



Jin Bao Bao Holdings Limited

金寶寶控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1239

Placing and Public Offer

Sponsor



信達國際融資有限公司
CINDA INTERNATIONAL CAPITAL LIMITED

Sole Bookrunner
and Sole Lead Manager



SBI E2-Capital (HK) Ltd.

IMPORTANT

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



Jin Bao Bao Holdings Limited 金寶寶控股有限公司

(Incorporated in the Cayman Islands with limited liability)

PLACING AND PUBLIC OFFER

Number of Offer Shares	: 50,000,000 Shares
Number of Public Offer Shares	: 5,000,000 Shares (subject to adjustment)
Number of Placing Shares	: 45,000,000 Shares (subject to adjustment)
Offer Price	: not more than HK\$1.3 per Offer Share and expected to be not less than HK\$1.0 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal Value	: HK\$0.01 per Share
Stock Code	: 01239

Sponsor



信達國際融資有限公司
CINDA INTERNATIONAL CAPITAL LIMITED

Sole Bookrunner and Sole Lead Manager



SBI E2-Capital (HK) Limited

Co-Lead Managers



SBI E2-Capital Financial
Services Limited



Tanrich Securities
Company Limited

Cheong Lee

昌利證券
Cheong Lee
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 section 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 Offer Price is expected to be fixed by agreement between the Sole Lead Manager (for itself and on behalf of the other Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around 11 November 2011 and, in any event, not later than 15 November 2011. The Offer Price will be not more than HK\$1.3 and is currently expected to be not less than HK\$1.0. Applicants for the Public Offer Shares are required to pay, on application, the maximum Offer Price of HK\$1.3 for each Public Offer Share together with brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% subject to refund if the Offer Price is finally determined to be lower than HK\$1.3 per Offer Share.

If, for any reason, the Offer Price is not agreed between the Sole Lead Manager (for itself and on behalf of the Underwriters) and our Company on or before Tuesday, 15 November 2011, the Share Offer will not proceed and will lapse.

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

Pursuant to the termination provisions contained in the Underwriting Agreements in respect of the Offer Shares, the Sole Lead Manager, on behalf of the Underwriters, has the right in certain circumstances, in the sole discretion of the Sole Lead Manager, 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 date when dealings in our Shares first commence on the Stock Exchange (such first dealing date is currently expected to be 18 November 2011). Further details of the terms of the termination provisions are set out in the section headed "Underwriting – Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

EXPECTED TIMETABLE

Our Company will issue an announcement in Hong Kong to be published in the Standard (in English) and the Hong Kong Economic Journal (in Chinese) if there is any change in the following expected timetable of the Public Offer.

2011⁽¹⁾

Latest time to complete electronic applications under the HK eIPO White Form service through the designated website <i>www.hkeipo.hk</i> ⁽²⁾	11:30 a.m. on Friday, 11 November
Application lists open ⁽³⁾	11:45 a.m. on Friday, 11 November
Latest time for lodging WHITE and YELLOW Application Forms and giving electronic application instructions to HKSCC ⁽⁵⁾	12:00 noon on Friday, 11 November
Latest time to complete payment of HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, 11 November
Application lists close ⁽³⁾	12:00 noon on Friday, 11 November
Price Determination Date ⁽⁴⁾	Friday, 11 November
Announcement of the final Offer Price, the indication of the levels of interest in the Placing, the level of applications in respect of the Public Offer and the basis of allotment under the Public Offer to be published in the Standard (in English) and the Hong Kong Economic Journal (in Chinese) on or before	Thursday, 17 November
Results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to apply for Public Offer Shares – Results of allocations" from	Thursday, 17 November
Results of allocations in the Public Offer to be available at <i>www.tricor.com.hk/ipo/result</i> with a "search by ID" function	Thursday, 17 November

EXPECTED TIMETABLE

Despatch of Share certificates in respect of wholly
or partially successful applications pursuant to
the Public Offer on or before⁽⁶⁾ Thursday, 17 November

Despatch of e-Auto Refund payment instructions/refund
cheques in respect of wholly or partially unsuccessful
applications pursuant to the Public Offer on or before^{(7) and (8)} Thursday, 17 November

Dealings in Shares on the Main board of the Stock Exchange
to commence on Friday, 18 November

- (1) All times refer to Hong Kong local time. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure of the Share Offer” in this prospectus. If there is any change in this expected timetable, an announcement will be published in the Standard (in English) and in the Hong Kong Economic Journal (in Chinese).
- (2) You will not be permitted to submit your application to the HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk, after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 11 November 2011, the application lists will not open and close on that day. Please see the section headed “How to apply for Public Offer Shares – When to apply for Public Offer Shares – Effect of bad weather conditions on the opening of the application lists” to this prospectus for further information. If the application lists do not open and close on Friday, 11 November 2011, the dates mentioned in this section may be affected. A press announcement will be made by our Company in such event.
- (4) The Price Determination Date is expected to be on or around Friday, 11 November 2011 and in any event not later than Tuesday, 15 November 2011. If, for any reason, the Sole Lead Manager (for itself and on behalf of the other Underwriters) and our Company are unable to reach an agreement on or before Tuesday, 15 November 2011 on the Offer Price, the Share Offer will not proceed and will lapse.
- (5) 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” under the section headed “How to apply for Public Offer Shares” in this prospectus.
- (6) Applicants who apply by WHITE Application Forms or by way of giving electronic application instructions to the HK eIPO White Form Service Provider through HK eIPO White Form service (www.hkeipo.hk) for 1,000,000 or more Public Offer Shares and have indicated in their Application Forms that they wish to collect Share certificates (if applicable) and refund cheques (if applicable) in person may do so from our Hong Kong Share Registrar, Tricor Investor Services Limited, at 26/F Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 17 November 2011 or any other date notified by us in the newspapers as the date of despatch of Share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who opt for personal collection must not authorize any other person to make their collection on their behalf. Applicants being corporations who opt for personal collection must attend by sending their authorized representatives each bearing a letter of authorization from his corporation stamped with the corporation’s chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar. Applicants who apply by **YELLOW** Application Forms for 1,000,000 Public Offer Shares or more and have indicated in their Application Forms that they wish to collect refund cheques (if applicable) in person may do so, but may not elect to collect their Share certificates, 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 to the addressees specified in the relevant applications at the applicants’ own risk. Further information is set out in the section headed “How to apply for Public Offer Shares” in this prospectus.

EXPECTED TIMETABLE

- (7) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of wholly or partially successful applications in the event that the Offer Price is less than the initial price per Public Offer Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. 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 your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed “How to apply for Public Offer Shares” in this prospectus.
- (8) Applicants who apply through the HK eIPO White Form service by paying the application monies through a single bank account may have e-Auto Refund payment instructions (if any) despatched to their application payment bank account on or around Thursday, 17 November 2011. Applicants who apply through the HK eIPO White Form service by paying the application monies through multiple bank accounts may have refund cheque(s) sent to the addresses specified in their application instructions to the designated HK eIPO White Form Service Provider on or around Thursday, 17 November 2011 by ordinary post and at their own risk.

Share certificates will only become valid certificates of title provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

For further details in relation to the Public Offer, please refer to the sections headed “Structure of the Share Offer” and “How to apply for Public Offer Shares” in this prospectus.

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This prospectus is issued by our Company solely in connection with the Share Offer and the Offer Shares and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than the Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

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

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SUMMARY

The summary section aims to provide an overview of the information contained in this prospectus and as such, it does not contain all the information that may be important in making an investment decision in respect of the Share Offer. There are risks inherited in many investments including the Share Offer. You should read this prospectus in its entirety, including but not limited to our Group's financial statements and the accompanying notes. You should also read the "Risk factors" section in this prospectus for risks in relation to our business and the Share Offer. Various expressions used in this section are defined in the "Definitions" and "Glossary of Technical Terms" sections in this prospectus.

OVERVIEW

We are a provider of packaging products and structural components in the PRC. We specialize in the design, manufacture and sale of packaging products made primarily of EPS and EPO for packaging of consumer electrical appliances such as televisions, air conditioners, washing machines and refrigerators in the PRC. Our packaging products exhibit chemical, thermal and shock resistivity and offer protection against damages in transit and storage. In addition, we undertake the design and manufacture of structural components in various shapes and sizes that are often used as components inside consumer electrical appliances such as air conditioners manufactured by our customers in the PRC. We are therefore able to offer our customers an integrated solution for their packaging needs.

We design and manufacture all our packaging products and structural components in the three factories located respectively in Chuzhou Economic Development Zone in Chuzhou City, Anhui Province, Pengqiao Economic Development Zone in Guangxing Town, Jiangjin District, Chongqing Municipality and Sichuan Province Mianyang State High Technology Industrial Development Zone in Mianyang City, Sichuan Province in the PRC.

We exercise close management and supervision on the manufacturing processes, product quality and delivery schedules of our packaging products. We upgrade and improve our manufacturing facilities and processes in order to improve manufacturing efficiency and stay competitive in the packaging industry in the PRC. The factories are strategically located close to our major customers and for this reason we can arrange for timely delivery and control the related transportation costs of our products. The close proximity to our major customers also allows us to maintain regular communications with them, understand their latest products and packaging requirements, industry trends and provide them prompt service and support.

The three factories are capable of a maximum annual manufacturing capacity, in aggregate, of 15,100 tonnes of packaging products and structural components. For the three financial years ended 31 December 2008, 2009 and 2010, the three factories manufactured packaging products and structural components per annum, in aggregate, of 9,478 tonnes, 6,683 tonnes and 8,156 tonnes respectively.

We are committed to developing efficient and effective packaging products and structural components for our customers. We believe that our strong product design and development capability, our diverse range of packaging products, our continuous focus on improving product quality and efficient product delivery arrangement are our competitive advantages in the packaging industry in the PRC.

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We have established strong and long term relationships with our customers and some of whom have been customers of our packaging products for nearly 14 years. For the Track Record Period, the sales to our five largest customers were approximately RMB230.9 million, RMB121.3 million, RMB164.7 million and RMB98.5 million representing approximately 98.5%, 99.5%, 99.2% and 97.9% of our turnover for the respective periods.

Revenue of our Company decreased from approximately RMB234.5 million in 2008 to approximately RMB121.9 million in 2009 mainly as a result of the overall decrease in purchase orders placed by our customers and in particular, the decrease in sales of packaging products for cathode ray tube televisions as some of our customers had shifted focus away from the production of cathode ray tube televisions to flat panel and plasma televisions. The decrease in sales of packaging products for cathode ray tube televisions continued to affect our revenue in 2010.

Our gross profit margin increased from approximately 24.9% in 2008 to approximately 28.6% in 2009 and approximately 32.3% in 2010. The increase in our gross profit margin reflected, in general, the increase in the gross profit margins of some of our packaging products and structural components and the increase in sales of EPO packaging products that offered comparatively higher margins than EPS packaging products. Further, our effort on improving efficiency of our manufacturing processes by way of cost control and enhancing our machineries and equipment contributed to the increase in our gross profit margin in 2008, 2009 and 2010.

We were either the sole or major supplier, or one of the largest suppliers of packaging products and structural components to Anhui Konka, Chongqing Haier, Chongqing Gree and Sichuan Changhong, the major consumer electrical appliance manufacturers in the PRC, who were our four major customers for the Track Record Period. We, in general, do not enter into long term sales and purchase agreements with our customers as they normally place purchase orders with us for our products based on their estimated sales and production needs.

The following table sets out our major customers and types of packaging products provided to them for the Track Record Period.

Names of major customers	Types of packaging solution and packaging products
Anhui Konka	Cathode ray tube televisions and flat panel televisions and refrigerators
Sichuan Changhong	Cathode ray tube televisions, flat panel and plasma televisions and others
Chongqing Haier	Cathode ray tube televisions, air conditioners, washing machines, refrigerators and others
Chongqing Gree	Air conditioners

Our sales and marketing team regularly contacts our existing and potential customers about our current product lines and product development plans. We also pay visit to our existing customers once every week. Our sales and marketing team also contacts target potential customers by physical meetings, emails and phone calls. Our sales and marketing team will be available onsite at the

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manufacturing facilities of our major customers to provide detailed information of our packaging products and provide necessary evaluation to assist our major customers in deciding on the appropriate packaging products for their products. Our frequent communications with our major customers provide our sales and marketing team important feedbacks and requirements of our customers and the latest industry trends.

Our existing three factories are located close to the manufacturing base of our customers and thus minimizing transportation cost and time to be incurred by delivery of products to our customers; and allowing the pricing of products to remain competitive. As such, it is an industry pattern that the number of potential customers of packaging product suppliers may be restricted by the travel distance between them and as to what length is acceptable, in general, depends on circumstances in which such supplier operates, which may differ from supplier to supplier.

According to Synovate, (i) our target packaging product market for consumer electrical appliances namely, televisions, refrigerators, washing machines and air conditioners in the PRC amounted to about RMB3.8 billion in 2010, and (ii) we ranked the third amongst the largest packaging product providers in the PRC in terms of revenue in 2010. According to this market survey report, the market of EPS packaging products for electrical appliances is fragmented with many packaging products manufacturers in place. The top 10 largest market leaders shared about 36.7% of the total market share in the PRC in 2010. For further details of the market survey report, please refer to the section headed “Industry Overview” in this prospectus.

During the period between 2007 and 2009, the PRC Government promulgated various policies in respect of the consumer electrical appliance industry namely, the “Rural Area Subsidized Electrical Appliances Purchase Policy (家電下鄉)”, the “Home Appliances Replacement Policy (家電以舊換新)” and the “Energy Efficient Product Subsidy Policy (節能產品惠民工程)”, which encouraged, to a certain extent, the demand for consumer electrical appliances and in turn packaging products in the PRC.

We purchase raw materials and components necessary for the manufacturing of our packaging products and structural components from independent third parties. The raw materials mainly include EPS and EPO. We have established long-term commercial relationships with our major suppliers for stable supply and timely delivery of high quality raw materials and components. As at the Latest Practicable Date, we have business relationship with our five largest suppliers of raw materials ranging from about one to twelve years. Majority of our five largest suppliers of raw materials are EPS or EPO producers in the PRC.

Our cordial relationships with our major customers

Our major customers include Anhui Konka, Sichuan Changhong, Chongqing Haier and Chongqing Gree who are renowned consumer electrical appliance manufacturers with strong brand names in the consumer electrical appliance market in the PRC and they and or their parent companies are publicly

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listed on stock markets in the PRC and/or Hong Kong. For the Track Record Period, our top five customers accounted for approximately 98.5%, approximately 99.5% and approximately 99.2% and approximately 97.9% of our revenue respectively. We have established long-term cordial commercial relationships with our major customers for many years with some over 14 years and with other since establishment of some of our factories. We have co-established Sichuan Jianghong with Sichuan Changhong Electric for the manufacture of products for its own use.

The table below sets out our relationships with our major customers:

<i>Anhui Konka</i>	<ul style="list-style-type: none"> • supplier of EPS packaging products since October 1997 • sole supplier of EPS packaging products for cathode ray tube televisions since October 1997 • sole supplier of EPS packaging products for refrigerators since June 2003 • sole supplier of EPS packaging products for flat panel televisions since August 2005
<i>Sichuan Changhong</i>	<ul style="list-style-type: none"> • supplier of EPS packaging products since September 2005 • supplier of EPS packaging products for cathode ray tube, flat panel and plasma televisions since October 2005 • supplier of EPO packaging products for flat panel and plasma televisions since August 2008 • supplier of EPS packaging products for air conditioners and satellite television receivers since September 2005 • the largest supplier of EPS packaging products for flat panel televisions since 2005 • the largest supplier of EPS and EPO packaging products for plasma televisions since August 2008
<i>Chongqing Haier</i>	<ul style="list-style-type: none"> • supplier of EPS packaging products since January 2007 • supplier of EPS packaging products for washing machines since February 2007 • supplier of EPS packaging products for air conditioners since March 2007 • supplier of EPS packaging products for refrigerators in July 2007 • supplier of EPS packaging products for cathode ray tube televisions since October 2007 • the largest supplier of EPS packaging products for air conditioners, washing machines and electrical water boilers for the Track Record Period • the sole supplier of EPS packaging products for cathode ray tube televisions for the Track Record Period
<i>Chongqing Gree</i>	<ul style="list-style-type: none"> • supplier of EPS packaging products since May 2005 • one of the major suppliers of EPS packaging products and EPS structural components for air conditioners since May 2005

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Our major customers are amongst the large-scale manufacturers of consumer electrical appliances in the PRC and some of them also engaged in the development and production of a diversified portfolio of products. Based on the financial statements published by our major customers in 2010, the financial status of our major customers were solid as they recorded turnovers in billions of RMB and total assets in multi billions of RMB. Our Directors are of the view that all of our major customers are creditworthy commercial counter parties and are confident that all of them will honour their obligations including but not limited to settlement of trade receivables due to our Group in accordance with the terms of the respective sales agreements and purchase orders entered into between our major customers and our Group.

We work with our major customers, at early stage, to understand and analyze their products and requirements for packaging solutions such that our products can be devised to comply with their specific requirements and be available promptly and within schedules. Our practical approach to our packaging operations allows us to foster close commercial ties with our major customers and therefore gaining the opportunities to become a core supplier for them. In keeping regular communications with our customers, we have gained industry knowledge as to the technical requirements and the trends in packaging industry in the PRC.

As of the Latest Practicable Date, to the best of their knowledge after making reasonable enquiries, our Directors are not aware of any pending or threatened litigation between our Group and any of our top five customers arising from the performance of our Group's obligations under sales contracts entered into between us and any of them; and settlement of the outstanding balances of our Group's trade receivables by any of them.

Please refer to the section headed "Business – Customers" for details of our customers.

Geographical delineation of our factories

We consider the location of our existing three factories namely, Chuzhou Factory, Chongqing Factory and Sichuan Factory important and our preference is located within close proximity to our potential customers. The close distance between our manufacturing plant and our customers will shorten the delivery time and minimize related transportation costs of our packaging products to our customers. An appropriately located manufacturing base of a supplier of packaging products allows pricing of its products to remain competitive and keeping of long-term commercial relationship with its customers. By the same token, it is an industry pattern that the number of potential customers of the supplier of packaging products may be restricted by the travel distance between them and as to what length of travel distance is acceptable, in general, depends on the circumstances in which such supplier operates, which may differ from supplier to supplier. Our existing three factories are all located within close proximity to our major customers and are commercially viable to serve them in their respective neighborhoods only and therefore spare manufacturing capacity of one factory may not be used by another. By reason of geographical delineation explained above, our Directors are of the view that the appropriate suppliers of packaging products available to our major customers may be restricted to those located close to their manufacturing bases.

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As at the Latest Practical Date, our Directors, to the best of their knowledge and belief, were not aware of any renowned suppliers of packaging products targeting mainly the consumer electrical appliances such as televisions, air conditioners, washing machines and refrigerators, who were located within close proximity to our existing major customers with manufacturing facilities capable of producing products with the scale and standard and on a long-term basis, rivaling ours and might pose a meaningful threat to our role as the packaging product suppliers to our existing major customers. Our Directors believe our long-term commercial relationships with our major customers are based on mutual benefits and commercial value.

Our other competitive advantages

We offer a variety of packaging products to the specifications of our customers. Our manufacturing facilities are capable of producing packaging products made of EPS and EPO and can be adjusted to increase the output of EPO packaging products as may be required by our customers should they prefer EPO packaging products given their superior shock absorbing ability, lighter weight and therefore lower delivery cost. We also offer structural components made of EPS that may be used to replace certain metal parts inside consumer electrical appliances such as air conditioners. Our sales and marketing staff, quality control staff and product design and development staff will continue their effort on maintaining a regular communication with our customers, understanding their latest product requirements, modifying the design and quality of our products so as to ensure our customers are satisfied with our products.

