Option Scheme is conditionally adopted by the Shareholders by way of written resolution
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“business day”	any day on which the Stock Exchange is open for the business of dealing in securities
“Group”	the Company and any entity in which the Company, directly or indirectly, holds any equity interest

(b) Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of the sole Shareholder passed on 11 June 2013:

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

(ii) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, options to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, including, where required under the Listing Rules, the independent non-executive Directors) from time to time on the basis of the participant’s contribution or potential contribution to the development and growth of the Group.

(iii) *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option, provided that in the event of fractional prices, the subscription price per Share shall be rounded upwards to the nearest whole cent; and for the purpose of calculating the subscription price, where the Company has been listed on the Stock Exchange for less than five business days, the new issue price shall be used as the closing price for any business day falling within the period before listing.

(iv) *Grant of options and acceptance of offers*

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1.

(v) *Maximum number of Shares*

- (aa) Subject to sub-paragraph (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. Therefore, it is expected that the Company may grant options in respect of up to 32,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 32,000,000 Shares from time to time) to the participants under the Share Option Scheme.
- (bb) The 10% limit as mentioned in sub-paragraph (aa) above may be refreshed at any time by obtaining approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of the Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the Listing Rules in this regard.

- (cc) Subject to sub-paragraph (dd) below, the Company may seek separate approval by the Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to the Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the Listing Rules.
- (dd) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of the Company if this will result in the limit being exceeded.

(vi) ***Maximum entitlement of each participant***

The total number of Shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of the Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Where any further grant of options in excess of such limit must be separately approved by the Shareholders in general meeting with such grantee and his/her associates abstaining from voting. In such event, the Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted to such grantee must be fixed before the approval of the Shareholders and the date of meeting of the Board proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) ***Grant of options to certain connected persons***

- (aa) Each grant of options to a Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (bb) Where any grant of options to a substantial Shareholder or an independent non-executive Director or any of their respective associate would result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted under the Share Option Scheme (including options exercised, cancelled and outstanding) and any other share option schemes of the Company to such person in any 12-month period up to and including the date of grant:
- (i) representing in aggregate over 0.1% of the Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options must be approved by the Shareholders at a general meeting of the Company, with voting to be taken by way of poll. The Company shall send a circular to the Shareholders containing all information as required under the Listing Rules in this regard. All connected persons of the Company shall abstain from voting (except where any connected person intends to vote against the proposed grant and his/her intention to do so has been stated in the aforesaid circular). Any change in the terms of an option granted to a substantial shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

(viii) *Restrictions on the times of grant of options*

(aa) An offer for the grant of options may not be made after any inside information (as defined in the SFO) has come to the knowledge of the Company until such inside information has been announced pursuant to the requirements of the Listing Rules and the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the last day on which the Company shall publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules)

and ending on the date of the results announcement.

(bb) Further to the restrictions in paragraph (aa) above, no option may be granted to a Director on any day on which financial results of the Company are published and:

- (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (ii) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(ix) *Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(x) ***Performance targets***

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(xi) ***Ranking of Shares***

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of the Company as the holder thereof.

(xii) ***Rights are personal to grantee***

An option shall not be transferable or assignable and shall be personal to the grantee of the option. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option (where the grantee is a company, any change of its major shareholder or any substantial change in its management as determined by the Board at its sole discretion will be deemed to be a sale or transfer of interest as aforesaid, if so determined by the Board at its sole discretion).

(xiii) ***Rights on cessation of employment by death***

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his/her death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his/her death or within such 12-month period following his/her death, then his/her legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(xiv) ***Rights on cessation of employment by dismissal***

In the event that the grantee is an employee of the Group at the date of grant and he/she subsequently ceases to be an employee of the Group by reason of a termination of his/her employment on any one or more of the grounds that he/she has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group, his/her option shall lapse automatically (to the extent not already exercised) on the date of cessation of his/her employment with the Group.

(xv) *Rights on cessation of employment for other reasons*

In the event that the grantee is an employee of the Group at the date of grant and he/she subsequently ceases to be an employee of the Group for any reason other than his/her death or the termination of his/her employment on one or more of the grounds specified in (xiv) above, the option (to the extent not already lapsed or exercised) shall lapse on the expiry of three months after the date of cessation of such employment (which date will be the last actual working day on which the grantee was physically at work with the Company or the relevant member of the Group whether salary is paid in lieu of notice or not).