Our Directors believe that we can compete successfully in the packaging industry in the PRC based on our competitive strengths set out in the section headed “Business – Competitive strengths” and business strategies set out in the section headed “Business – Business strategies” to this prospectus and continue to receive purchasing orders from our customers including our major customers.

Having considered the above and in particular, our long-term cordial relationships with our major customers, the strategic locations and manufacturing capacities of our existing three factories and our product quality, our Directors are of the view that we have established strong commercial relationships with our major customers based on mutual benefits and commercial value which may not be easily challenged by new suppliers of packaging products without reasonable resources available for capital expenditure.

We plan to establish a new factory in Wuhu City, Anhui Province, the PRC and to serve potential customers namely consumer electrical manufacturers there and in doing so expand our customer base and reduce reliance on our existing major customers in the future. Please refer to the section headed “Business – Business strategies – Expansion of our manufacturing capacity” and the section headed “Future Plans and Use of Proceeds” for further information in this regard.

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OUR PRODUCTS AND THE ENVIRONMENT

We manufacture and supply packaging products and structural components for packaging of consumer electrical appliances such as televisions, air conditioners, washing machines and refrigerators in the PRC. During the Track Record Period, all our packaging products were primarily made of raw materials comprising mainly EPS and to a lesser extent EPO while our structural components were made of EPS. The raw materials are preprocessed, conditioned and moulded through our manufacturing facilities into our packaging products. We do not apply chlorofluorocarbons as blowing agents in the manufacturing of our products and therefore make the manufacturing process more benign to the environment. Given the stable nature of EPS products, the proper handling and storage of which will not cause them to produce harmful substance that contaminates the air and underground water. Packaging products made of EPS and EPO can be recycled and reused. Their scraps can be reprocessed in our manufacturing facilities for production of packaging products and structural components. Nonetheless, the rigidity and low value of the scraps made of EPS making it not too commercially attractive to collect and transport them over long distance for recycling in the PRC. We do not, in general, incinerate EPS and EPO scraps as such scraps are typically stored in our storage facilities and may be mixed with raw materials and used in the manufacturing of packaging products in our existing manufacturing facilities. For the Track Record Period, the value of packaging products that were recycled in our manufacturing facilities was negligible in comparison with our revenue and total asset value. Our Directors are not aware of any harmful substances released during our manufacturing processes of packaging products that caused material adverse impact on the environment. In this connection, we had not been served official notice in respect of any material breach of applicable environmental regulations in the PRC during the Track Record Period.

There are packaging products for electrical appliances that are considered environmental friendly and are recyclable and biodegradable. Customers who are conscious about environment protection may consider the use of environmental friendly packaging products. They may also use lighter materials such as EPO as raw material for packaging products so as to reduce the weight and delivery cost. EPO is an alternative to EPS as it possesses superior toughness and shock absorbing properties and therefore the use of EPO may reduce the overall quantity of packaging material required for packaging and protection purposes. EPO also has comparatively higher reusing and recycling rates. Our manufacturing facilities are capable of producing packaging products made of EPS and EPO and may be adjusted to increase the output of EPO packaging products as may be requested by our customers. We will continue to monitor the latest trends in the packaging industry and maintain regular communication with our customers in the PRC so as to understand the latest requirements for packaging products and continue modifying our product types and quality to the satisfaction of our customers.

As of the Latest Practicable Date, our Directors as advised by our PRC Legal Advisers, were not aware of any regulations prohibiting the manufacturing and sale of EPS and EPO packaging products for packaging consumer electrical appliances in the PRC. As advised by our PRC Legal Advisers and confirmed by our Directors, our PRC subsidiaries had obtained confirmations from relevant environmental bureau in respect of our compliance in all material aspects with the environmental laws in the PRC during the Track Record Period. In order to ensure on-going compliance with environmental protection related regulatory requirements applicable to our business activities in the PRC, our Group

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would designate Ms. Chen Fen, an executive Director, to supervise our compliance with the regulatory requirements and communicate with the relevant regulatory authorities and our PRC Legal Advisers, if necessary, with a view to keeping us abreast of the latest regulations and regulatory developments relating to our business and will circulate internal memo summarizing any new development to the regulatory requirements to our staff to ensure on-going compliance and the designated personnel is also responsible for reviewing compliance related work done and compliance records of our Group.

FINANCIAL ANALYSIS

The following table sets out a breakdown of our revenue by product type for the periods stated:

	For the financial year ended 31 December						For the six months ended 30 June			
	2008		2009		2010		2010		2011	
	Revenue (RMB'000)	% of revenue	Revenue (RMB'000)	% of revenue	Revenue (RMB'000)	% of revenue	Revenue (RMB'000)	% of revenue	Revenue (RMB'000)	% of revenue
<i>(Unaudited)</i>										
<i>Packaging products</i>										
Televisions	176,892	75.4	62,780	51.5	61,988	37.3	27,088	35.0	32,701	32.5
Cathode ray tube	160,869	68.6	21,378	17.5	9,766	5.9	5,896	7.6	2,902	2.9
Flat panel & plasma	16,023	6.8	41,402	34.0	52,222	31.4	21,192	27.4	29,799	29.6
Air conditioners	16,645	7.1	15,406	12.6	31,493	19.0	16,556	21.4	25,524	25.4
Washing machines	10,571	4.5	19,230	15.8	23,421	14.1	7,602	9.8	9,060	9.0
Refrigerators	11,864	5.1	14,331	11.8	28,037	16.9	16,246	21.0	16,229	16.2
Others (Note)	9,391	4.0	2,446	2.0	1,966	1.2	895	1.2	1,648	1.6
<i>Structural components</i>										
For air conditioners	9,140	3.9	7,687	6.3	19,174	11.5	8,959	11.6	15,397	15.3
Total	234,503	100.0	121,880	100.0	166,079	100.0	77,346	100.0	100,559	100.0

Note:

Others represent our packaging products for, among other things, electrical water heater, medical equipments and other small-size electrical appliances, which we do not at this stage focus on in connection with our business development.

SUMMARY

For the Track Record Period

Average selling price range (RMB/tonne)	
EPS products	16,000 – 20,000
EPO products	55,000 – 69,000
Average selling price range (RMB/tonne)	
<i>Packaging products</i>	
Televisions	
Cathode ray tube	15,000 – 20,000
Flat panel & plasma	19,000 – 28,000
Air conditioners	14,000 – 18,000
Washing machines	16,000 – 18,000
Refrigerators	17,000 – 23,000
<i>Structural component</i>	
For air conditioners	24,000 – 42,000

	For the financial year ended			For the six months ended	
	31 December			30 June	
	2008	2009	2010	2010	2011
	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)
Quantities sold					
<i>Packaging products</i>					
Televisions	8,862	3,139	2,750	1,163	1,228
Cathode ray tube	8,054	1,413	610	348	155
Flat panel & plasma	808	1,726	2,140	815	1,073
Air conditioners	981	1,068	1,973	1,054	1,491
Washing machines	619	1,186	1,406	446	532
Refrigerators	524	827	1,511	844	862
Others	565	148	117	51	93
<i>Structural component</i>					
For air conditioners	369	265	539	245	370
Total	11,920	6,633	8,296	3,803	4,576

Note:

In addition to the quantity of products manufactured by our factories, there were inventories of approximately 2,900 tonnes manufactured previously and remained available for sale in the financial year 2008. As such, the quantities of products sold by our Group might be larger than the quantities of products manufactured in a period.

For the Track Record Period, we recorded revenue of approximately RMB234.5 million, RMB121.9 million, RMB166.1 million, RMB100.6 million respectively whilst we recorded profit attributable to owners of the Company of approximately RMB31.3 million, RMB23.6 million, RMB35.7 million and RMB20.3 million for the respective periods.

SUMMARY

Our revenue decreased by approximately RMB112.6 million or approximately 48.0%, from approximately RMB234.5 million for the financial year ended 31 December 2008 to approximately RMB121.9 million for the financial year ended 31 December 2009. The decrease was primarily due to an overall decrease in purchase orders placed by our customers and in particular, the decrease in the sales of packaging products for cathode ray tube televisions as some of our customers had shifted their focus from the production of cathode ray tube televisions to flat panel and plasma televisions. The onset of the global financial tsunami in 2008 dampened the world financial systems and economies including the Chinese economy and in particular, the consumer electrical appliances industry. The lackluster consumer confidence affected the demand for consumer electrical appliances and, in turn, our packaging products and structural components in the PRC for the financial year ended 2009.

Shift of demand for packaging products for cathode ray tube televisions to flat panel and plasma televisions

In addition, some of our customers reduced production of traditional cathode ray tube televisions in favour of the production of flat panel and plasma televisions, which in comparison require lesser amount of packaging products given that they are typically more compact in size and lighter in weight. The shift in our customers' production mix from cathode ray tube televisions to flat panel and plasma televisions may affect their choice of packaging products and in turn demand for our packaging products. Our Directors are of the view that the market trend for flat panel and plasma televisions will likely continue and as such, the demand for packaging products for cathode ray tube televisions will likely continue to decline. Our customers may source packaging products for cathode ray tube televisions, flat panel and plasma televisions from different suppliers depending on their own circumstances. Revenue derived from the sales of packaging products for cathode ray tube televisions decreased notably during the Track Record Period and our Directors are of the view that such decrease in revenue was caused mainly by the shift in our customers' production mix away from cathode ray tube televisions and not by the change in our customers' choice of packaging product suppliers. The decrease in revenue derived from sale of packaging products for cathode ray tube televisions was offset, to an extent, by the increase in revenue derived from sales of packaging products for flat panel and plasma televisions. However, such offsetting effect is small as the increase in quantity of packaging products sold (in tonnes) for flat panel and plasma televisions was notably smaller than the decrease in quantity of packaging products sold (in tonnes) for cathode ray tube televisions. The aggregate increase in quantity of packaging products sold (in tonnes) for other electrical appliances such as air conditioners, washing machines and refrigerators and structural components sold for air conditioners were notably smaller than the decrease in quantity of packaging products sold (in tonnes) for cathode ray tube televisions. Further, the average selling prices of packaging products for air conditioners and washing machines were lower than that of cathode ray tube televisions. As such, the increase in revenue from the sales of packaging products for other electrical appliances and sales of structural components for air conditioners was not enough to compensate for the loss of revenue arising from the decrease in demand for packaging products for cathode ray tube televisions during the Track Record Period.

SUMMARY

Revenue increased by approximately RMB44.2 million or 36.3%, from approximately RMB121.9 million for the financial year ended 31 December 2009 to approximately RMB166.1 million for the financial year ended 31 December 2010. The increase was primarily due to an overall increase in purchase orders placed to us by our customers as the PRC economy together with the consumer electrical appliance industry and packaging industry in the PRC continued to recover from the global financial tsunami. In particular, we recorded increase in revenue from the sales of packaging products for air conditioners, washing machines and refrigerators. Chongqing Gree, one of our major customers, had expanded their manufacturing base and purchased more packaging products and structural components for their air conditioners. Revenue derived from the sales of structural components for air conditioners increased notably by approximately RMB11.5 million or 149.4%, from approximately RMB7.7 million for the financial year 2009 to approximately RMB19.2 million for the financial year 2010.

Revenue increased by approximately RMB23.3 million or 30.1% to approximately RMB100.6 million in first half of 2011 from approximately RMB77.3 million in the first half of 2010. The increase in revenue was caused mainly by the overall increase in customer demand for consumer electrical appliances and in turn our products in the PRC. We recorded an increase in revenue derived from the sale of all our products save and except packaging products for cathode ray tube television in the first half of 2011.

The following table sets out the breakdown of our revenue for EPS and EPO products for the periods stated:

Revenue <i>RMB'000</i>	For the financial year ended			For the six months ended	
	31 December			30 June	
	2008	2009	2010	2010	2011
EPS products	233,064	104,423	147,461	69,559	86,263
EPO products	1,439	17,457	18,618	7,787	14,296
Total	<u>234,503</u>	<u>121,880</u>	<u>166,079</u>	<u>77,346</u>	<u>100,559</u>

For the Track Record Period, we manufactured and sold packaging products made of EPO for packaging flat panel and plasma televisions. The increase in sales of packaging products made of EPO was mainly attributed to the increase in our customers' production of flat panel and plasma televisions. Our customers purchased packaging products made of both EPS and EPO for packaging their flat panel and plasma televisions. For the Track Record Period, revenue derived from the sale of packaging products and structural components made of EPS accounted for approximately 99.4%, 85.7%, 88.8% and 85.8% of our revenue respectively. Please refer to the section headed "Financial information" for the financial performances of our Group during the Track Record Period.

SUMMARY

The following table sets out the gross profit and gross profit margins for each of our product type for the periods stated:

Gross profit	For the financial year ended 31 December						For the six months ended 30 June			
	2008		2009		2010		2010		2011	
	Gross profits (RMB'000)	Gross profit margins (%)	Gross profits (RMB'000)	Gross profit margins (%)	Gross profits (RMB'000)	Gross profit margins (%)	Gross profits (RMB'000)	Gross profit margins (%)	Gross profits (RMB'000)	Gross profit margins (%)
<i>Packaging products</i>										
Televisions	50,220	28.4	20,604	32.8	21,182	34.2	9,771	36.1	11,353	34.7
Cathode ray tube	46,560	28.9	6,823	31.9	3,718	38.1	1,758	29.8	801	27.6
Flat panel & plasma	3,660	22.8	13,781	33.3	17,464	33.4	8,013	37.8	10,552	35.4
Air conditioners	998	6.0	2,464	16.0	7,569	24.0	3,392	20.5	4,145	16.2
Washing machines	301	2.8	3,042	15.8	4,496	19.2	1,725	22.7	1,632	18.0
Refrigerators	3,513	29.6	4,290	29.9	7,886	28.1	3,658	22.5	3,608	22.2
Others	606	6.5	521	21.3	563	28.6	247	27.6	299	18.1
<i>Structural components</i>										
For air conditioners	2,748	30.1	3,962	51.5	11,897	62.0	5,631	62.9	9,060	58.8
Total	58,386	24.9	34,883	28.6	53,593	32.3	24,424	31.6	30,097	29.9

The following table sets out the gross profit margins for EPS and EPO products for the periods stated:

Gross profit margins (%)	For the financial year ended			For the six months ended	
	31 December			30 June	
	2008	2009	2010	2010	2011
EPS products	24.8	28.5	31.9	30.6	27.6
EPO products	44.8	29.5	35.6	40.6	44.2

Notwithstanding the fluctuations in sales activities, we continued our effort to monitor and manage closely the manufacturing operations and to ensure manufacturing efficiency and product quality. For the Track Record Period, our gross profit were approximately RMB58.4 million, RMB34.9 million, RMB53.6 million and RMB30.1 million respectively while gross profit margins were approximately 24.9%, 28.6%, 32.3%, 29.9% respectively.

For the three financial years ended 31 December 2008, 2009 and 2010, our gross profit margins increased in line with the general increase in gross profit margins of our packaging products and structural components. In particular, the gross profit margins of packaging products for televisions increased from approximately 28.4% in 2008 to approximately 32.8% in 2009 and approximately 34.2% in 2010 as we manufactured and sold more packaging products made of EPO that offered comparatively higher margins than packaging products made of EPS. The manufacturing of EPO packaging products required additional procedures and planning and EPO packaging products were priced comparatively higher than EPS packaging products. The gross profit margins of our EPO products decreased from approximately 44.8% in 2008 to approximately 29.5% in 2009 as our EPO products were priced at lower end of our price range amidst a challenging business environment in 2009.

SUMMARY

The gross profit margin of packaging products for air conditioners was approximately 16.2% for the first half 2011, which did not fluctuate much from approximately 20.5% for the first half 2010. The gross profit margins of packaging products for air conditioners increased from approximately 6.0% in 2008 to approximately 16.0% in 2009 and approximately 24.0% in 2010. The increase in gross profit margins of packaging products for air conditioners from 2009 to 2010 was attributed mainly to better economies of scale on account of the increase in manufacturing output of packaging products for air conditioners in line with an increase in sales of such products to our customers. The increase in gross profit margins of packaging products for air conditioners from 2008 to 2009 was attributed mainly to the increase in sales of packaging products for air conditioners to particular customers at comparatively higher profit margins in 2009 than in 2008.

The gross profit margin of packaging products for washing machines was approximately 18.0% for the first half 2011 which did not fluctuate much from approximately 22.7% for the first half 2010. The gross profit margins of packaging products for washing machines increased from approximately 2.8% in 2008 to approximately 15.8% in 2009 and approximately 19.2% in 2010. The increase in gross profit margins of packaging products for washing machines from 2008 to 2010 was attributed mainly to the better economies of scale as we manufactured and sold more packaging products for washing machines during the Track Record Period.

The gross profit margin of structural components for air conditioners was approximately 58.8% for the first half 2011, which did not fluctuate much from approximately 62.9% for the first half 2010. The gross profit margins of structural components for air conditioners increased from approximately 30.1% in 2008 to approximately 51.5% in 2009 and approximately 62.0% in 2010. The manufacturing of structural components required typically higher level of specifications and details and therefore the sales of which afforded higher profit margins. The overall increase in manufacturing output and average selling prices of the structural components contributed to the increase in gross profit margin of the components during the Track Record Period.

For the three financial years ended 31 December 2008, 2009 and 2010 the overall increase in gross profit margins of our Group was also attributed to the decrease in the depreciation of property, plant and equipment after the disposal of certain manufacturing machineries damaged by the earthquake that hit Wenchuan County, Sichuan Province, the PRC in 2008 and some of the manufacturing machineries were fully depreciated during the periods. In general, we continued our effort on improving efficiency of our manufacturing processes by way of cost control and enhancing our manufacturing machineries and equipment.

For the Track Record Period, profits attributable to owners of the Company (“net profits”) were approximately RMB31.3 million, RMB23.6 million, RMB35.7 million and RMB20.3 million respectively while net profit margins were approximately 13.3%, 19.4%, 21.5% and 20.2% respectively.

For the Track Record Period, the changes in our gross profit margins as explained in the paragraphs above were affected by various factors including, among other things, manufacturing output, mix of products sold and their respective gross profit margins, changes in cost of sales such as decrease in depreciation charges and improving efficiency of our manufacturing processes by way of cost control and enhancing our manufacturing machineries and equipment. Further, the increase in

SUMMARY

the sales of packaging products made of EPO and structural components with comparatively higher gross profit margins contributed to the overall increase in our gross profit margins. Please refer to the section headed “Financial information” of this prospectus for further information in this regard.

Our Sichuan Factory was affected by an earthquake in 2008

On 12 May 2008, an earthquake measured 8.0 on the Richter scale hit Wenchuan County, Sichuan Province, the PRC according to the China Earthquake Administration (中國地震局). As a result, there were wide spread damages to infrastructures and buildings and many businesses and operations were severely affected near and around the earthquake epicenter. The Sichuan Factory was approximately 264 kilometers away from the earthquake epicenter and was affected by the disaster. We suffered a total loss of approximately RMB2.9 million primarily as a result of damages to certain manufacturing machineries and equipment and our operations at the Sichuan Factory were suspended for seven days. No compensation was paid to our customers for losses arising from suspension of production. For the financial year ended 31 December 2008, Sichuan Factory contributed revenue and net profit of approximately RMB129.6 million and approximately RMB27.7 million respectively to our Group. Our manufacturing operations including manufacturing capacity resumed to normal after the repairs made to certain damaged equipment and purchases of new equipment. The financial performances of Sichuan Jianghong for the financial year ended 31 December 2009 was not affected by the disaster.

We have leased the Sichuan Factory since commencement of our operation there and have entered into a renewed leasing agreement to lease the premises for a period commencing from 1 January 2011 and ending on 31 December 2013, subject to renewal. As of the Latest Practicable Date, our Company had not purchased insurance policy to insure against loss or damages on assets arising from natural disasters.

Listing expenses

Our financial performance for the financial year ending 31 December 2011 will be affected by the expenses incurred in relation to the Listing and the nature of which is non-recurrent. The Listing expenses are estimated to be approximately HK\$17.5 million (based on the Offer Price of HK\$1.15 per Offer Share, being the midpoint of the Offer Price range), of which approximately HK\$9.5 million is directly attributable to the issue of new Shares to the public and is to be accounted for as a deduction from equity and approximately HK\$8.0 million are to be charged to profit or loss of our Group for the financial year ending 31 December 2011. No Listing expenses were expensed in profit and loss of our Group during the Track Record Period. It is noted that the Listing expenses above are a current estimate for reference only and the actual amount to be recognised in the financial statements of our Group for the financial year ending 31 December 2011 is subject to adjustment based on the audit and the changes in variables and assumptions.

BUSINESS STRATEGIES AND FUTURE PLAN

Our future plans for growth and expansion of our business are described below:

- Further expand our market position and increase our market share

SUMMARY

- Further strengthening our product design and development capability
- Expansion of our manufacturing capacity
- Recruitment of quality personnel and continuous training of our staff

USE OF PROCEEDS

We estimate that the aggregate net proceeds to our Company from the Share Offer (after deducting underwriting fees and estimated expenses in connection with the Share Offer payable by us) will be approximately HK\$40.0 million (equivalent to approximately RMB33.2 million) based on an Offer Price of HK\$1.15 per Offer Share being the midpoint of the Offer Price range set out in this prospectus. We currently intend to apply such net proceeds for the following purposes:

- As to approximately HK\$35.0 million (equivalent to approximately RMB29.0 million), representing approximately 87.5% of the net proceeds from the Share Offer will be used to the establishment of a factory in Wuhu City equipped with the necessary machineries and equipment capable of an annual maximum manufacturing capacity of approximately 5,000 tonnes of EPS/EPO packaging products and structural components. We believe the location of the factory is appropriate as it is close to the manufacturing bases of our potential customers namely manufacturers of consumer electrical appliances in Wuhu City. The establishment of the factory is expected to be completed by second half of 2013. We intend to supply, through the factory, packaging products and structural components made of EPS to our potential customers and satisfy their requirements for a stable supply of good quality packaging products and structural components for their consumer electrical appliances. In particular,
 - approximately 44.8% will be used for the acquisition of the necessary machineries and equipment in connection with and the establishment of assembly lines capable of an annual maximum manufacturing capacity of approximately 5,000 tonnes of packaging products and structural components made of EPS;
 - approximately 3.4% will be used for the acquisition of the vehicles, office equipment and other ancillary equipment in connection with the business and manufacturing operations of the factory;
 - approximately 37.7% will be used for the construction of the factory which upon completion will offer a manufacturing space with gross floor area of approximately 16,000 m²; and
 - approximately 14.1% will be used for the acquisition of a parcel of land for industrial use located in Wuhu City with a land area of approximately 20,000 m² and on which the factory will stand upon completion of the construction

SUMMARY

- As to approximately HK\$2.4 million (equivalent to approximately RMB2.0 million), representing approximately 6.0% of the net proceeds from the Share Offer will be used for the repayment of the bank loan with outstanding balance of approximately RMB4.0 million as of 30 June 2011 extended to our Group and such bank loan is utilized for general working capital purpose which attracted an interest charge of 5.6% per annum, and is repayable by 31 December 2011 and fully secured by the buildings and bank deposits of our Group;

and

- As to approximately HK\$2.6 million (equivalent to approximately RMB2.2 million), representing approximately 6.5% of the net proceeds from the Share Offer will be used for our general working capital and other general corporate purposes.

To the extent our net proceeds are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

If the Offer Price is finally determined at the lower end of the Offer Price range, being HK\$1.0 per Offer Share, the net proceeds from the Share Offer will be decreased by approximately HK\$7.5 million to approximately HK\$32.5 million, as compared with the above computation (which is based on the midpoint of the Offer Price range). In such case, our Directors intend to apply as to (i) approximately HK\$28.4 million or 87.5% of the net proceeds towards establishment of a factory in Wuhu City, (ii) approximately HK\$2.0 million or 6.0% of the net proceeds towards repayment of the bank loan above and (iii) approximately HK\$2.1 million or 6.5% of the net proceeds for general working capital and the general corporate purposes.

To the extent that our net proceeds are not immediately used for the above purposes and to the extent permitted by the relevant laws and regulations, we intend to deposit the net proceeds into interest bearing deposits and/or money market instruments.

As of the Latest Practicable Date, our Company had not entered into any agreements in respect of the supply of packaging products to potential customers in Wuhu City and had not identified any targets of any specific land or property or company for acquisition in connection with our future plan. Should the new factory fail to generate profits, we might suffer a loss in investments and in which case, our business and financial performance could be adversely affected. Please refer to the section headed "Risk factors - Our future plan to establish a factory in Wuhu City, may not be profitable" of this prospectus for further information in this regard.

FINANCIAL INFORMATION

The following tables set forth summary consolidated financial information of our Group. We have derived the consolidated financial information for the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011, respectively, and as of 31 December 2008, 2009 and 2010 and 30 June 2011 set forth in the accountants' report in Appendix I to this prospectus. The summary consolidated financial information should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements in this prospectus, including the related notes.

SUMMARY

Our consolidated financial information was prepared in accordance with HKFRS.

Consolidated statement of comprehensive income

	Year ended 31 December 2008 <i>RMB'000</i>	Year ended 31 December 2009 <i>RMB'000</i>	Year ended 31 December 2010 <i>RMB'000</i>	Six months ended 30 June 2010 <i>RMB'000</i> <i>(Unaudited)</i>	Six months ended 30 June 2011 <i>RMB'000</i>
Revenue	234,503	121,880	166,079	77,346	100,559
Cost of sales	(176,117)	(86,997)	(112,486)	(52,922)	(70,462)
Gross profit	58,386	34,883	53,593	24,424	30,097
Other income	1,863	474	338	113	301
Other gains and losses	(2,870)	47	(447)	(2,782)	(1,238)
Selling and distribution expenses	(4,760)	(4,327)	(6,260)	(2,626)	(3,935)
Administrative expenses	(5,513)	(5,280)	(6,120)	(3,164)	(3,360)
Other operating expenses	(324)	(263)	(715)	(334)	(55)
Profit from operations	46,782	25,534	40,389	15,631	21,810
Finance costs	(1,522)	(628)	(701)	(296)	(432)
Profit before tax	45,260	24,906	39,688	15,335	21,378
Income tax expense	(7,241)	(1,310)	(3,963)	(3,026)	(1,087)
Profit for the year/period	38,019	23,596	35,725	12,309	20,291
Other comprehensive income for the year/period					
Exchange differences on translating foreign operations	-	-	-	-	2
Total comprehensive income for the year/period	38,019	23,596	35,725	12,309	20,293
Profit attributable to:					
Owners of the Company	31,276	23,596	35,725	12,309	20,291
Non-controlling interests	6,743	-	-	-	-
	38,019	23,596	35,725	12,309	20,291
Total comprehensive income attributable to:					
Owners of the Company	31,276	23,596	35,725	12,309	20,293
Non-controlling interests	6,743	-	-	-	-
	38,019	23,596	35,725	12,309	20,293

SUMMARY

Selected information from the statements of financial position

	As at 31 December 2008 <i>RMB'000</i>	As at 31 December 2009 <i>RMB'000</i>	As at 31 December 2010 <i>RMB'000</i>	As at 30 June 2011 <i>RMB'000</i>
Non-current assets				
Property, plant and equipment	46,186	43,548	41,052	40,910
Prepaid lease payments	3,053	3,029	2,954	2,918
Deferred tax assets	–	–	59	72
	<u>49,239</u>	<u>46,577</u>	<u>44,065</u>	<u>43,900</u>
Current assets				
Inventories	9,278	8,797	11,178	11,393
Prepaid lease payments	70	71	71	71
Held-for-trading investments	–	–	9,811	–
Trade and other receivables	73,158	73,032	84,777	122,390
Amounts due from related companies	25,004	25,647	388	–
Current tax assets	–	–	1,405	3,076
Pledged bank deposits	–	846	333	–
Cash and bank balances	59,418	30,368	42,440	23,440
	<u>166,928</u>	<u>138,761</u>	<u>150,403</u>	<u>160,370</u>
Current liabilities				
Trade and other payables	40,550	36,858	32,178	46,849
Amounts due to directors	–	715	–	52
Amounts due to related companies	–	22	–	–
Amount due to immediate holding company	–	–	–	8,923
Current tax liabilities	4,180	1,662	–	–
Bank borrowings	8,000	–	4,000	4,000
	<u>52,730</u>	<u>39,257</u>	<u>36,178</u>	<u>59,824</u>
Net current assets	<u>114,198</u>	<u>99,504</u>	<u>114,225</u>	<u>100,546</u>
Total assets less current liabilities	<u>163,437</u>	<u>146,081</u>	<u>158,290</u>	<u>144,446</u>
Non-current liabilities				
Deferred tax liabilities	161	260	678	887
Net assets	<u>163,276</u>	<u>145,821</u>	<u>157,612</u>	<u>143,559</u>
Capital and reserves				
Share capital	92,603	92,603	92,603	–
Reserves	70,673	53,218	65,009	143,559
Total equity attributable to owners of the Company	163,276	145,821	157,612	143,559
Non-controlling interests	–	–	–	–
Total equity	<u>163,276</u>	<u>145,821</u>	<u>157,612</u>	<u>143,559</u>

SUMMARY

Selected information from the consolidated statements of cash flows

	For the financial year ended			Six months ended	
	31 December			30 June	
	2008	2009	2010	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Net cash generated by/(used in) operating activities	64,323	24,915	11,035	(9,728)	9,081
Net cash (used in)/generated by investing activities	(28,549)	(5,180)	22,115	(326)	(2,604)
Net cash (used in)/generated by financing activities	<u>(36,209)</u>	<u>(48,785)</u>	<u>(21,078)</u>	<u>9,650</u>	<u>(25,482)</u>
Net (decrease)/increase in cash and cash equivalents	(435)	(29,050)	12,072	(404)	(19,005)
Cash and cash equivalents at the beginning of year/period	59,853	59,418	30,368	30,368	42,440
Effect of foreign exchange rate changes, net	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5</u>
Cash and cash equivalents at the end of year/period represented by:					
cash and bank balances	<u>59,418</u>	<u>30,368</u>	<u>42,440</u>	<u>29,964</u>	<u>23,440</u>

Notes:

- The decrease in net cash generated by operating activities from 2008 to 2009 was attributed mainly to the decrease in profit before tax in 2009.
- The decrease in net cash generated by operating activities from 2009 to 2010 was attributed mainly to the increase in held-for-trading investments and the increase in trade and other receivables in 2010. Our Company had disposed of all the held-for-trading investments in listed equity securities by January 2011.

DIVIDEND POLICY

For the Track Record Period, our subsidiaries declared and paid to their then shareholder dividends of approximately RMB8.3 million, approximately RMB41.1 million, approximately RMB23.9 million and approximately RMB34.3 million respectively. Our Company was incorporated in the Cayman Islands on 4 January 2011. As at 30 June 2011, no distributable reserves were available in cash for distribution to our Shareholders.

SUMMARY

We currently do not have a fixed dividend policy. The dividends we declared and paid in the past should not be used as a reference for our future dividend payment. The declaration, payment and amount of dividends in the future will be subject to the discretion of the Board and will depend on our results of operations, cash flows, financial conditions, statutory and regulatory restrictions on the payment of dividends by us or our operating subsidiaries in the PRC, future prospects and other factors that our Directors may consider relevant from time to time. If any dividends are declared and paid by us, holders of our Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The declaration, payment, and amount of dividends will be subject to the discretion of our Directors.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

THE SHARE OFFER STATISTICS

	Based on an indicative Offer Price of HK\$1.0 per Offer Share	Based on an indicative Offer Price of HK\$1.3 per Offer Share
Market capitalization ¹	HK\$200 million	HK\$260 million
Historical price to earnings multiple ²	4.65	6.04
Unaudited pro forma adjusted net tangible asset value per Share ³	HK\$1.02	HK\$1.11

Notes:

- 1) The market capitalization of the Shares is calculated on the basis of 200,000,000 Shares expected to be in issue immediately after the completion of the Share Offer and the Capitalization Issue but takes no account of any Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.
- 2) The historical price to earnings multiple is calculated on the basis of the profit attributable to owners of the Company for the financial year ended 31 December 2010, the market capitalization of the Shares and the assumption that a total of 200,000,000 Shares were issued and outstanding during the entire year.
- 3) The unaudited pro forma adjusted net tangible asset value per Share has been arrived at after the adjustments referred to in the section headed “Financial Information – Unaudited pro forma adjusted net tangible assets” in this prospectus and on the basis of 200,000,000 Shares in issue, but takes no account of any Shares which may fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme or which may be issued or repurchased by our Company pursuant to the general mandates for the issue or repurchase of Shares granted to our Directors as referred to in the section headed “Share Capital” to this prospectus.
- 4) The amounts denominated in RMB have been translated, for illustration purpose only, into Hong Kong dollars at the rate of RMB0.8305 to HK\$1.00.

SUMMARY

STRENGTHS

We believe that the following competitive strengths are key factors to our success:

- Our quality products
- Personnel with knowledge of and experience in the packaging products
- A broad range of packaging products
- Integrated solution for customers' packaging needs
- Strategic locations of the factories

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks related to our business and industry; (ii) risks related to the PRC; and (iii) risks related to the Share Offer. For more details, please refer to the section headed "Risk Factors" to this prospectus.

Risks related to our business and industry

- Our business, operations and financial performance are affected by economic cycles and financial crises
- We rely upon a few major customers that accounted for a significant portion of our revenues
- We rely on short term purchase orders from customers
- Any change in the PRC government's policies on household appliances could affect our business
- We may not be able to develop and introduce new and better products
- Our products may not meet the specifications of our customers
- Our products and inventories may become obsolete
- Shift of demand for packaging products for cathode ray tube televisions to flat panel and plasma televisions
- We may experience interruptions of operations at our production facilities
- Any change in the PRC government's environmental policies on the manufacturing and sale of EPS and EPO packaging products could affect our operations

SUMMARY

- We may fail to effectively implement our plan and operations
- We may fail to acquire adequate raw materials or to fulfill our customers' orders in a timely and cost-effective manner
- We may not be able to control the purchase prices of our major raw materials
- We may lose our key managerial and technical personnel
- We may fail to acquire adequate ancillary parts for the manufacturing of our products
- We may experience delays or defaults in collecting our trade receivables
- Our financial performance will be affected by the Listing expenses
- Our net cash generated from operating activities decreased continuously in 2008, 2009 and 2010
- We may be exposed to infringement or misappropriation claims
- We may be subject to civil and criminal liabilities for our defective products
- We may fail to compete successfully against emergence of alternative products and suppliers
- We may compete with Sino Haijing
- Our future plan to establish a factory in Wuhu City may not be profitable
- We may fail to secure adequate capital in the future
- Our reliance on Sichuan Changhong Electric
- We may experience labor shortage or unrest
- We may experience fluctuations in business performance due to seasonal effect
- We may fail to operate successfully in the PRC
- We cannot control the disposition of our products by end users
- Our Group's non-compliance with certain social security insurance and housing provident fund contributions laws and regulations in the PRC could lead to the imposition of fines and penalties
- Any failure to comply with any production safety standards in the PRC may affect our business

SUMMARY

Risks related to the PRC

- Changes in the PRC's political, economic and social conditions, laws, regulations and policies may have an adverse effect on our business
- The PRC's legal system embodies uncertainties that could adversely affect our business
- Our operating PRC subsidiaries may be subject to higher level of tax rates in the PRC
- Our Company may be subject to withholding tax on dividends received from the PRC subsidiaries
- Gain on the sales of our Shares and dividends payables by us to our foreign investors may be subject to withholding tax under the PRC income taxes
- Fluctuations in the exchange rates of the RMB may adversely affect your investment and our business
- Government control of foreign currency conversion may affect the value of your investment
- It may be difficult to effect service of process upon us or our Directors who live in the PRC or to enforce against us or them in the PRC judgments obtained from non-PRC courts
- Our corporate structure may restrict our ability to receive dividends from, and transfer funds to, our PRC operating subsidiaries, which could restrict our ability to act in response to changing market conditions in a timely manner

Risks related to the Share Offer

- There has been no prior public market for our Shares and the liquidity and market price of the Shares may be volatile
- Purchasers of our Offer Shares will experience substantial and immediate dilution and may experience further dilution if we issue additional Shares in the future
- Dividends declared in the past may not be indicative of our dividend policy in the future
- Future sales by our Directors, officers and our current Shareholders of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares
- We cannot guarantee the accuracy of certain facts and statistics with respect to the PRC, the PRC economy and electrical appliance industry contained in this prospectus

DEFINITIONS

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

“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Anhui Konka”	Anhui Konka Electronic Co., Ltd. (安徽康佳電子有限公司) and Anhui Konka Household Appliances Co., Ltd. (安徽康佳電器有限公司), collectively one of our top five customers during the Track Record Period
“Application Form(s)”	WHITE, YELLOW and GREEN Application Form(s) or, where the context requires, any of them, relating to the Public Offer
“Articles of Association” or “Articles”	the articles of association of our Company adopted on 10 June 2011, as amended from time to time and a summary of which is set out in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors
“Business Day”	any day (other than Saturday, Sunday or a public holiday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	British Virgin Islands
“Capitalization Issue”	the issue of 149,999,998 Shares made upon capitalization of certain amounts in the share premium account of our Company as referred to in the paragraph headed “Written resolutions of our sole Shareholder passed on 10 June 2011” under the section headed “Further information about our Company” in Appendix V to this prospectus
“Cayman Companies Law”	the Companies Law (2011 Revision) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant

DEFINITIONS

“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
“Cheng Hao”	Cheng Hao International Limited (成浩國際有限公司), a company incorporated in the BVI with limited liability on 6 January 2011 and a directly wholly-owned subsidiary of our Company
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Chongqing Factory”	our factory located at the Pengqiao Economic Development Zone (江津區廣興鎮彭橋工業園區) in Guangxing Town, Jiangjin District, Chongqing Municipality, the PRC and further details of which are set out in Appendix III to this prospectus
“Chongqing Gree”	Gree Electrical Appliances (Chongqing) Co., Ltd. (格力電器(重慶)有限公司), one of our top five customers during the Track Record Period
“Chongqing Guangjing”	Chongqing Guangjing Packing Materials CO., LTD. (重慶光景包裝製品有限公司), a company established in the PRC with limited liability on 20 October 2003 and an indirectly wholly-owned subsidiary of our Company
“Chongqing Haier”	Chongqing Haier Logistics Co., Ltd. (重慶海爾物流有限公司), one of our top five customers during the Track Record Period
“Chuzhou Chuangce”	Chuzhou Chuangce Packaging Materials Company Limited (滁州創策包裝材料有限公司) (formerly known as Chuzhou Jingda Package Company Limited (滁州景達包裝有限公司)), a company established in the PRC with limited liability on 5 October 1997 and an indirectly wholly-owned subsidiary of our Company
“Chuzhou Factory”	our factory located at the Chuzhou Economic Development Zone (滁州經濟技術開發區) in Chuzhou City, Anhui Province, the PRC and further details of which are set out in Appendix III to this prospectus