(xvi) *Effects of alterations to share capital*

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which any member of the Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised, and/or the subscription prices, as the auditors of or independent financial adviser to the Company shall certify or confirm in writing (as the case maybe) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline as may be issued by the Stock Exchange from time to time (no such certification or confirmation is required in case of adjustment made on a capitalisation issue), provided that any alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of the Company as that to which he/she/it was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(xvii) *Rights on a general offer*

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all the Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his/her legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(xviii) *Rights on winding-up*

In the event a notice is given by the Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all grantees and thereupon, each grantee shall be entitled to exercise all or any of his/her options at any time not later than two business days prior to the proposed general meeting of the Company by giving notice in writing to the Company,

accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(xix) *Rights on compromise or arrangement*

In the event of a compromise or arrangement between the Company and the Shareholders or the creditors of the Company being proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies pursuant to the Companies Law, the Company shall give notice thereof to all the grantees on the same day as it gives notice of the meeting to the Shareholders or the creditors of the Company to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two business days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (the “Suspension Date”), by giving notice in writing to the Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the business day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of the Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of the Company or any of its officers.

(xx) *Lapse of options*

Subject to paragraph (xiv) above, an option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the date on which the Board exercises the Company’s right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);

- (cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xv), (xvii), (xviii) or (xix) above;
- (dd) subject to paragraph (xviii) above, the date of the commencement of the winding-up of the Company;
- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his/her creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his/her integrity or honesty;
- (ff) where the grantee is only a substantial shareholder of any member of the Group, the date on which the grantee ceases to be a substantial shareholder of such member of the Group;
or
- (gg) subject to the compromise or arrangement as referred to in paragraph (xix) become effective, the date on which such compromise or arrangement becomes effective.

(xxi) ***Cancellation of options granted but not yet exercised***

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in a manner that complies with all applicable legal requirements for such cancellation.

(xxii) ***Period of the Share Option Scheme***

The Share Option Scheme will remain in force for a period of ten years commencing on the Adoption Date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

(xxiii) ***Alteration to the Share Option Scheme***

- (aa) the Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees and the prospective grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.
- (bb) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by the Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(xxiv) Termination to the Share Option Scheme

The Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(xxv) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon the Listing Committee granting the listing of, and permission to deal in the Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme and commencement of dealings in the Shares on the Stock Exchange.

(c) Present status of the Share Option Scheme

Application has been made to the Listing Committee for the listing of and permission to deal in 32,000,000 Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION**1. Tax and other indemnities**

Ms. Huang and Ocean Ahead (the “**Indemnifiers**”) have, pursuant to the deed of indemnity referred to in item i of the paragraph headed “Summary of material contracts” of this Appendix (the “**Deed**”), given joint and several indemnities to the Company for itself and as trustee for the subsidiaries, among other things,

- (a) any liability for Hong Kong estate duty which is or hereafter become payable by any member of the Group under or by virtue of the provisions of Section 35 and Section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any similar laws and regulations of any relevant jurisdiction by reason of the death of any person and by reason of any transfer of any property to any member of the Group at any time on or before the Listing Date;
- (b) any taxation falling on any member of the Group in respect of or by reference to any income, profits or gains earned, accrued, or received or deemed to have been earned, accrued or received on or before the date on which Share Offer becomes conditional, or any transaction, act, omission or event occurring or deemed to occur on or before the Listing Date;

- (c) any losses, damages, penalties and liabilities suffered and all costs (including legal costs on a fully indemnity basis) and expenses incurred by any member of the Group as a result of or otherwise arising from, whether directly or indirectly, any of the title defects due to the lessor of the Leased Properties does not possess the relevant valid building ownership certificates and construction permits for the Leased Properties, including, without limitation:
 - (i) all charges and penalties imposed by the relevant authority in the PRC;
 - (ii) all loss of profits and other consequential damages including without limitation the damages arising from the breach of the leases entered into between the lessor and Shenzhen Oceania in respect of the Leased Properties suffered by any member of the Group;
 - (iii) all relocation costs (including, without limitation, removal costs, agency fees, legal fees, taxes and duties in respect of the alternate premises occupied by any member of the Group) and other expenses incurred for or in connection with the relocation and installation of the facilities of any member of the Group; and
 - (iv) all loss of profits and other consequential damages as a result of the Group's inability to perform production activities during the course of relocation and installation of production facilities, which include without limitation the loss of revenue or any potential liability arising from the breach of sales contracts with customers of the Group; and
- (d) all losses, payments, suits, settlement payments, costs (including legal costs on a full indemnity basis), liability, damages, charges, fees, fines or expenses which any member of the Group may incur or suffer, accrue, directly or indirectly, from any act of such member of the Group arising from and/or in connection with any of the non-compliances of any member of the Group on or before the Listing Date and/or as a result of and/or in relation to all litigations, arbitration, claims (including counter-claims), actions, complaints, demands, judgments and/or legal proceedings by or against any member of the Group which was issued, accrued and/or arising from any act of any member of the Group at any time on or before the Listing Date.