DEFINITIONS

“Company” or “Our Company”	Jin Bao Bao Holdings Limited (金寶寶控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 4 January 2011
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Conca Investments”	Conca Investments Limited (光景投資有限公司), a company incorporated in Hong Kong with limited liability on 23 January 1992 which is owned by Mr. Chao as to 99% and by Ms. Zhou as to 1% and a former shareholder of Sichuan Jinghong, Chongqing Guangjing and Chuzhou Chuangce
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to Mr. Chao and Rich Gold
“Director(s)”	the director(s) of our Company
“GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group”, “our Group”, “our”, “we” or “us”	our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the present subsidiaries of our Company and the businesses operated by such companies or (as the case may be) their predecessors
“HK eIPO White Form”	the application for Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of the HK eIPO White Form Service Provider at www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC

DEFINITIONS

“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$” and “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“IFRS”	International Financial Reporting Standards promulgated by the International Accounting Standards Board (“IASB”). IFRS include the International Accounting Standards (“IAS”) and their interpretations
“Independent Third Party(ies)”	party(ies) which is/are independent of and not connected (within the meaning of the Listing Rules) with any of our directors, chief executives or substantial shareholders (within the meaning of the Listing Rules) of our Company or any of our subsidiaries or any of their respective associates
“Latest Practicable Date”	2 November 2011, being the latest practicable date for ascertaining certain information in this prospectus before its publication
“Listing”	the listing of our Shares on the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about 18 November 2011, on which our Shares are listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Memorandum”	the memorandum of association of our Company adopted on 10 June 2011, as amended from time to time
“Metro Master”	Metro Master Limited (和景有限公司), a company incorporated in Hong Kong with limited liability on 22 December 2010 and an indirectly wholly-owned subsidiary of our Company
“Ministry of Environmental Protection”	the Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)

DEFINITIONS

“Mr. Chao”	Mr. Chao Pang Ieng (周鵬鷹) (alias: Zhou Peng Ying), our Chairman, chief executive officer, an executive Director, and one of the Controlling Shareholders
“Ms. Zhou”	Ms. Zhou Zheng Bin (周鄭斌) (formerly known as Zheng Bin (鄭斌)), the spouse of Mr. Chao and an executive Director
“National People’s Congress” or “NPC”	the National People’s Congress of the PRC
“Nomination Committee”	the nomination committee of the Board
“Offer Price”	final HK dollar price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at which the Offer Shares are to be subscribed under the Public Offer and are to be offered and sold under the Placing, to be determined as set out in “Structure of the Share Offer – Price payable on application”
“Offer Share(s)”	the Placing Shares and the Public Offer Shares
“Placing”	the offering of the Placing Shares at the Offer Price as set out in the section headed “Structure of the Share Offer” in this prospectus
“Placing Share(s)”	the 45,000,000 new Shares initially being offered for subscription under the Placing (subject to adjustment as described in the section headed “Structure of the Share Offer” in this prospectus)
“Placing Underwriter(s)”	the underwriters of the Placing listed in the section headed “Underwriting” in this prospectus
“Placing Underwriting Agreement”	the conditional placing underwriting agreement relating to the Placing dated 6 November 2011 and entered into between, among others, our Company, the Controlling Shareholders, the Sponsor, the Sole Lead Manager and the Placing Underwriters
“PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法), enacted by the Standing Committee of the Eighth National People’s Congress on 29 December 1993 and effective on 1 July 1994, and subsequently amended on 25 December 1999, 28 August 2004 and 27 October 2005, as amended, supplemented or otherwise modified from time to time
“PRC Court”	means any court or arbitral tribunal of the PRC

DEFINITIONS

“PRC EIT Law”	the PRC Enterprise Income Tax Law 中華人民共和國企業所得稅法, promulgated on 16 March 2007 by the National People’s Congress and effective on 1 January 2008
“PRC government” or “State”	the government of the PRC, including all governmental subdivisions (such as provincial, municipal and other regional or local government entities)
“Price Determination Date”	the date, expected to be on or around 11 November 2011 and in any event not later than 15 November 2011 on which the Offer Price is fixed for the purpose of the Share Offer
“prospectus”	this prospectus being issued in connection with the Share Offer
“Public Offer”	the offer of the Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%), on the terms and subject to the conditions described in this prospectus and the Application Forms
“Public Offer Share(s)”	the 5,000,000 new Shares (subject to adjustment as described in the section headed “Structure of the Share Offer” in this prospectus) being offered for subscription under the Public Offer
“Public Offer Underwriter(s)”	the underwriters of the Public Offer listed in the section headed “Underwriting” in this prospectus
“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement relating to the Public Offer dated 6 November 2011 and entered into between, among others, our Company, the Controlling Shareholders, the Sponsor, the Sole Lead Manager and the Public Offer Underwriters
“Remuneration Committee”	the remuneration committee of the Board
“Reorganization”	the reorganization undertaken by our Company in preparation for the Listing as described in the section headed “History, Reorganization and Group Structure” and in the paragraph headed “Corporate Reorganization” in Appendix V to this prospectus
“Rich Gold”	Rich Gold International Limited (富金國際有限公司), a company incorporated in the BVI with limited liability on 10 November 2010 which is wholly-owned by Mr. Chao, one of the Controlling Shareholders

DEFINITIONS

“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
“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 or otherwise modified from time to time
“Share(s)”	share(s) with a nominal value of HK\$0.01 each in the share capital of our Company
“Share Offer”	the Placing and the Public Offer
“Share Option Scheme”	the share option scheme conditionally adopted by us on 10 June 2011, the principal terms of which are summarized in the paragraph headed “Share Option Scheme” in Appendix V to this prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Shu Jin Law Firm” or “PRC Legal Advisers”	Shu Jin Law Firm (廣東信達律師事務所), the legal advisers as to PRC laws to our Company
“Sichuan Changhong”	Sichuan Changhong Electric, Sichuan Changhong Air Conditioners Co., Ltd. (四川長虹空調有限公司), Sichuan Changhong Web Technology Limited Liability Co., Ltd. (四川長虹網絡科技有限責任公司), Sichuan Changhong Moulding Technology Co., Ltd. (四川長虹模塑科技有限公司), Sichuan Changhong Good Technology Precision Engineering Co., Ltd. (四川長虹技佳精工有限公司), Guangyuan Changhong Electronics Co., Ltd. (廣元長虹電子科技有限公司) and other subsidiaries of Sichuan Changhong Electric to which we sold products during the Track Record Period, collectively one of our top five customers during the Track Record Period
“Sichuan Changhong Electric”	Sichuan Changhong Electric Co., Ltd. (四川長虹電器股份有限公司)
“Sichuan Factory”	our factory located at the Sichuan Province Mianyang State High Technology Industrial Development Zone (四川省綿陽國家高新技術開發區), Mianyang City, Sichuan Province, the PRC and further details of which are set out in Appendix III to this prospectus

DEFINITIONS

“Sichuan Jinghong”	Sichuan Jinghong Packing Materials CO., LTD. (四川景虹包裝製品有限公司), a company established in the PRC with limited liability on 15 September 2005 and an indirectly wholly-owned subsidiary of our Company
“Sino Haijing”	Sino Haijing Holdings Limited, the shares of which are listed and traded on the Main Board of the Stock Exchange
“Sole Bookrunner” or “Sole Lead Manager” or “SBI E2”	SBI E2-Capital (HK) Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Sponsor” or “Cinda International Capital Limited”	Cinda International Capital Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the Sponsor to the Share Offer
“State Administration for Industry and Commerce”	the State Administration for Industry and Commerce of the PRC (中華人民共和國工商行政管理總局)
“State Administration of Foreign Exchange” or “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, including local branches, when applicable
“State Administration of Taxation” or “SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“subsidiary(ies)”	has the meaning ascribed thereto in section 2 of the Companies Ordinance
“Synovate”	Synovate Limited, an independent market research and consulting company engaged by our Company to conduct market survey on the packaging products manufactured for packaging consumer electrical appliances in the PRC, and the findings of which are set out in the section headed “Industry overview” to this prospectus
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Repurchases issued by the SFC, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Track Record Period”	the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011
“Underwriters”	the Placing Underwriters and the Public Offer Underwriters
“Underwriting Agreements”	the Placing Underwriting Agreement and the Public Offer Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US dollars” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act 1933, as amended, and the rules and regulations promulgated thereunder
“VAT”	value added tax
“WHITE Application Form(s)”	the form(s) of application for the Public Offer Shares for use by the public who require such Public Offer Shares to be issued in the applicants’ own name
“Wuhu City”	Wuhu City, Anhui Province, the PRC (中國安徽省蕪湖市)
“YELLOW Application Form(s)”	the form(s) of application for the Public Offer Shares for use by the public who require such Public Offer Shares to be deposited directly into CCASS
“kg”	kilogram(s)
“lb”	pound(s)
“sq. ft.”	square foot (feet)
“sq. m.”	square metre(s)

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

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

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this prospectus as they relate to our Company and as they are used in this prospectus in connection with our business or us. These terms and their given meanings may not correspond to standard industry definitions.

“CAGR”	compound annual growth rate
“environmental friendly products”	packaging products that meet any of the characteristics namely, ‘reduce’ (減量化), ‘reuse’ (復用), ‘recover’ (回收) and ‘recycle’ (再生) are considered, in general, to be friendly to the environment.
“expanded polyolefin” or “EPO”	<p>a foam form of PO. EPO has the characteristics of excellent shock and chemical resistance and high dimensional stability. It is strong yet lightweight and comparatively more elastic than EPS</p> <p>The average consumption of EPO is estimated to be approximately 30% less than EPS for packaging the same size goods given EPO has superior shock absorbing performance. As such, the use of EPO can save transportation and storage cost. EPO is also more environmental friendly than EPS.</p> <p>The manufacturing process of EPO products is similar to EPS products. Manufacturers can use the same equipment for the manufacturing of both EPS and EPO products and thus avoid investing in additional equipment.</p>
“expanded polystyrene” or “EPS”	a foam form of PS. EPS is usually white in colour and made of pre-expanded polystyrene beads. It is lightweight, moisture-resistant and has good thermal, acoustical insulation and shock absorbing properties. It is also remarkably buoyant given more than 90 percent of its composition is air. It is often used in moulded sheets for building insulation and as packaging material for cushioning fragile items inside boxes. It can be made to exhibit various degrees of thermal resistivity and smoke retarding ability. EPS products are lightweight, versatile, energy efficient and cost effective.

GLOSSARY OF TECHNICAL TERMS

Environmental impact

EPS can be produced by injection moulding with the use of blowing agents usually hydrocarbons such as pentane. Unlike other plastic foam products, EPS is not produced by using chlorofluorocarbons (“HFC”) and other harmful compounds which are considered by many to be harmful to the balance of ozone in the earth’s atmosphere, and therefore making it more benign to the environment. The manufacture of EPS requires less energy than that used in the manufacture of paper based alternatives. For the Track Record Period, our Company did not manufacture other foam products that required the application of HFC in the manufacturing process.

Recycling

EPS scraps can be easily added to products such as EPS insulation sheets and other EPS materials for construction applications. EPS scraps can also be turned into many items such as clothes hangers, park benches, flower pots, toys, rulers and architectural moulding. Given the rigidity and low value of EPS scraps, they are not commonly recycled in the PRC.

Incineration

PS may be incinerated at high temperatures and generated limited chemicals like water, carbon dioxide and carbon soot. According to the American Chemistry Council, PS can be incinerated and reduced into 1% of the starting volume in modern facilities as most of which is converted into carbon dioxide, water vapor and heat. The remaining residual may be available for disposal, and may still be considered an environmental issue.

Disposal

Degradation of materials creates potentially harmful liquid and gaseous by-products that may contaminate groundwater and air and as such require landfills to be equipped with the necessary facility to minimize their contact with air and water. EPS products are very stable and the disposal of which does not produce harmful by-products that contaminate air and underground water. Given the stability of EPS products, they degrade very slowly and some environmental organizations may consider this an environmental problem. By the same token, EPS products discarded can be recovered without major difficulty from the environment.

“GDP”

gross domestic product

GLOSSARY OF TECHNICAL TERMS

“ISO”	the International Organization for Standardization, a non-governmental organization which sets the ISO standards, being world-wide industrial and commercial standards
“ISO9001”	the international specification for a quality management system
“polymer”	<p>a large molecule consists of repeating structural units called monomers that are typically connected by chemical bonds. A single polymer molecule may consist of hundreds to a million monomers and may have a linear, branched, or network structure. The ability for molecules to form long chains of polymer is vital to producing thermoplastic polymers.</p> <p>Polymer includes a large class of natural and synthetic materials and has a diverse variety of properties. Examples of natural polymers include amber and natural rubber while synthetic polymers include synthetic rubber, nylon, PO, PP, PS and silicone</p>
“polyolefin” or “PO”	a group of thermoplastic polymers. PO can be made by extrusion, injection moulding, blow moulding, or rotational moulding methods. Materials made of PO usually have oily or waxy appearance and are nonpolar, nonporous, and not receptive to inks and lacquers.
“polystyrene” or “PS”	<p>a group of thermoplastic polymers. PS is a strong, acid- and alkali-resistant, non-absorbent and an excellent electrical insulator. It is in solid state at room temperature and if heated above its glass transition temperature, in liquid state, and becomes solid again when cooled. Pure PS is brittle but hard. PS is economical to be made and is one of the most widely used kinds of plastic and is commonly found in plastic cutlery, compact disc cases, and many other objects where a fairly rigid and economical plastic is desired. PS can also be made into foam by injection moulded or extruded.</p> <p>PS can be recycled and reused. However it is not commonly recycled because of its rigidity (especially if foamed) and low scrap value. The rigidity and low value of the scraps made of EPS makes it not too commercially attractive to collect, transport and recycle in the PRC.</p>
“structural components” (結構件)	components made of EPS that may be fabricated into various shapes and sizes and are often used inside consumer electrical appliances such as air conditioners. Our structural components made of EPS are typically made at higher density as compared to packaging products, and are chemical resistant, very light in weight and are economical to be produced and replaced. Our structural components for air-conditioners may be used to replace certain parts made of metal inside air conditioners such as metal frames and other metal parts and offer support and connection points to other parts inside the air conditioners.

FORWARD-LOOKING STATEMENT

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

- our business and operating strategies and our various measures to implement such strategies;
- our dividend distribution plans;
- our relationships with our key customers;
- our plan to expand our product offerings;
- our operations and business prospects, including our development plans for our existing and new businesses;
- our ability to complete our research and development projects and product developments;
- our financial condition;
- our capital expenditure plans;
- the regulatory environment in the PRC; and
- future developments and the competitive environment in our industry and the markets for our products.

The words “anticipate”, “believe”, “continue”, “could”, “expect”, “intend”, “may”, “plan”, “potential”, “predict”, “project”, “seek”, “should”, “will”, “would” and the negatives of these terms and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and there is no guarantee of our future performance that is subject to uncertainties, assumptions and risks including the risk factors as disclosed in this prospectus.

Should one or more of the risks or uncertainties materialize, or should underlying assumptions prove to be incorrect, our financial condition and results of operations may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected.

Accordingly, the statements herein are not a guarantee of our future performance and you should not place undue reliance on such forward-looking information. We undertake no obligation to publicly update or revise any forward-looking statements contained in this prospectus, whether as a result of new information, future events or otherwise, except as required by applicable laws, rules and regulations. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

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You should before making an investment in the Offer Shares, consider carefully all of the information set out in this prospectus including the risks and uncertainties described below in respect of our business, our industry and the Share Offer. You should pay particular attention to the fact that we are a company incorporated in the Cayman Islands and that our principal operations are conducted in the PRC and are governed by a legal and regulatory environment that in some respects differs from what prevails in other countries. Our business could be affected materially and adversely by any of these risks.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Our business, operations and financial performance are affected by economic cycles and financial crises

Our business exhibits high correlation with the development and sales of the consumer electrical appliances in the PRC such as the sales of televisions, air conditioners and washing machines. The demand for our products relies on the development and sales of such consumer electrical appliances in the PRC which in turn rely on market condition of this industry that may fluctuate over time. Should the demand for the consumer electrical appliances in the PRC fall as a result of adverse economic cycles, the demand for our products may also fall, and in which case our business, operations, and financial performance could be adversely affected. Since the onset of the global financial tsunami in 2008, the world financial systems and economies including the Chinese economy have been affected and disrupted. Many governments in America, Europe and Asia including the Chinese government have implemented various economic stimulus packages in an attempt to boost their respective faltering economies. Nonetheless, there is no assurance as to the efficiency and effectiveness of such economic stimulus packages and there is no guarantee that the world economies including the Chinese economy will improve and recover back to the pre financial tsunami level. Should the financial crisis continue or worsen, the growth in the consumer electrical appliances industry in the PRC would slow down and so would the demand for our products and in which case, our business, operations, and financial performance could be adversely affected.

We rely upon a few major customers that accounted for a significant portion of our revenues

We derived a significant portion of our revenues from a number of major customers. For the Track Record Period, the five largest customers accounted for approximately 98.5%, 99.5%, 99.2%, 97.9% of our revenues respectively, while the largest customer accounted for approximately 55.3%, 46.1%, 38.2%, 41.9% of our revenues respectively. Our customers in general place purchase orders with us based on their estimated sales and production needs. Whilst we typically enter into sales agreements with our customers, such sales agreements have a limited initial term and can be terminated by short notice. Our three factories are located close to the manufacturing bases of our customers and thus minimizing transportation cost, time and resources to be incurred by delivery of products to our customers; and allowing our pricing to remain competitive. An appropriately located manufacturing base of a supplier of packaging products allows pricing of its products to remain competitive and keeping of long-term commercial relationship with its customers. By the same token, it is an industry pattern that the number of potential customers of the supplier of packaging products may be restricted

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by the travel distance between them and as to what length of travel distance is acceptable, in general, depends on the circumstances in which such supplier operates, which may differ from supplier to supplier. As such, our role as a supplier to our existing customers and our products may not be easily replaced by products from other suppliers located further away from such customers. We also have a plan to establish a new factory in Wuhu City which upon completion will likely allow our Group to expand its customer base.

The concentration of sales of our products to a limited number of customers would make us vulnerable to counterparty risks that could materially affect our business, operations and financial performance, and such risks include reduction in purchase orders from such major customers, loss of business to other suppliers of similar products, the deterioration in the customers' settlement of payments and the worsening in their financial conditions. There is no assurance that our major customers would continue to buy our products. Should the major customers decrease purchase order sizes or stop placing purchase orders with us, our business, operations and financial performance could be adversely affected.

We rely on short term purchase orders from customers

We, in general, do not enter into long term sales and purchase agreements with our customers. Our customers namely, consumer electrical appliance manufacturers in the PRC normally place purchase orders with us for our products based on their estimated sales and production needs. For the Track Record Period, the number of customers with whom we had business dealings was around 28, 31, 32 and 27 respectively. We had lost certain customers as some of whom had adjusted their product mix and moved manufacturing lines of certain products away while others had decided to close down businesses. As such, the volume of purchase orders from our customers may vary and fluctuate notably from period to period. We intend to retain, to the extent possible, our existing customers and gain new customers, by way of, among other things, our competitive strengths namely, our quality products, knowledge of and experiences in the packaging products, broad range of packaging products, integrated solution for customers' packaging needs, and strategic locations of our factories. We also intend to expand our manufacturing capacity, as part of our business objectives, and establish a new factory in Wuhu City so as to expand our business and customer base geographically into the region. Nonetheless, there is no assurance that we can continue to maintain cordial commercial relationships with our customers or establish commercial relationships with new customers. Should our customers decrease their purchase order size or stop placing order with us, our revenue and profit might be reduced notably and in which case, our business, operations and financial performance could be adversely affected.

Any change in PRC government's policies on household appliances could affect our business

During the period between 2007 and 2009, the PRC government had implemented various policies in respect of the consumer electrical appliance industry namely, the "Rural Area Subsidized Electrical Appliances Purchase Policy (家電下鄉)", the "Home Appliances Replacement Policy (家電以舊換新)" and the "Energy Efficient Product Subsidy Policy (節能產品惠民工程)", which encouraged, to a certain extent, the demand for consumer electrical appliances and in turn related packaging products in the PRC. Under the policies, consumers may purchase consumer electrical appliances at lower

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and subsidized prices and more consumers may find such electrical appliances affordable which in turn encouraged the sales of such consumer electrical appliances. The increase in sales of consumer electrical appliances also encouraged the demand for packaging products and to a certain extent our packaging products for consumer electrical appliances namely, televisions, air conditioners, washing machines and refrigerators in the PRC. According to the statistics by MOFCOM, sales volume of household appliances under the “Rural Area Subsidized Electrical Appliances Purchase Policy” amounted to approximately 77.2 million units in 2010 with a total sales value of approximately RMB173.2 billion, representing increases of approximately 1.3 and 1.7 times respectively as compared to 2009. Refrigerators and televisions together contributed approximately 61% of the total sales value in 2010. According to the statistics by MOFCOM, the accumulated sales volume and value of household appliances under the “Home Appliances Replacement Policy” reached approximately 40.3 million units and RMB152.1 billion respectively as at 7 March 2011. Televisions, air conditioners, refrigerators and washing machines respectively contributed approximately 35.6%, 21.9%, 13.6% and 13.2% of the total sales volume as at 7 March 2011. According to the statistics by the National Development and Reform Commission, after one and a half years of the launch of the “Energy Efficient Product Subsidy Policy”, the domestic consumption was increased by approximately RMB120 billion, of which the consumption of air conditioners was increased by approximately RMB70 billion.

Upon the expiry of such policies in phases over a four year period from the dates of implementation of the respective policies and the latest by 2013, and without the subsidies from the PRC government, the demand in household appliances within the PRC may decrease, which may have an adverse impact on the demand of our products accordingly.

We may not be able to develop and introduce new and better products

The demand for our products is influenced by various factors including preferences of our customers and introduction of new technologies or materials, and availability of substitute products. The preference for more environmental friendly products, packaging materials or other particular types of materials that are at the time considered fashionable may have an influence on our customers’ choice of packaging products. The introduction of new technologies or materials, and availability of substitute products may also influence our customers’ choice of packaging products. The changes in customer preferences, the introduction of new technologies or materials, and availability of substitute products require us to anticipate and respond quickly to such changes by developing and introducing new and better products in a timely and cost effective manner. Should we fail to anticipate and respond to customers’ changing preferences, emerging trends in technology and materials, and availability of substitute products in a timely and cost effective manner, our customers could reduce or stop placing purchase orders with us and in which case our business, operations and financial performance could be adversely affected.

Our products may not meet the specifications of our customers

Our customers place significant emphasis on product quality in their selection of suppliers. Many of our customers require us to supply products that meet their specifications. Should quality of our products be found to be deficient in a material way, we could be required to pay compensation to our customers and/or our customers could reduce or stop placing purchase orders with us, and in

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which case our business, operations and financial performance could be adversely affected. There is no assurance that our products will comply with all the specifications of our customers. Should we fail to comply with all such specifications, our business, operations and financial performance could be adversely affected.

Our quality control department is designated to ensure product quality and standard. Our products are inspected and tested for quality by our quality control personnel in accordance with our internal procedures and guidelines. Nonetheless, there are no assurances that our quality inspection and testing procedures are sufficient and effectively followed by our quality control personnel at all times. Should our quality control personnel fail to follow such internal procedures and guidelines, faulty or defective products could be delivered to our customers. Our quality testing procedures and guidelines are designed, in general, to evaluate product quality under normal usages and conditions and as such, may not be able to cope with unexpected usages and extreme conditions which our products may fail to perform to the satisfaction of our customers. As such, there is no assurance that our quality inspection and testing procedures are sufficient in ensuring our products perform to the satisfaction of all our customers under all conditions.

For the Track Record Period, we had received notifications from our customers in respect of returned or defective products and in this connection we paid compensation of approximately RMB251,000, RMB188,000, RMB628,000 and RMB46,000 respectively to our customers.

Our products and inventories may become obsolete

For the Track Record Period, we made provisions for obsolete products (including packaging products for cathode ray tube televisions) of nil, nil, approximately RMB322,000 and RMB76,000 respectively. The introduction of new technologies, materials, changes in customers' preferences due to various reasons such as demand for more environmental friendly products and availability of substitute products in our industry and the markets for our products may render our products and inventories obsolete. Should we fail to manage our production and inventory levels effectively, there could be significant amounts of obsolete or excessive inventories, and in which case our business, operations and financial performance could be adversely affected.

Shift of demand for packaging products for cathode ray tube televisions to those for flat panel and plasma televisions

The shift in our customers' product mix from cathode ray tube televisions to flat panel and plasma televisions may affect their choice of packaging products and in turn demand for our packaging products. Our products and inventories may also become obsolete as a result of adverse changes in market demands. Our Directors are of the view that the market trend for flat panel and plasma televisions will likely continue and as such, the demand for packaging products for cathode ray tube televisions will likely continue to decline as a result. For the Track Record Period, revenue derived from our sale of packaging products for cathode ray tube televisions was approximately RMB160.9 million in 2008, approximately RMB21.4 million in 2009, approximately RMB9.8 million in 2010 and approximately RMB2.9 million in the first half 2011. Nonetheless, there is no assurance that our sales and marketing effort and the future plan will result in an increase in our revenue adequate to compensate for the loss of revenue arising from the decrease in the demand for packaging products

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for cathode ray tube televisions. Should we fail to compensate for the loss in our revenue arising from the above, our total revenue and in turn our profit might decrease notably, and in which case our business, operations and financial performance could be adversely affected.

We may experience interruptions of operations at our production facilities

The success of our business depends on, among other things, the continued operation of our production facilities. Our production facilities are subject to operating risks such as equipment failures, failures to comply with applicable regulations, disruptions in power supply, industrial accidents, labor shortages and strike, natural calamities such as fire, earthquake and flooding, and acts of sabotage. If any unanticipated or prolonged interruption of operations of any of our production facilities occurs as a result of any of the above risks or other factors, we may not be able to deliver our products to our customers in a timely manner or at all. Should the operation of our production facilities sustain prolonged interruptions, our business reputation and customer relationship might be damaged, and we might be liable to pay compensation to our customers, and in which case our business, operation and financial performance could be adversely affected.

The Sichuan Factory is located in Mianyang City, Sichuan Province, the PRC. Our operations in Sichuan Province may be vulnerable to natural disasters including but not limited to earthquake. Our operations may be interrupted as a result of damages to our machines, equipment and other operating assets in case of an outbreak of natural disasters. There may also be casualties of natural disasters. On 12 May 2008, an earthquake measured 8.0 on the Richter scale hit Wenchuan County, Sichuan Province, the PRC according to the China Earthquake Administration (中國地震局). As a result, there were widespread damages to infrastructures and buildings and many businesses and operations were severely affected near and around the earthquake epicenter. The Sichuan Factory was approximately 264 kilometers away from the earthquake epicenter. We suffered a total loss of approximately RMB2.9 million primarily as a result of damages to certain manufacturing machineries and equipment and our operations at the factory were suspended for seven days. No compensation was paid to our customers for losses arising from the suspension of production. For the financial year ended 31 December 2008, the Sichuan Factory contributed revenue and net profit of approximately RMB129.6 million and approximately RMB27.7 million respectively to our Group. There can be no assurance that we will not be directly or indirectly affected by natural disasters in the future. Should there be casualties or material damages to our operating assets as a result of natural disasters, our business, operations and financial performance could be adversely affected.

Any change in the PRC government's environmental policies on the manufacturing and sale of EPS and EPO packaging products could affect our operations

We manufacture and sell packaging products and structural components for packaging of consumer electrical appliances such as televisions, air conditioners, washing machines and refrigerators in the PRC. During the Track Record Period, all our packaging products were primarily made of raw materials comprising mainly EPS and to a lesser extent EPO while our structural components were made of EPS. The raw materials are preprocessed, conditioned and moulded through our manufacturing facilities into our packaging products. EPS and EPO packaging products are very stable in nature and the proper handling and storage of which will not cause them to produce harmful substance that

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contaminates air and underground water. By the same token, EPS and EPO packaging products buried in the environment take very long time to biodegrade and in this connection, EPS and EPO products are considered to have environmental issue by some environmental organizations. Packaging products made of EPS and EPO can be recycled and reused. Nonetheless, the rigidity and low value of EPS scraps make it not too commercially attractive to collect and transport them over long distance for recycling in the PRC.

As of the Latest Practicable Date, our Directors were not aware of any regulations prohibiting the manufacturing and sale of EPS and EPO packaging products for packaging consumer electrical appliances in the PRC. As advised by our PRC Legal Advisers and confirmed by our Directors, our PRC subsidiaries had obtained confirmations from relevant environmental bureau in respect of the compliance in all material aspects with the environmental laws in the PRC during the Track Record Period. Should the environmental regulations be amended, supplemented or otherwise modified and as a result of which our operations become subject to more stringent environmental regulations, we might have to incur additional costs to comply with the latest environmental regulations and failing which, our business operations might be interrupted or suspended and in which case, our business operations and financial performance could be adversely affected.

We may fail to effectively implement our plan and operations

We plan our manufacturing based on, among other things, our internal annual projections and purchase orders received from our customers mainly on short term basis. However, there is no assurance that our internal projections of demand for our products are accurate and the subsequent manufacturing plans are effective. Should we fail to make accurate internal projections of demand for our products or fail to effectively implement our manufacturing plan, the level of inventories might not meet actual demand and we might fail to deliver our products to our customers as scheduled and in which case, our business, operations and financial performance could be adversely affected.

We may fail to acquire adequate raw materials or to fulfill our customers' orders in a timely and cost-effective manner

We rely on independent suppliers to provide us raw materials for production of our products. The principal types of raw materials used in the manufacturing of our products consist of EPS and EPO. For the Track Record Period, purchases from our five largest raw material suppliers together accounted for approximately 95.7%, 81.9%, 80.1% and 85.0% of our total purchases of raw materials respectively, while our largest raw material supplier accounted for approximately 57.7%, 25.7%, 32.5% and 41.7% of our total purchases of raw materials for the respective periods. Should any of our major suppliers fail to deliver raw materials in accordance with our schedule of production and that we fail to source such raw materials from other suppliers in a timely and cost-effective manner, our production might be delayed, and in which case our business, operations and financial performance could be adversely affected. We may at times be required to purchase raw materials from such other suppliers in the market as necessary at higher prices in order to meet our production schedule due to various factors such as the delay in placing purchase orders for the necessary amount of raw materials. Should we fail to pass the increase in raw materials costs to our customers, our profit margins might be reduced, and in which case our business, operations and financial performance could be adversely affected.

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We may not be able to control the purchase prices of our major raw materials

We purchase our major raw materials namely, EPS and EPO from independent suppliers and the purchase prices for which are subject to significant price volatility as a result of changes in levels of demand, supply and other factors. In particular, the purchase prices of EPS, which is our major raw material are determined to a large extent by market factors. We are subject to a commodity price risk in relation to the purchases of EPS. We have established long-term commercial relationship with our major suppliers for stable and timely supply of raw materials. We, in general, do not enter into long-term agreement with our suppliers in respect of the acquisition of raw materials for a period of more than one year. This is in line with our inventory management so as to avoid stocking of excessive quantity of raw materials.

For the three financial years ended 31 December 2008, 2009 and 2010 and the two six months ended 30 June 2010 and 2011, our average annual purchase prices of EPS were approximately RMB10,620/tonne, RMB7,688/tonne, RMB9,272/tonne, RMB9,502/tonne and RMB10,689/tonne respectively while average annual purchase prices of EPO were approximately RMB35,019/tonne, approximately RMB35,015/tonne, approximately RMB32,234/tonne, RMB34,308/tonne and RMB33,202/tonne respectively. For illustration of the sensitivity of our gross profit to changes in costs of raw materials, every 1% increase in costs of raw materials would result in our gross profit being reduced by approximately 2.2% in 2008, approximately 1.6% in 2009, approximately 1.5% in 2010 and 1.7% in the first half 2011. We have tried to manage such price risk primarily through matching of the purchase prices for our raw materials with the price terms of sales of our products to our customers. Our pricing policy allowed us to pass the increase in our costs of raw materials to our customers by increasing selling prices of our products. The pricing of our products reflected, in general, our costs of raw materials. Nonetheless, there is no assurance that the price risk in relation to the purchases of major raw materials could be minimized effectively at all times. Should we fail to pass the possible increase in purchase prices of raw materials to our customers, our profit margins might be reduced, and in which case our business, operations and financial performance could be adversely affected.

We may lose our key managerial and technical personnel

We depend, to a significant extent, on the efforts and abilities of our Directors and senior management, particularly Mr. Chao and our other executive Directors set forth in the section headed “Directors and Senior Management” in this prospectus, for our future growth and success, as they have contributed their in-depth industry experience and technical knowledge to us. Specifically,

- Mr. Chao, our Chairman, the chief executive officer of our Group, an executive Director and a Controlling Shareholder, has been instrumental in the formulation and execution of our business and expansion strategies and his forward-looking growth strategies and management concepts are essential to our rapid growth in recent years.
- Ms. Chen Fen, an executive Director, has joined our Group since September 2005 and has contributed to the business operation and in particular financial management of our Group.
- Mr. Zuo Ji Lin, an executive Director, has joined our Group since April 2001 and has contributed to the business operation and in particular marketing management of our Group.

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Our Directors and members of our senior management team are critical to our business development and maintenance of relationships with many of our key customers. We are dependent on other managerial and marketing personnels and technicians for our production, marketing, sales, and research and development operations. Competition for qualified personnel is intense in our industry within the PRC. Should we lose the services of our key managerial and technical personnel or fail to attract and retain additional qualified managerial, technical and marketing personnel, our business, operations and financial performance could be adversely affected.

We may fail to acquire adequate ancillary parts for the manufacturing of our products

We purchase ancillary parts for use in some of our packaging products. We intend to continue purchasing ancillary parts for our packaging products as and when necessary as the manufacturing of such parts, in our view, requires specialized facilities and expertise that are not the focus of our existing business and manufacturing operations. For the Track Record Period, purchase costs of the above ancillary parts amounted to approximately RMB3.5 million, RMB4.3 million, RMB6.2 million and RMB3.1 million respectively. We have engaged 14, 13, 15 and 22 ancillary parts manufacturers respectively during the same period. We are subject to various risks associated with the utilization of ancillary parts, including failure of such parts to meet our production criteria, product quality or delivery requirements. Should any of these risks materialize, our business, operations and financial performance could be adversely affected. We may be required to seek alternative suppliers for the above ancillary parts. Should there be a prolonged interruption to our operations as a result of excessive time taken to secure alternative suppliers of the ancillary parts and an increase in our expenditure as a result of the above, our business, operations and financial performance could be adversely affected.

We may experience delays or defaults in collecting our trade receivables

For the Track Record Period, our trade receivables were approximately RMB52.4 million, RMB56.3 million, RMB56.3 million and RMB83.6 million respectively, representing approximately 31.4%, 40.6%, 37.4% and 52.1% of our total current assets as of the respective period ends. For the Track Record Period, the provision set aside for doubtful debts was approximately RMB1,000, Nil, Nil and Nil respectively, while bad debts written-off were approximately RMB1,000, Nil, Nil and Nil respectively. As of 30 September 2011, approximately RMB72.5 million or approximately 86.7% of the trade receivables outstanding as of 30 June 2011 had been settled in cash and note receivables. Should we experience difficulty in collecting any of our trade receivables or at all, our cash flow and working capital position could be worsened, and in which case our business, operations and financial performance could be adversely affected.

Our financial performance will be affected by the Listing expenses

Our financial performance for the financial year ending 31 December 2011 will be affected by the expenses incurred in relation to the Listing and the nature of which is non-recurrent. The Listing expenses are estimated to be approximately HK\$17.5 million (based on the Offer Price of HK\$1.15 per Offer Share, being the midpoint of the Offer Price range), of which approximately HK\$9.5 million is directly attributable to the issue of new Shares to the public and is to be accounted for as a deduction from equity and approximately HK\$8.0 million are to be charged to profit or loss of our Group for

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the financial year ending 31 December 2011. No Listing expenses were expensed in profit and loss of our Group during the Track Record Period. In view of the above, our financial performance for the financial year ending 31 December 2011 could be adversely affected by the Listing expenses.

Our net cash generated from operating activities decreased continuously in 2008, 2009 and 2010

Our net cash generated by our operating activities decreased from approximately RMB64.3 million in 2008 to approximately RMB24.9 million in 2009, and further to approximately RMB11.0 million in 2010. The decrease in net cash generated by our operating activities from 2008 to 2009 was attributed mainly to the decrease in profit before tax in 2009. The decrease in net cash generated by our operating activities from 2009 to 2010 was attributed mainly to the increase in held-for-trading investments and the increase in trade and other receivables in 2010. As of 30 September 2011, approximately 86.7% of the trade receivables outstanding as of 30 June 2011 had been settled. Our Group disposed of all the investment in listed equity securities by January 2011. There is no assurance that we will continue to record net cash generated from operating activities in the future. Should our net cash generated from operating activities continue to decrease or become net cash used in operating activities, the cash resources and liquidity of our Group might be reduced and in which case, our business operations and financial performances could be adversely affected.

Please refer to the paragraph headed “Financial information – Liquidity and capital resources” for further information in this regard.

We may be exposed to infringement or misappropriation claims

The development of our business depends on our technical know-how in designing and manufacturing our products without knowingly infringing the intellectual property rights of other third parties. The design and manufacturing of our products involve applications of various technology, engineering, scientific calculations and the six patents licensed to us by one of our top five customers. We may face intellectual property infringement claims and the defence of which can be both costly and time consuming and may significantly divert our efforts and resources from our principal business operations. During the Track Record Period, to the best knowledge of our Directors, we had not received any claims filed against our Group in respect of infringement or misappropriation of intellectual property rights. Should any of the infringement or misappropriation claims be determined adversely against us, we could be subject to significant liability to third parties and required to seek licenses from third parties, pay ongoing royalties and also redesign our products. If there is any infringement or misappropriation claims against us, we might also be prohibited from carrying on business activities in relation to the manufacture and sale of our products or the use of our technologies and/or patents. Protracted litigation could also result in our existing or potential customers deferring or limiting their purchase or use of our products until resolution of such litigation.

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We may be subject to civil and criminal liabilities for our defective products

Manufacturers and sellers of defective products in the PRC may be liable for loss and injury caused by such products. According to the principal laws and regulations governing this area, such as the General Principles of the Civil Law of the PRC (民法通則), where a sub-standard product causes property damage or physical injury to any person, the manufacturer or seller of such sub-standard product may be subject to civil liabilities for such damage or injury. In addition, under the Product Quality Law of the PRC (中華人民共和國產品質量法), manufacturers are responsible for the quality of the products they produce which must meet certain minimum standards and manufacturers producing defective products may be liable for criminal liability and have their business licenses revoked.

We generally do not have product liability insurance for our products, business interruption insurance, third-party liability insurance for personal injuries. Whilst there have not been any complaints or claims against us for damage or physical injury to any person due to defective products for the Track Record Period, there is no assurance that we will not receive any complaints or claims against us pursuant to, including but not limited to, the breach of any of the above-mentioned laws in the future. Should any of the above materialize, our business, operations and financial performance could be adversely affected.