The Indemnifiers will, however, not be liable under the Deed for taxation to the extent that, among others:

- (i) full provision or allowance has been made for such taxation in the audited combined accounts of the Group as set out in Appendix I to this prospectus; or
- (ii) the liability for such taxation that would not have arisen but for some act or omission of, or transaction voluntarily effected by, any member of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) after the Listing Date; or
- (iii) the liability arises in the ordinary course of business of the Group after 31 December 2012; or
- (iv) any provisions or reserve made for taxation in the audited accounts of any member of the Group up to 31 December 2012 which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter; or
- (v) such taxation as a consequence of any retrospective change in the law or practice coming into force after the Listing Date or to the extent that such taxation arises or is increased by an increase in rates of taxation after the Listing Date with retrospective effect.

The Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands or the PRC is likely to fall on the Group.

2. Litigation

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

3. Sponsor

The Sponsor has, on behalf of the Company, made an application to the Listing Committee for the Listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and the Shares falling to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

4. Preliminary expenses

The preliminary expenses of the Company are estimated to be approximately HK\$39,000 and are payable by the Company.

5. Promoter

The Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
First Shanghai Capital Limited	A licensed corporation under the SFO permitted to engage in type 6 of the regulated activities (as defined under the SFO)
Deloitte Touche Tohmatsu	Certified Public Accountants
DTZ Debenham Tie Leung Limited	Property valuer
Shu Jin Law Firm	Registered law firm in the PRC
Appleby	Cayman Islands attorneys-at-law
Loong & Yeung	Legal advisers as to Hong Kong laws

7. Consents of experts

Each of First Shanghai Capital Limited, Deloitte Touche Tohmatsu, DTZ Debenham Tie Leung Limited, Shu Jin Law Firm, Appleby and Loong & Yeung has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letter and/or opinion and/or valuation certificate and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which it is respectively included.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

9. Taxation of holders of Shares**(a) *Hong Kong***

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

(b) *Cayman Islands*

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisers*

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of the Company, the Directors or other parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

10. No material adverse change

The Directors confirm that there has not been any material adverse change in the financial trading position or prospects of the Group since 31 December 2012 (being the date to which the latest audited combined financial statements of the Company were made up).

11. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
- (i) no share or loan capital of the Company or any of the subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of the Company or any of the subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of the Company or any of the subsidiaries of the Company;
 - (iii) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any of the Shares or shares of any of the subsidiaries of the Company; and
 - (iv) no share or loan capital of the Company or any of the subsidiaries of the Company is under option or is agreed conditionally or unconditionally to be put under option.

- (b) Save as disclosed in this prospectus, neither the Company nor any of the subsidiaries of the Company has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.
- (c) Save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed “Consents of experts” in this Appendix:
 - (i) is interested legally or beneficially in any securities of the Company or any of the subsidiaries of the Company; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of the Company or any of the subsidiaries of the Company.
- (d) The branch register of members of the Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Company’s share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure the Shares to be admitted into CCASS for clearing and settlement.
- (e) There has not been any interruption in the business of the Group which may have or have had a significant effect on the financial position of the Group in the 12 months immediately preceding the date of this prospectus.
- (f) No company within the Group is presently listed on any stock exchange or traded on any trading system.
- (g) The Group had no outstanding convertible debt securities as at the Latest Practicable Date.
- (h) The Directors have been advised that, under the laws of the Cayman Islands, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by the Company in conjunction with the English name does not contravene the laws of the Cayman Islands.
- (i) The English text of this prospectus shall prevail over the Chinese text.

12. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were: (a) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms; (b) the written consents referred to in the paragraph headed “Consents of experts” in Appendix V to this prospectus; and (c) copies of each of the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix V to this prospectus.