We may fail to compete successfully against emergence of alternative products and suppliers

We face significant competition in our business. There are many suppliers of similar or alternative products in our industry and terms of pricing offered by such suppliers can be very competitive. Our customers may require us to lower the pricing of our products in order to remain competitive. For the Track Record Period, the average selling prices of our Group's EPS products ranged between approximately RMB16,000/tonne to approximately RMB20,000/tonne, while our Group's EPO products ranged between approximately RMB55,000/tonne to approximately RMB69,000/tonne. The maintenance of manufacturing and related costs in check is thus considered important to keeping our terms of pricing competitive. Suppliers with comparatively large scale of operation are considered advantageous in achieving better economies of scale and keeping manufacturing costs comparatively lower. The location of manufacturing facilities and related transportation cost and time are also considered crucial in attracting purchase orders from customers. Customers may at times require individual products and the capability to offer and turn around such products are also considered important to securing purchase orders from customers. The introduction of new technologies and materials, availability of alternative products and changes in customers' preferences may also have an impact on the sales of our products. We, in general, compete on the following aspects:

- Terms of pricing;
- Product quality and reliability;
- Design, technical and manufacturing capabilities;
- Ability to meet customers' delivery schedules; and
- Customer relationships and services.

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There is no assurance that our business and products will remain competitive in any of the above areas. As we expand our range of products to target a wider base of customers, we expect to face strong competition from many established players in the markets for these products. Many of our existing and potential competitors may have significantly greater financial, manufacturing, sales, marketing and other resources than we have. Should we fail to compete effectively in the future, our business, operations and financial performance could be adversely affected.

We may compete with Sino Haijing

The elder brother of Mr. Chao, an executive Director and one of the Controlling Shareholders, is a controlling shareholder of Sino Haijing which is engaged in the manufacture and sale of packaging materials, including EPS packaging products and paper honeycomb products. For the financial year ended 31 December 2010, Sino Haijing reported revenue of approximately HK\$514.3 million, profit for the year of approximately HK\$32.9 million and net assets of approximately HK\$350.7 million. We are of the view that the supply of packaging products for consumer electrical appliance, is a localized industry as such products are typically large and rigid and therefore the transportation costs of which over long distance are expensive. As such, buyers of packaging products will typically choose to purchase such products from suppliers located near to their manufacturing bases. As of the Latest Practicable Date, all our existing factories are located far away from the factories of Sino Haijing and our Group has no plan to build a material business presence in those locations where Sino Haijing has major manufacturing operations, and in this regard, we are not in direct competition with Sino Haijing.

Nonetheless, there is no assurance that Sino Haijing will not establish material business presence near our factories and compete directly for our existing customers. Should Sino Haijing compete directly with our Group for business, we might fail to retain existing or gain new customers and in which case, our business and financial performances might be adversely affected.

Our future plan to establish a factory in Wuhu City may not be profitable

We intend to establish a new factory in Wuhu City for the manufacturing and sale of packaging and structural products. We consider the location of our new factory important and our preference is those locations within close proximity to our potential customers. The close distance between the manufacturing plant and our customers will shorten the delivery time and minimize related transportation costs of our packaging products to our customers. Our existing three factories are commercially viable to serve customers in their respective neighborhoods only and therefore spare manufacturing capacities of one factory may not be used by another. Notwithstanding the spare manufacturing capacities of the three factories, the establishment of the new factory in Wuhu City is to serve potential customers in the city. The future plan to establish a factory in Wuhu City is subject to various risks including but not limited to, the delay in securing a suitable location for the new factory at appropriate consideration with adequate gross floor area and equipped with necessary facilities and provision of power resources adequate for our business and manufacturing operations. Further, we may face fierce competition from other suppliers of packaging products already established in Wuhu City and may experience difficulty in securing adequate purchase orders from potential customers, if at all. There is no assurance that our future plan to establish the factory will proceed to completion and if completed will be profitable for

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our Company. As of the Latest Practicable Date, our Company had not entered into any agreements in respect of the supply of packaging products to potential customers in Wuhu City. Should the new factory fail to generate profits, we might suffer a loss in investments and in which case, our business and financial performance could be adversely affected.

Please refer to the paragraph headed “Business – Business strategies” for further information in this regard.

We may fail to secure adequate capital in the future

The construction and maintenance of our manufacturing facilities are capital intensive. For the Track Record Period, our capital expenditures amounted to RMB4.0 million, RMB3.7 million, RMB4.3 million and RMB3.5 million respectively. The capital expenditures were incurred primarily to increase our production capacity and improve quality of our manufacturing facilities. Our future capital requirements may be substantial as we seek to expand our operations and manufacturing capabilities. There is no assurance that we will have adequate internal and external resources to meet our future capital expenditure requirements, and we may from time to time be required to raise additional funds to meet such capital requirements. Any equity or debt financing, if available at all, may be on terms that are not favorable to us. A high level of borrowings and other forms of debt may result in a significant increase in interest expenses while at the same time exposing us to increased interest rate risks. Equity financings could result in dilution of interests of our Shareholders, and our securities issued in future financings may have rights, preferences and privileges that are senior to those of our existing Shares. Should we fail to obtain necessary funding on acceptable terms or at all, our business expansion and other business plans might be delayed which in a long run could affected our competitive strength in the industry and markets, and in which case our business, operations and financial performance could be adversely affected.

Our reliance on Sichuan Changhong Electric

Sichuan Jinghong relies on Sichuan Changhong Electric, one of our top five customers, for the purchase of its products, and the following arrangements: the leasing of the Sichuan Factory, the supply of power resources and the licensing of patents for Sichuan Jinghong business and manufacturing operations.

Sichuan Jinghong and Sichuan Changhong Electric have entered into agreements to secure the above arrangements for a specified period subject to renewal upon expiry in accordance with the terms and conditions as specified in such agreements. Nonetheless, there is no assurance that such arrangements will not be terminated before, or will be renewed upon, their respective expiry dates. Should the lease arrangement be terminated or not be renewed, we would have to execute a contingency plan to relocate the operations of Sichuan Jinghong to a factory at appropriate location in Mianyang City, Sichuan province, the PRC at manageable costs including but not limited to rental and relocation costs to be incurred in this regard within a reasonable timeframe in order to continue our business and manufacturing operations there. Based on our contingency plan, we identified factories available for leasing at appropriate locations in Mianyang City namely, within reasonable distance from our existing and potential customers offering gross floor areas ranged from approximately 14,000 sq.m.

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to approximately 16,000 sq.m. at asking rents comparable to the rent for the leasing of the Sichuan Factory. The factories were installed with equipment for the supply of power resources necessary for our operations at rates comparable to that payable by Sichuan Jinghong to Sichuan Changhong Electric for purchase of power resources. The execution of the contingency plan will likely incur expenses including, among other things, relocation expenses and renovation expenses and such expenses were estimated, in aggregate, to be approximately RMB2 million. The whole relocation process was expected to take around 30 days while the installation of machines and equipment was expected to take around 7 days and during which the operations of Sichuan Jinghong might be suspended and as such, Sichuan Jinghong would suffer a loss of revenue of approximately RMB5.4 million estimated on a pro rata basis of the revenue contributed by Sichuan Jinghong for the financial year ended 31 December 2010. Please refer to the paragraph headed “Business – Our relationship with Sichuan Changhong Electric” for further information in this regard.

The sale of our products

For the Track Record Period, we derived revenue from the sale of products to Sichuan Changhong Electric of approximately RMB126.0 million, approximately RMB43.5 million, approximately RMB40.8 million and approximately RMB25.0 million respectively, which accounted for approximately 53.7%, approximately 35.7%, approximately 24.6% and approximately 24.9% of our total revenues respectively. The pricing for the sales of our products to Sichuan Changhong Electric was based on market rates and fell within our price range for such products. There is no assurance that Sichuan Changhong Electric will continue to place purchase orders with us in the future. Should Sichuan Changhong Electric place fewer or no purchase orders for our products, our sales might decrease notably and in which case our business, operations and financial performance could be adversely affected.

The leasing of Sichuan Factory

Sichuan Changhong Electric and Sichuan Jinghong entered into a renewed leasing agreement dated 27 December 2010, pursuant to which Sichuan Changhong Electric leased the Sichuan Factory to Sichuan Jinghong for a term of three years commencing from 1 January 2011 and ending on 31 December 2013, subject to renewal, at a rental of approximately RMB121,000 per month or approximately RMB1.5 million per year. As confirmed by Asset Appraisal Limited, our property valuer, the rent payable by Sichuan Jinghong to Sichuan Changhong Electric for leasing of the Sichuan Factory is fair and reasonable and comparable to market rental prices of similar industrial properties located nearby. There can be no assurance that the leasing arrangement for the Sichuan Factory will not be terminated before its expiry date or the leasing arrangement will be renewed upon its expiry date. Should the leasing arrangement for the Sichuan Factory be terminated before its expiry date or not be renewed upon its expiry date, we would be required to execute a contingency plan and secure a factory at appropriate location in Mianyang city, Sichuan province, the PRC at manageable costs including but not limited to rental and relocation costs to be incurred in this regard within a reasonable timeframe in order to continue our business and manufacturing operations there. Should we fail to execute the relocation plan as and when required successfully, the business and operations of Sichuan Jinghong might be affected and in which case our business, operations and financial performance could be adversely affected.

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The supply of power resource

Sichuan Changhong Electric and Sichuan Jinghong entered into a renewed agreement dated 13 February 2011 pursuant to which Sichuan Changhong Electric agreed to supply and Sichuan Jinghong agreed to purchase power resources including electricity, water, steam and pressurized air for business and manufacturing operations of Sichuan Jinghong, for a term of three years commencing on 13 February 2011 and ending from 13 February 2014, subject to renewal, at predetermined rates with reference to prevailing market rates and manufacturing capacity of the Sichuan Factory. Our Directors are of the view that the rates payable by Sichuan Jinghong to Sichuan Changhong Electric for the purchase of power resources are fair and reasonable and based on the prevailing market rates of such power resources, the materials and operating costs incurred in the provision of such power resources by Sichuan Changhong Electric. Should the power supply arrangement for the Sichuan Factory be terminated before its expiry date or not be renewed upon its expiry date, we would be required to secure alternative source of power supply or produce such power supply on our own at manageable costs including but not limited to acquisition of the necessary power lines and cables, machineries and equipment to be incurred in this regard within a reasonable timeframe in order to continue our business and manufacturing operations there. Should we fail to secure alternative source of power supply or produce such power supply on our own as and when required successfully, the business and manufacturing operations of Sichuan Jinghong might be affected and in which case our business, operations and financial performance could be adversely affected.

The licensing of patents

In August 2008 and October 2009, Sichuan Jinghong (as licensee) entered into two patent licensing agreements respectively with Sichuan Changhong Electric (as licensor) pursuant to which Sichuan Jinghong are granted the use in the PRC of (i) two patents owned by Sichuan Changhong Electric for a term of 5 years from 22 August 2008 at a total consideration of RMB8,000 per year; and (ii) four patents owned by Sichuan Changhong Electric for a term of 5 years from 20 October 2009 at a total consideration of RMB12,000 per year. Our Directors are of the view that the considerations for the licensing of the patents under the abovementioned agreements are fair and reasonable which are based on arm's length negotiation between the respective parties. Should any of the patent licensing arrangements be terminated before its expiry date or not be renewed upon its expiry date, Sichuan Jinghong would not be allowed to use such patents in connection with its business and manufacturing operations, and in which case our business, operations and financial performance could be adversely affected. The patents were related to the design of packaging products for certain versions of flat panel and plasma televisions. For the Track Record Period, our Group did not rely much on the application of the patents referred to in the patent licensing agreements as revenue derived from sale of packaging products on which such patents were directly applied was immaterial. In view of the above, our Directors considered the patents were not crucial to the operations of our Group during the Track Record Period.

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We may experience labor shortage or unrest

Our production processes are labor intensive. We recruit workers on our own for our production processes. There are cases of labor shortages reported in various areas in the PRC. Whilst we had not experienced any significant labor shortages in the past, there is no assurance that we will not face such problems in the future. We may be required to increase the wages for our workers as a result of changes in the labor market conditions or industry practices. Some recent reported cases of labor unrest in some manufacturing companies based in the PRC resulted in significantly increases in wages for their employees. We have not experienced and do not expect labor unrest and demand for pay raise from our employees as a direct result of such incidents. For the three financial years ended 31 December 2008, 2009 and 2010, the average annual wage per employee of our Group based on the number of employees as of the respective year end dates were approximately RMB22,000, approximately RMB22,000 and approximately RMB25,000 respectively.

We expect the wage levels of our employees and contract workers will continue to be determined in accordance with the prevailing market rates in relevant locations as well as performance of such employees for the foreseeable future in order for us to remain competitive. There is no assurance that we will not face labor unrest or we will not raise wages for our employees whether due to labor unrest at our Group or as a result of the pay raise of other manufacturing companies in the PRC in response to labor unrest related to them. Labor unrest will disrupt our production and the higher wages will result in increased labor costs for us. Should we fail to increase our product prices to offset the additional labor costs in a timely manner or fail to manage labor shortage or labor unrest, our business, operation and financial performance could be adversely affected.

We may experience fluctuations in business performance due to seasonal effect

The sales of our products are subject to seasonal effect as our customers namely, manufacturers of consumer electrical appliances typically place more purchase orders for our products in the months of December, January, April and August each year in anticipation of higher sales of consumer electrical appliances around and during holidays such as Chinese New Year and summer season. We typically receive relatively fewer purchase orders in February each year as our customers generally experience a reduced level of manufacturing activity in the absence of the above seasonal factors. In view of the above, our sales and as a result, our business and financial performances are subject to fluctuations from period to period.

We may fail to operate successfully in the PRC

During the Track Record Period, we generated all our revenues from the sales of our products to customers in the PRC. We anticipate a very significant portion, if not all, of our sales activities will continue to be carried out in the PRC in the near future as our target customers are mainly consumer electrical appliance manufacturers in the PRC. As such, we may face a variety of risks and uncertainties associated with carrying out business activities in the PRC. Please refer to the paragraph headed "Risks related to the PRC" below for more information. Should we fail to manage the risks and uncertainties related to carrying out business activities in the PRC, our revenues from the sales of our products in the PRC might be affected, and in which case, our business operation and financial performance could be adversely affected.

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We cannot control the disposition of our products by end users

We specialize in the design, manufacturing and sale of packaging products made primarily of EPS and EPO and structural components made of EPS for consumer electrical appliances in the PRC. Our customers typically apply our products for packaging or as components (in case of our structural components) inside the consumer electrical appliances, and sell them to consumers or end users in the PRC.

We have no control over the end users as to their dispositions of our products. Given that products made of EPS and EPO tend to biodegrade slowly in an open environment, any disposal of such products, in an uncontrolled manner, may have a negative impact on the environment.

Our Group's non-compliance with certain social security insurance and housing provident fund contributions laws and regulations in the PRC could lead to the imposition of fines and penalties

During the Track Record Period, we have not fully paid certain past social security insurance premiums and housing provident fund contributions for and on behalf of all of our employees in the PRC.

The outstanding amount of the social security insurance and housing provident fund contributions payable by our PRC subsidiaries to the relevant PRC authorities in respect of the above non-compliance with the social security system in the PRC were approximately RMB914,000. In this connection, our Controlling Shareholders have agreed to indemnify our Group against any losses, liabilities and expenses, relating to any claim brought by the authorities or any other third party in relation to the above non-compliance. Please refer to the paragraph headed "Business – Regulatory compliance – Social security insurance and housing provident fund contributions" in this prospectus for further details.

As advised by our PRC Legal Advisers, we may be ordered to pay such outstanding social security insurance premiums and/or housing provident fund contributions within a prescribed time limit by the relevant PRC authorities. According to 《住房公積金管理條例》(the Regulations on Management of Housing Provident Fund), if we fail to rectify the non-compliance within the prescribed time limit as ordered by the relevant PRC authorities, a fine in an amount between RMB10,000 and RMB50,000 may be imposed on our Group. In addition, pursuant to 《社會保險費申報繳納管理暫行辦法》(the Interim Regulation on the Collection and Payment of Social Security Insurance Premiums), if we fail to rectify the non-compliance within the prescribed time limit as ordered by the relevant PRC authorities, the relevant PRC authorities may impose a belated payment (滯納金) at the daily rate of 0.2% of the overdue social security insurance premiums for any delay in payment from the date when the relevant contributions become due and payable until the actual payment date.

Any judgment or decision against us in respect of the outstanding social security insurance and/or housing provident fund contributions and in the event that the Controlling Shareholders fail to honour their indemnity could have an adverse effect on our reputation, cash flow and results of operations.

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Any failure to comply with any production safety standards in the PRC may affect our business

We are required to ensure safety throughout our production and business operations in order to comply with laws and regulations relating to production safety in the PRC. For the Track Record Period, our Group had not received any official notices from the relevant authorities in the PRC in respect of demand to make payment of fines or penalties or make improvement to our manufacturing facilities arising from failure to comply with production safety standards in the PRC. In the event of failure to meet the PRC standards for production safety, we could be subject to fines or penalties or be required to invest additional capital to carry out necessary improvements to meet such standards, and accordingly our business and results of operations would be adversely affected.

RISKS RELATED TO THE PRC

Changes in the PRC's political, economic and social conditions, laws, regulations and policies may have an adverse effect on our business

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

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

The PRC economy has been making the transition from a planned economy to a more market-oriented economy. For the past three decades, the PRC government has implemented economic reform measures emphasizing utilization of market forces in the development of the PRC economy. In addition, the PRC government continues to play a significant role in regulating industries by imposing industrial policies. Despite the implementation of such reforms, we cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on our current or future business, results of operations or financial condition.

The PRC's legal system embodies uncertainties that could adversely affect our business

As substantially all of our operations are conducted and substantially all of our assets are located in the PRC, our operations are generally affected by and subject to the PRC legal system and the PRC laws and regulations. Since 1979, many new laws and regulations covering general economic matters have been promulgated in the PRC. Despite this activity to develop the legal system, the PRC's

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system of laws is not yet complete. Even where adequate law exists in the PRC, the enforcement of existing laws or contracts based on existing law may be uncertain or sporadic, and it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a judgment by a court of another jurisdiction. The PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited for reference but have limited weight as precedents. The relative inexperience of the PRC's judiciary in many cases creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes.

Our operating PRC subsidiaries may be subject to higher level of tax rates in the PRC

We operate our business and manufacturing operations principally through our operating PRC subsidiaries namely, Sichuan Jinghong, Chongqing Guangjing and Chuzhou Chuangce and such operations are subject to various taxes in the PRC. Our operating PRC subsidiaries have enjoyed favourable tax rates in the PRC. For the Track Record Period, income tax expenses of our Group were approximately RMB7.2 million, RMB1.3 million, RMB4.0 million and RMB1.1 million respectively. The tax concession applicable to Sichuan Jinghong had expired in 2010 and as such it would be subject to the statutory rate of 25% under PRC EIT Law in the PRC from 2011 onwards.

The favourable tax rates currently enjoyed by our operating PRC subsidiaries will likely expire in the near future and upon the expiry of which, the business operations of our operating PRC subsidiaries will be subject to the comparatively higher tax rates in the PRC. In view of the above, our operating PRC subsidiaries will not be able to continue to enjoy the low effective tax rates as shown in the Track Record Period indefinitely and, at later stage, will be required to pay higher level of tax in respect of their operations in the PRC and in which case, our tax payments will be increased while earnings retained for Shareholders will be reduced.

Please refer to the paragraph headed "Financial information – Principal income statement – Income tax expenses components" for further information in this regard.

Our Company may be subject to withholding tax on dividends received from the PRC subsidiaries

We were incorporated in the Cayman Islands, and substantially all of our income will come from dividends that we receive from our PRC subsidiaries. Before the PRC EIT Law came into effect, dividends derived from our business operations in the PRC were not subject to income tax under PRC law. Under the PRC EIT Law, dividends payable to foreign investors that are "derived from sources within the PRC" may be subject to income tax at the rate of 10% by way of withholding, unless otherwise reduced by PRC laws, rules and regulations or through agreements between the PRC Government and the government of other countries or regions. Under the PRC EIT Law, equity investment income from sources within the PRC or a foreign territory, such as dividends and bonuses, will be recognized by reference to the locations in which the enterprises that distributed the dividends and bonuses are located. As a result, dividends payable to our foreign investors may be deemed as income derived from sources within the PRC.

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Gain on the sales of our Shares and dividends payables by us to our foreign investors may be subject to withholding tax under the PRC income taxes

Under the PRC EIT Law, a PRC income tax at the rate of 10% is applicable to dividends payable to enterprise investors that are non-resident enterprises to the extent such dividends have their sources within the PRC. Similarly, any gain realized on the transfer of shares by such investors is also subject to a 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. If we are considered as a PRC resident enterprise by virtue of having our management in the PRC, it is unclear whether the dividends we pay with respect to our Shares, or the gain you may realize from the sale of our Shares, would be treated as income derived from sources within the PRC and therefore become subject to the PRC EIT Law. If we are required under the PRC EIT Law to withhold PRC enterprise income tax on our dividends payable to our foreign Shareholders, or if you are required to pay PRC enterprise income tax on the transfer of your Shares, the value of your investment in our Shares may be materially and adversely affected.

Fluctuations in the exchange rates of the RMB may adversely affect your investment and our business

The exchange rates between the RMB and the Hong Kong dollar, the U.S. dollar and other foreign currencies are affected by, among other things, changes in the PRC's political and economic conditions. In 2005, the PRC government changed its policy of pegging the value of the RMB to the U.S. dollar. Under that policy, the RMB is pegged against a basket of currencies, determined by the People's Bank of China ("PBOC"), against which it can rise or fall by as much as 0.5% each day. In late June 2010, the PBOC announced that it has decided to proceed further with reform of the RMB exchange rate regime and to enhance the RMB exchange rate flexibility. This signals that there may be additional policy changes relating to the RMB exchange rate regime.

There remains significant international pressure on the PRC government to adopt a more flexible policy, which could result in a further appreciation of the RMB against the U.S. dollar, the Hong Kong dollar or other foreign currency. As we rely on dividends paid to us by our operating subsidiaries, any significant revaluation of the RMB may have a material adverse effect on the value of dividends payable in foreign currency terms, and to the extent that we need to convert the proceeds from the Share Offer and future financing into the RMB for our operations, appreciation of the RMB against the relevant foreign currencies would have an adverse effect on the RMB amount we receive from the conversion.

As our functional currency is RMB, such foreign currency-denominated cash and cash equivalents are exposed to fluctuations in the value of the RMB against the currencies in which these cash and cash equivalents are denominated. Any significant appreciation of the RMB against these foreign currencies may result in significant exchange losses.

Furthermore, any appreciation of the RMB increases our cost of production, and any devaluation of the RMB may adversely affect the value of our net assets in foreign currency terms.

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Government control of foreign currency conversion may affect the value of your investment

The PRC Government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC. We receive all of our revenues in RMB. Under our current group structure, our Company's income is primarily derived from dividend payments from our subsidiaries in the PRC. Shortages in the availability of foreign currency may restrict the ability of our subsidiaries in the PRC to remit sufficient foreign currency to pay dividends or other payments to our Company, or otherwise satisfy their foreign currency denominated obligations, if any. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of the PRC State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. However, approval from appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of bank loans denominated in foreign currencies. The restrictions on foreign exchange transactions under capital accounts could also affect the ability of our subsidiaries in the PRC to obtain foreign exchange through debt or equity financing, including by means of loans or capital contribution from us. The PRC Government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy the currency demands, our Company may not be able to pay dividends in foreign currencies to our Shareholders.

It may be difficult to effect service of process upon us or our Directors who live in the PRC or to enforce against us or them in the PRC judgments obtained from non-PRC courts

Our Company is incorporated in the Cayman Islands. A majority of our Directors are residents of the PRC. Our Company is a holding company, and a substantial proportion of the assets of our operating subsidiaries are located within the PRC. Therefore, it may be difficult for investors to effect service of process upon us or our Directors who live in the PRC or to enforce against us or them in the PRC any judgments obtained from non-PRC courts.

The PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with Japan, the United Kingdom, the United States or most other developed countries. Accordingly, it may be difficult to secure recognition and enforcement in the PRC for court judgments obtained in other jurisdictions and to access our assets in the PRC in order to enforce judgment awards entered against us outside of the PRC. Therefore, it may be difficult for you to enforce against us, or our Directors in the PRC, any judgments obtained from non-PRC courts.

Our corporate structure may restrict our ability to receive dividends from, and transfer funds to, our PRC operating subsidiaries, which could restrict our ability to act in response to changing market conditions in a timely manner

Our Company is a Cayman Islands holding company and substantially all of our operations are conducted through our PRC operating subsidiaries. The ability of our PRC operating subsidiaries to make dividend and other payments to us may be restricted by factors that include changes in applicable foreign exchange and other laws and regulations. In particular, under PRC law, each of

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our PRC operating subsidiaries may only pay dividends after 10% of its net profit has been set aside as reserve funds, unless such reserves have reached at least 50% of its registered capital. In addition, the profit available for distribution from our PRC operating subsidiaries is determined in accordance with generally accepted accounting principles in the PRC. This calculation may differ if it were performed in accordance with HKFRS. As a result, we may not have sufficient distributions from our PRC operating subsidiaries to enable necessary profit distributions to our Shareholders in the future, which would be based upon our financial statements prepared under HKFRS.

Distributions by our PRC operating subsidiaries to us other than as dividends may be subject to governmental approval and taxation. Any transfer of funds from our Company to our PRC operating subsidiaries, either as a shareholder loan or as an increase in registered capital, is subject to registration or approval of PRC governmental authorities, including the relevant administration of foreign exchange and/or the relevant examining and approval authority. These limitations on the free flow of funds between us and our PRC subsidiaries could restrict our ability to act in response to changing market conditions in a timely manner.

RISKS RELATED TO THE SHARE OFFER

There has been no prior public market for our Shares and the liquidity and market price of our Shares may be volatile

Prior to the Share Offer, there has been no public market for our Shares. The Offer Price per Share was the result of negotiations between us and the Sole Lead Manager on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our Shares following the Share Offer. We have applied to list and trade our Shares on the Stock Exchange. There is no assurance that the Share Offer will result in the development of an active, liquid public trading market for our Shares. In addition, the price and trading volumes of our Shares may be volatile. Factors such as variations in our revenues, earnings and cash flow or any other developments may affect the volume and price at which our Shares will be traded. Volatility in the price of our Shares may also be caused by factors outside our control and may be unrelated or disproportionate to our operating results.

Purchasers of our Offer Shares will experience substantial and immediate dilution and may experience further dilution if we issue additional Shares in the future

The Offer Price of our Offer Shares may be higher than the net tangible asset value per Share immediately prior to the Share Offer. Purchasers of our Offer Shares in the Share Offer will experience an immediate dilution in unaudited pro forma adjusted net tangible asset value to approximately HK\$1.11 per Share, based on the Offer Price of HK\$1.3 per Offer Share.

In order to expand our business, we may consider offering and issuing additional Shares in the future. We may also issue additional Shares pursuant to our Share Option Scheme. Purchasers of our Offer Shares may experience dilution in the net tangible assets book value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible assets book value per Share.

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Dividends declared in the past may not be indicative of our dividend policy in the future

For the Track Record Period, our PRC subsidiaries declared and paid dividends to their then shareholders of approximately RMB8.3 million, approximately RMB41.1 million, approximately RMB23.9 million and approximately RMB34.3 million respectively. Our Company was incorporated in the Cayman Islands on 4 January 2011. As at 30 June 2011, no distributable reserves were available in cash for distribution to our Shareholders. The amounts of distributions that any member of our Group has declared and made in the past are not indicative of the dividends that we may pay in the future. A declaration of dividends proposed by our Board and the amount of any dividends will depend on various factors, including, without limitation, our results of operations, financial condition, future prospects and other factors which our Board may determine are important. For further details, please refer to the paragraph headed “Financial information – Dividend policy” in this prospectus. We cannot guarantee if and when we will pay dividends in the future.

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

Future sales of a substantial number of our Shares by our Directors, officers, or current Shareholders, or the possibility of such sales, could negatively affect the market price in Hong Kong of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. Our Controlling Shareholders as of the Latest Practicable Date have given undertakings on the holding of their Shares. Please refer to the paragraph headed “Underwriting – undertakings” in this prospectus for further details. While we are not aware of any intentions of any of our Shareholders to dispose of significant amounts of Shares, we are not in a position to give any assurance that our Shareholders will not dispose of any Shares in the future or the Controlling Shareholders who have given undertakings on their Shares will not dispose of their Shares upon expiry of the relevant lock-up periods.

We cannot guarantee the accuracy of certain facts and statistics with respect to the PRC, the PRC economy and electrical appliance industry contained in this prospectus

Certain facts and statistics contained in this prospectus relating to the PRC, the PRC economy and the electrical appliance industry have been derived from, among other sources, official PRC government publications generally believed to be reliable. We believe that the sources of the information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading in a material manner. However, the information has not been independently verified by us, the Sponsor, the Underwriters or any other party involved in the Share Offer and no representation is given as to its accuracy. Also, we cannot guarantee the quality or reliability of such official government publications. They have not been prepared by us, the Sponsor or the Underwriters or any of our or their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of the facts and statistics, or materials prepared based on the facts and statistics, contained in the official government publications, which may not be consistent with other information compiled within or outside the PRC.

WAIVER FROM COMPLIANCE WITH THE LISTING RULES

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Given that the business and operations of our Group are primarily located, managed and conducted in the PRC and none of our executive Directors are ordinarily resident in Hong Kong, our Company does not and will not, in the foreseeable future, have a management presence in Hong Kong.

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

- (a) our Company has appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange. The two authorized representatives appointed are Mr. Chao, an executive Director and Mr. Tsoi Ka Shing, our company secretary who is ordinarily resident in Hong Kong. Each of the authorized 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 two authorized representatives is authorized to communicate on behalf of our Company with the Stock Exchange;
- (b) all the authorized representatives have the means to promptly contact all members of the Board (including our independent non-executive Directors) and of the senior management team 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 authorized representatives and our Directors, our Company will implement a number of policies including (i) each executive Director and independent non-executive Director shall provide his/her mobile phone numbers, residential phone numbers, office phone numbers, fax numbers (if available) and email addresses (if available) to the authorized representatives; (ii) in the event that an 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 authorized representatives; and (iii) all our Directors and authorized representatives will provide their respective mobile phone numbers, residential phone numbers, office phone numbers, fax numbers (if available) and email addresses (if available) to the Stock Exchange;
- (c) if the circumstances require, meetings of the Board can be convened and held in such manner as permitted under the Articles of Association at short notice to discuss and address any issue with which the Stock Exchange is concerned in a timely manner;

WAIVER FROM COMPLIANCE WITH THE LISTING RULES

- (d) Cinda International Capital Limited has been appointed as compliance adviser of our Company to provide us with professional advice on continuing obligations under the Listing Rules, and to act at all times, in addition to the two authorized representatives of our Company, as our 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 our Company despatches its annual report in respect of its first full financial year commencing after the Listing Date pursuant to Rule 3A.19 of the Listing Rules;
- (e) meetings between the Stock Exchange and our Directors can be arranged through the authorized representatives or the compliance adviser, or directly with our Directors within a reasonable time frame. Our Company will inform the Stock Exchange promptly of any change in the authorized representatives or the compliance adviser; and
- (f) all our 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.

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

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Sponsor, the Sole Lead Manager, the Underwriters, or any of their respective directors, agents, employees, advisors or any other party involved in the Share Offer. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably unlikely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure of the Share Offer" to this prospectus, and the procedures for applying for Public Offer Shares are set out in the section headed "How to apply for Public Offer Shares" to this prospectus and in the relevant Application Forms.

UNDERWRITING

The Share Offer comprises 45,000,000 Placing Shares initially available for subscription by professional, institutional and other investors under the Placing and 5,000,000 Public Offer Shares initially available for subscription by the public under the Public Offer in each case at the Offer Price of not more than HK\$1.3 per Offer Share and expected to be not less than HK\$1.0 per Offer Share payable in full on application and subject to refund (plus brokerage of 1%, SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005% on such price) and subject, in each case, to reallocation as described in the section headed "Structure of the Share Offer" in this prospectus.

The Listing is sponsored by the Sponsor and the Share Offer is lead managed by the Sole Lead Manager. The Share Offer is fully underwritten by the Underwriters. For more information about the Underwriters and the underwriting arrangements, please see the section headed "Underwriting" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

In the event that our Company and the Sole Lead Manager (for itself and on behalf of other Underwriters) are unable to reach an agreement on the Offer Price at or before 12:00 noon on 11 November 2011 and in any event not later than 15 November 2011, the Share Offer will not become unconditional and will lapse immediately.

RESTRICTIONS ON SALE OF THE OFFER SHARES

No action has been taken in any jurisdiction other than Hong Kong to permit any public offering of the Offer Shares or the distribution of this prospectus and/or the related Application Forms.

Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such offer or invitation.

Each person acquiring the Offer Shares will be required, and is deemed by its, his or her acquisition of the Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that its, his or her is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and prohibitions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

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

Cayman Islands

No offer of the Offer Shares may be made to the public in the Cayman Islands.

PRC

This prospectus may not be circulated or distributed in the PRC and the Offer Shares may not be offered or sold directly or indirectly to any resident of the PRC, or offered or sold to any person for re-offering or re-sale directly or indirectly to any resident of the PRC except pursuant to applicable PRC laws and regulations.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to (i) the Share Offer, (ii) the Capitalization Issue and (iii) any Shares which may fall to be issued pursuant to the exercise of the Share Option Scheme. Save as disclosed in this prospectus, no part of our Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or 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, our Shares on the Hong Kong 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 us by or on behalf of the Hong Kong Stock Exchange.

HONG KONG SHARE REGISTER AND STAMP DUTY

All of our Shares issued and sold pursuant to applications made in the Public Offer will be registered on our register of members in Hong Kong.

No stamp duty is payable by applicants in the Share Offer. Dealings in our Shares will be subject to stamp duty in Hong Kong.

OUR SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Main Board of the Stock Exchange and our compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or such other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong 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.

Investors should seek the advice of their stockbrokers or other professional advisors for details of the settlement arrangements that may affect their rights and interests. All necessary arrangements have been made for our Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in, or exercising any rights in relation to, our Shares. None of our Company, the Sponsor, the Underwriters, any of their respective directors, officers, employees, agents or representatives or

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, our Shares.

PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES

The procedure for applying for Public Offer Shares is set out in the section headed “How to apply for Public Offer Shares” to this prospectus and on the relevant Applications Forms.

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure of the Share Offer” to this prospectus.

ROUNDING

Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

CURRENCY TRANSLATIONS

Unless otherwise specified, amounts denominated in RMB and US Dollar have been translated, for the purpose of illustration only, into Hong Kong Dollars in this prospectus at the following rates:

HK\$1.0000 : RMB0.8305

HK\$7.7638 : US\$1.0000

No representation is made that any amounts in RMB, US Dollars or HK Dollar can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

WEBSITE

The contents of any website mentioned in this prospectus do not form a part of this prospectus.

LANGUAGE TRANSLATION

In this prospectus, if there is any inconsistency between the Chinese names of the entities or enterprises established in China and their English translations, the Chinese names shall prevail.

The English language version of this prospectus has been translated into the Chinese language and English and Chinese versions of this prospectus are being published separately. If there should be any inconsistency between the English and Chinese versions, the English version shall govern.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Chao Pang Ieng (周鵬鷹) (alias: Zhou Peng Ying)	Praca Lobo De Avila No. 22 9 Andar, B9 Edif. Regent Macau	Chinese
Ms. Zhou Zheng Bin (周鄭斌) (formerly known as Zheng Bin (鄭斌))	Praca Lobo De Avila No. 22 9 Andar, B9 Edif. Regent Macau	Chinese
Ms. Chen Fen (陳蕢)	2-203 Lan Yue Wan Pan Dongbin Road, Nanshan District Shenzhen, Guangdong Province, the PRC	Chinese
Mr. Zuo Ji Lin (左際林)	Room 504, Unit B Building 19, Hui Feng Yuan, Chuzhou City Development Zone Chuzhou City, Anhui Province, the PRC	Chinese
<i>Independent non-executive Directors</i>		
Mr. Chan Chun Chi (陳駿志)	1/F, 52 Fung Chi Tsuen, Yuen Long New Territories, Hong Kong	Chinese
Mr. Yu Xi Chun (虞熙春)	108, Block 6, South Zone Tai Ran Plaza Futian District, Shenzhen Guangdong Province, the PRC	Chinese
Mr. Wu Hao Tian (吳昊天)	202, Building 12, Phase 1 China Travel International Mansion Nongyuan Road, Futian District Shenzhen, Guangdong Province the PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED

Sponsor	Cinda International Capital Limited 45/F, COSCO Tower 183 Queen's Road Central Hong Kong
Sole Bookrunner and Sole Lead Manager	SBI E2-Capital (HK) Limited Unit A2, 32/F United Centre 95 Queensway Hong Kong
Legal Advisors to our Company	<i>As to Hong Kong law</i> Loong & Yeung Suites 2001-2005, 20/F Jardine House 1 Connaught Place, Central Hong Kong <i>As to PRC law</i> Shu Jin Law Firm 24/F Aerospace Skyscraper 4019 Shennan Road Futian District Shenzhen the PRC <i>As to the Cayman Islands law</i> Appleby 2206-19 Jardine House 1 Connaught Place Central Hong Kong
Legal Advisors to the Sponsor and the Underwriters	<i>As to Hong Kong law</i> D.S. Cheung & Co. Solicitors 29th Floor Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

As to the PRC law

Deheng Law Firm

Storey 11, Section B, Anlian Plaza
No. 4018 Jintian Road
Futian District, Shenzhen
the PRC

Auditors and Reporting Accountants

HLB Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants
31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central, Hong Kong

Property Valuer

Asset Appraisal Limited

Rm 802, 8/F, On Hong Commercial Building
145 Hennessy Road
Wanchai, Hong Kong

Independent Internal Control Advisor

Baker Tilly Hong Kong Business Services Limited

12/F, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Receiving Banks

Standard Chartered Bank (Hong Kong) Limited

15th Floor, Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong
Kowloon

CORPORATE INFORMATION

Registered Office	Clifton House, 75 Fort Street PO Box 1350, Grand Cayman KY1-1108 Cayman Islands
Headquarter and Principal Place of Business in Hong Kong	Unit No. 2118, 21st Floor China Merchants Tower Shun Tak Centre Nos. 168-200 Connaught Road Central Hong Kong
Company Website	http://www.jinbaobao.com.hk <i>(information contained in this website does not form part of this prospectus)</i>
Company Secretary	Mr. Tsoi Ka Shing (蔡嘉誠)
Authorized Representatives	Mr. Chao Pang Ieng (周鵬鷹) Praca Lobo De Avila No. 22 9 Andar, B9 Edif. Regent Macau Mr. Tsoi Ka Shing (蔡嘉誠) 1/F., 51 Sheung Wo Che Shatin, New Territories Hong Kong
Audit Committee	Mr. Chan Chun Chi (陳駿志) (<i>Chairman</i>) Mr. Yu Xi Chun (虞熙春) Mr. Wu Hao Tian (吳昊天)
Remuneration Committee	Mr. Chao Pang Ieng (周鵬鷹) (<i>Chairman</i>) Mr. Chan Chun Chi (陳駿志) Mr. Wu Hao Tian (吳昊天)
Nomination Committee	Ms. Chen Fen (陳蕙) (<i>Chairperson</i>) Mr. Yu Xi Chun (虞熙春) Mr. Wu Hao Tian (吳昊天)
Principal share registrar and transfer office in Cayman Islands	Appleby Trust (Cayman) Ltd. Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands

CORPORATE INFORMATION

Hong Kong Share Registrar

Tricor Investor Services Limited

26/F Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

Bank of China Limited

Chuzhou branch
15 Langya Road
Chuzhou City
Anhui Province
the PRC

China Construction Bank Corporation

Mianyang branch
26 Huoju Bei Road
Mianyang State High Technology Industrial
Development Zone
Mianyang City
Sichuan Province
the PRC

Compliance Adviser

Cinda International Capital Limited

45/F, COSCO Tower
183 Queen's Road Central
Hong Kong

INDUSTRY OVERVIEW

This section contains certain information which is derived from official government publications and industry sources as well as a report we commissioned from Synovate, an Independent Third Party. We believe that the sources of the information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. While we have exercised reasonable care in compiling and reproducing such information from official government publications, it has not been independently verified by us, or any of our affiliates or advisors, nor by the Sponsor, the Underwriters or any of their affiliates or advisors or any other party involved in the Share Offer. The information from official government publications may not be consistent with information available from other sources within or outside the PRC. Our Group, its affiliates or advisors, the Underwriters or their affiliates or advisors, or any other party involved in the Share Offer do not make any representation as to the accuracy, completeness or fairness of such information from official government publications and, accordingly, you should not unduly rely on such information from official government publications.