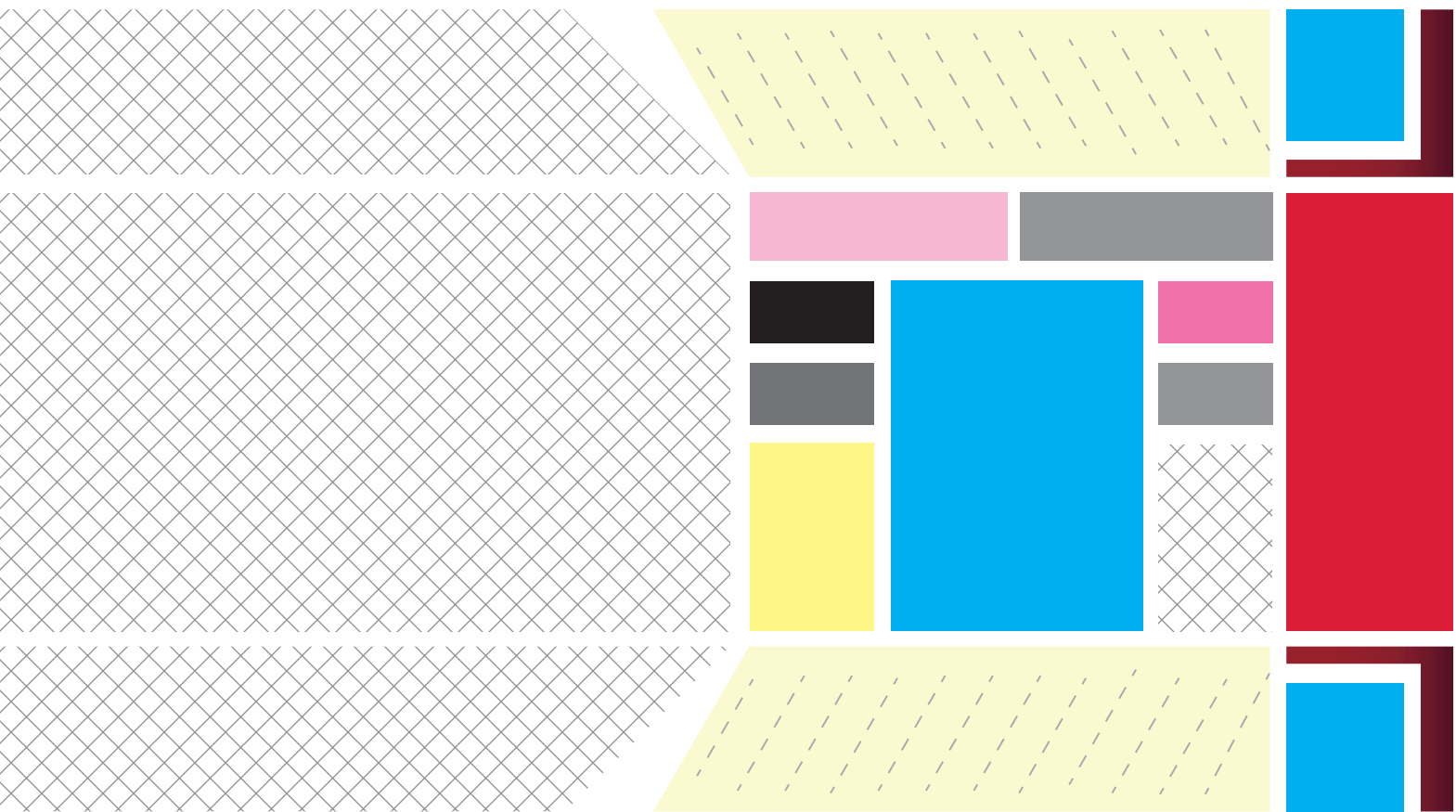
DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Loong & Yeung of Suites 2001-05, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

- (1) the Memorandum and the Articles;
- (2) the accountants’ report on the Company issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (3) the report from Deloitte Touche Tohmatsu on the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (4) the audited consolidated financial statements of Meteor River for the three years ended 31 December 2012;
- (5) the letter, summary of valuations and valuation certificates relating to the property interests of the Group prepared by DTZ Debenham Tie Leung Limited, the texts of which are set out in Appendix III to this prospectus;
- (6) the letter prepared by Appleby, summarising certain aspects of Companies Law referred to in Appendix IV to this prospectus;
- (7) the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix V to this prospectus;
- (8) the written consents referred to in the paragraph headed “Consents of experts” in Appendix V to this prospectus;
- (9) the legal opinion prepared by Shu Jin Law Firm, the PRC Legal Advisers, in respect of certain aspects of the Group and its property interests;

(10) the Companies Law; and

(11) the rules of the Share Option Scheme referred to in the paragraph headed “Share Option Scheme” in Appendix V to this prospectus.



Jin Cai Holdings Company Limited
金彩控股有限公司