ELECTRICAL APPLIANCES PACKAGING PRODUCT MANUFACTURING INDUSTRY IN CHINA

Overview of Electrical Appliances Packaging Product Manufacturing Industry

The electrical appliances packaging product manufacturing industry primarily serves the electrical appliances manufacturers by supplying EPS made products and solutions to package electrical appliances including televisions, air-conditioners, refrigerators, washing machines etc. The market has more than 500 EPS packaging product manufacturers for electrical appliances in China, which most of them are located around the electrical appliances manufacturers in Pearl River Delta, Yangtze River Delta, and Bohai regions. Recently, as the production cost including the labor cost along the coastal regions has been increasing, the electrical appliances manufacturers have been moving some of their production bases westwards. The electrical appliances packaging product manufacturers follow their customers to move their key production bases to central and western China. Despite the moving trend, Pearl River Delta, Yangtze River Delta, and Bohai regions combined is still the key site for the electrical appliances products demand, which accounts for about 70% of the total televisions production, about 84% of the total air-conditioner production, about 71% of the total refrigerator production, about 75% of the total washing machine production in China in 2009. According to Synovate, we accounted for approximately 47% of the EPS packaging for electrical appliances in Chuzhou City, Anhui Province, approximately 70% in Sichuan Province and Chongqing municipality and approximately 4.3% in the PRC in 2010.

EPS Packaging Materials for Manufacturing

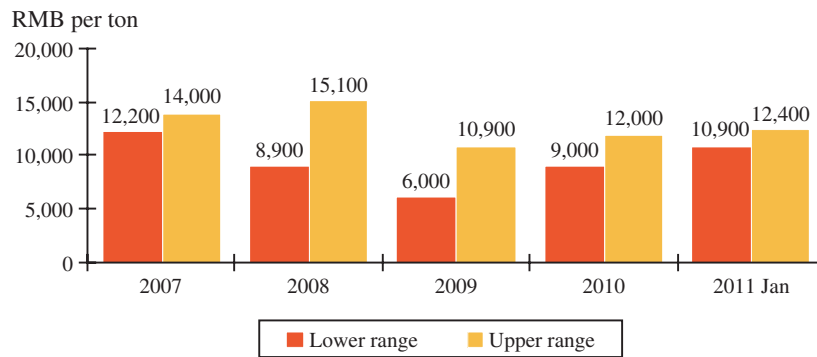
EPS is a key raw material that is used in the manufacturing of packaging products. The supply of EPS materials is currently sufficient to fulfill the production demand in China. The output value of EPS materials has reached about 2.2 million tonnes in 2010, which increased by about 22% compared to that of 2009. Across the same period, the utilization rate of EPS production is about 53% on average.

INDUSTRY OVERVIEW

The EPS material production base is mainly located in Jiangsu province, which has the advantage of logistics due to the well-developed packaging industry in the area. Restricted by raw materials supply and investment, EPS suppliers are about 20 in number having over 15 thousand tonnes of production capacity.

The average price of EPS has been fluctuated between the range of about RMB6,000 per tonne and about RMB15,100 per tonne across the period of 2007 to 2010. The graph below sets out the average price range of EPS on a yearly basis from 2007 to 2010 and the average price range of EPS during January of 2011.

The Historical Trend for Price Range of EPS



Sources: EPS Committee of China Plastic Association; Synovate report

The lowest average price of EPS since 2007 was recorded in early 2009, which was impacted by the financial crisis due to the decrease in the demand for electrical appliances packaging. The stimulus policy of the government drove the recovery of the economy and the need for EPS soon after the financial crisis. The highest average price of EPS during the period was recorded in June 2008, which was affected by the strong demand for the electrical appliances packaging. The average price of EPS has maintained at the level of about RMB10,000 to RMB12,000 per tonne because of the steady surplus over demand, with the needs from insulation industry as well.

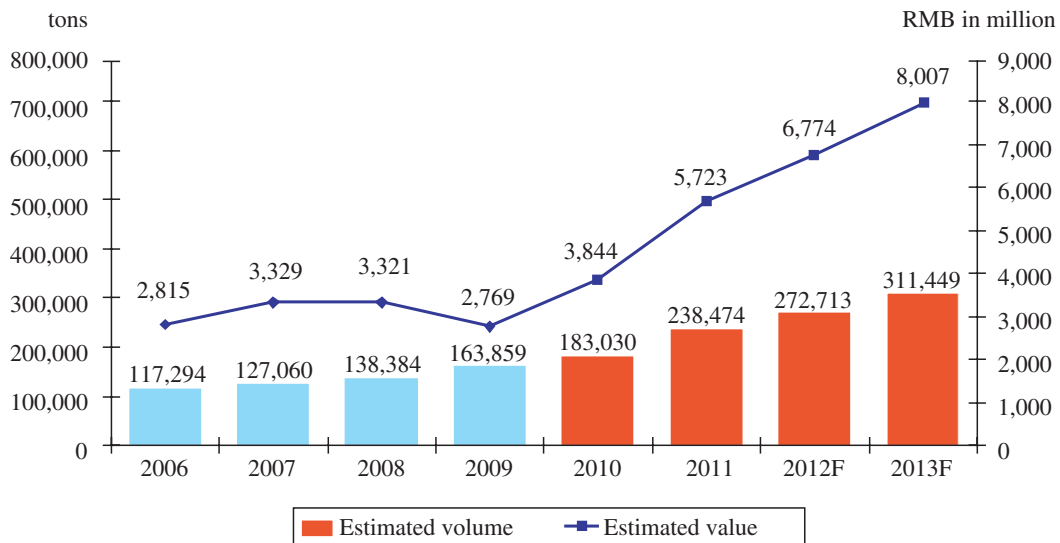
Overview of EPS Packaging Products Manufacturing market for Electrical Appliances

The EPS packaging product manufacturing market for electrical appliances is mainly driven by the market demand of large-sized appliances including air-conditioners, televisions, refrigerators, and washing machines, which EPS packaging products wrapped over these appliances to absorb shock during the delivery. The market demand for these appliances was highly impacted by the economic dynamics and government policy in China. The economy of China grew rapidly over the rate of 8.7% between 2006 and 2009, during which the increasing wealth of Chinese and rapid urbanization of rural areas in China had driven the increase in the consumption of electrical appliances at the CAGR of about 15.3%, reaching about RMB359 per household in 2009. The 'Rural Area Subsidized Electrical Appliances Purchase Policy', 'Home Appliances Replacement Policy', and 'Energy Efficient Product Subsidy Policy' further encouraged the consumption.

INDUSTRY OVERVIEW

In line with the increasing demand for electrical appliances, the market of EPS packaging products for electrical appliances grew strongly from about 117 thousand tonnes in 2006 to about 183 thousand tonnes of output volume in 2010, at the CAGR of about 11.8% across the period. On the other hand, as the market was affected by the global economic downturn and rising of the fierce competition in 2009, the output value of the market maintained at the level of about RMB2.8 billion in 2006 to 2009, at the CAGR of about -0.5% and surged to about RMB3.8 billion in 2010. The graph below sets out the output volume and value of EPS packaging products manufacturing industry for electrical appliances packaging in China from 2006 to 2013.

Output Volume and Value of EPS Packaging Products Manufacturing Industry for Electrical Appliances Packaging in China



Note: Electrical appliances of the above data and analysis is focused on 4 categories including (1) Television, (2) refrigerator, (3) washing machine and (4) air-conditioner

Sources: Synovate report

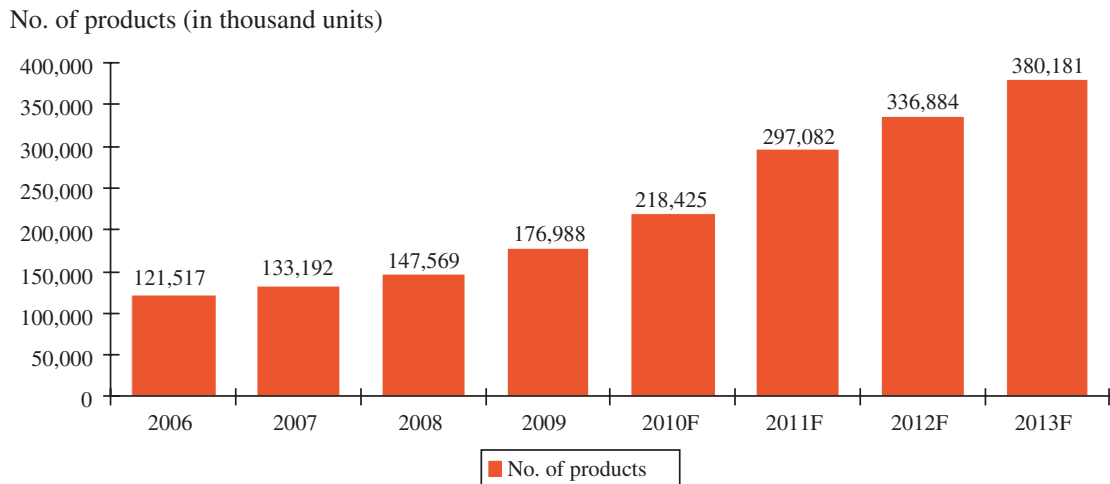
The electrical appliances domestic sales volume increased at about 13.4% annually, which was faster than the output volume of EPS packaging products for these appliances. The increasing consumption of LCD television replacing the decreasing consumption of cathode ray tube television (from about 93% to 38% of the total televisions) caused the saving of EPS material packaging. It is expected that the output volume and value of EPS packaging products for electrical appliances will increase at CAGR of about 14.3% and 18.3% from 2010 to 2013 respectively, because of (i) the government's policy to stimulate the demand for electrical appliances, (ii) the rapid speed of urbanization, (iii) the increasing income and wealth of Chinese people driving further the future consumption of home electrical appliances, (iv) the inflation and increase in costs of materials and manufacturing overhead, (v) the increase in manufacturing output of electrical appliances, and (vi) the recovery of export market due to the recovery of the global economy.

INDUSTRY OVERVIEW

Electrical Appliances Demand for EPS Packaging Products

The estimated number of electrical appliances (television, refrigerator, washing machine, and air-conditioner) that need EPS packaging products in China increased significantly from about 122 million units in 2006 to about 218 million units in 2010, at the CAGR of about 15.8% across the period. The significant growth was because of the higher performance of shock absorption and lower production and logistics costs compared to other alternative packaging products such as EPE and cardboard. Enhancement to increase the recyclable rate of EPS materials and the launch of innovative EPS resin were also favorable to the growth of the demand for EPS packaging products. These have caused the growth of the demand for EPS packaging products in China and it is expected it will grow more significantly from 2011 to 2013, with the CAGR of about 13.1%. The graph below sets out the estimated number of electrical appliances that need EPS packaging products in China from 2006 to 2013.

Number of Electrical Appliances that Need EPS Packaging Products in China



Notes: The above data and analysis is focused on 4 categories of the electrical appliances including (1) television, (2) refrigerator, (3) washing machine and (4) air-conditioner

Sources: Synovate report

The demand from the four types of electrical appliances increased at CAGR of about 15.8% across the period from 2006 to 2010 caused the total growth. Among the four types of electrical appliances, refrigerator had the most significant growth during the period at the CAGR of 27.9%, and was followed by washing machine, at the CAGR of about 17.1%. The third place was air-conditioner, at the CAGR of about 14.5%; while the least was television, at the CAGR of about 8.6%. The table below sets out the estimated number of electrical appliances that need EPS packaging products by product type in China from 2006 to 2010.

INDUSTRY OVERVIEW

Number of Electrical Appliances that Need EPS Packaging Products by Product Type in China (2006-2010)

Rank	2006			2007		
	Electrical appliances products	No. of products (thousand units)	Percentage to the total (%)	Electrical appliances products	No. of products (thousand units)	Percentage to the total (%)
1	Air-conditioner	41,839	34.4	Air-conditioner	48,156	36.2
2	Television	37,364	30.7	Television	33,750	25.3
3	Washing machine	23,525	19.4	Washing machine	26,643	20.0
4	Refrigerator	18,789	15.5	Refrigerator	24,643	18.5
Total		121,517	100.0		133,192	100.0
Rank	2008			2009		
	Electrical appliances products	No. of products (thousand units)	Percentage to the total (%)	Electrical appliances products	No. of products (thousand units)	Percentage to the total (%)
1	Air-conditioner	49,547	33.6	Air-conditioner	57,033	32.2
2	Television	40,491	27.4	Television	43,348	24.5
3	Washing machine	29,789	20.2	Refrigerator	40,578	22.9
4	Refrigerator	27,742	18.8	Washing machine	36,029	20.4
Total		147,569	100.0		176,988	100.0
Rank	2010					
	Electrical appliances products	No. of products (thousand units)	Percentage to the total (%)			
1	Air-conditioner	71,999	33.0			
2	Television	52,020	23.8			
3	Refrigerator	50,218	23.0			
4	Washing machine	44,188	20.2			
Total		218,425	100.0			

Notes: The above data and analysis is focused on 4 categories of the electrical appliances including (1) television, (2) refrigerator, (3) washing machine and (4) air-conditioner

Sources: Synovate report

Among the four types of electrical appliances, air-conditioner was the top one that needed EPS packaging products from 2006 to 2010, and was followed by television; both together were accounted for ranging from about 56.7% to 65.1% of the total market share of the four types of electrical appliances that needed EPS packaging products in China across the period. The increasing wealth of Chinese household, government policy encouragement, and global warming caused the strong demand for air-conditioners, while Beijing Olympic Games in 2008 motivated the fast growth of television demand, which saw the fastest growth rate of about 20.0% in 2009. The demand for air-conditioner and television had been impacted by the stronger demand growth from refrigerator and washing machine, which were driven by the rapid urbanization of rural areas in China and the government subsidy policy. The estimated number of refrigerator that needed EPS packaging products increased from about 18.8 million units in 2006 to about 50.2 million units in 2010, which show the strongest growth and was close to the demand from television. The estimated number of washing machine that needed EPS packaging products increased from about 23.5 million units in 2006 to reach about 44.2 million units in 2010.

INDUSTRY OVERVIEW

The demand for EPS packaging products among the four types of electrical appliances (television, refrigerator, washing machine, and air-conditioner) is expected to show an optimistic growing trend because of (i) the replacement from urban households and new demand from rural households in China, (ii) the expansion of electrical appliances sales network by retailers in China, (iii) the increase in income level and living standard in China, and (iv) the increase in export to overseas. The table below sets out the estimated number of electrical appliances that need EPS packaging products by product type in China from 2011 to 2013.

Number of Electrical Appliances that Need EPS Packaging Products by Product Type in China (2011-2013)

Rank	2011			2012		
	Electrical appliances products	No. of products (thousand units)	Percentage to the total (%)	Electrical appliances products	No. of products (thousand units)	Percentage to the total (%)
1	Air-conditioner	103,738	34.9	Air-conditioner	114,861	34.1
2	Refrigerator	76,636	25.8	Refrigerator	81,557	24.2
3	Washing machine	62,608	21.1	Washing machine	77,538	23.0
4	Television	54,100	18.2	Television	62,928	18.7
Total		297,082	100.0		336,884	100.0
Rank	2013					
	Electrical appliances products	No. of products (thousand units)	Percentage to the total (%)			
1	Air-conditioner	127,160	33.5			
2	Refrigerator	95,501	25.1			
3	Washing machine	84,356	22.2			
4	Television	73,164	19.2			
Total		380,181	100.0			

Notes: The above data and analysis is focused on 4 categories of the electrical appliances including (1) television, (2) refrigerator, (3) washing machine and (4) air-conditioner

Sources: National Statistics Bureau of PRC; Synovate report

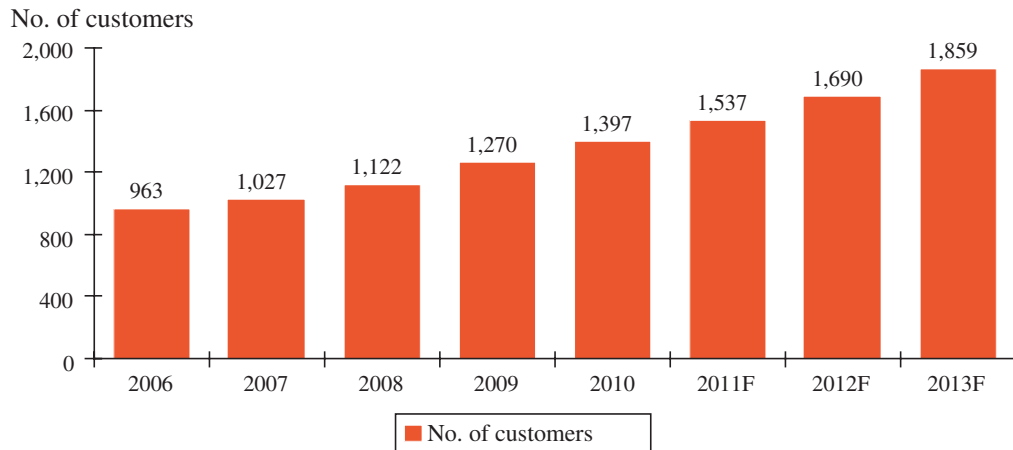
During the period of 2006 to 2013, refrigerator and washing machine have shown the most muscular growth in demand for EPS packaging products in China, at CAGR of about 23.9% and 17.6% respectively. The ownership of refrigerator and washing machine per 100 rural households was only about 37.1 and 53.1 respectively in 2009. As the income level of Chinese in rural area increases and subsidized electrical appliances purchase policy is executed, it is expected the demand for refrigerator and washing machine will grow further among the rural households.

Electrical Appliances Customer Base of EPS Packaging Products

The size of electrical appliances customer base of EPS packaging products grew steadily, with the number of customers, electrical appliances manufacturers, increasing from about 963 players in 2006 to about 1,397 players in 2010, at the CAGR of about 9.8%. The size will further increase to about 1,859 players in 2013, at the CAGR of about 10.0% from 2011 to 2013. The graph below sets out the number of customers (electrical appliances manufacturers) that need EPS packaging product in China from 2006 to 2013.

INDUSTRY OVERVIEW

Number of Customers (Electrical Appliances Manufacturers) that Need EPS Packaging Product in China



Notes: The above data and analysis is focused on 4 categories of the electrical appliances including (1) television, (2) refrigerator, (3) washing machine and (4) air-conditioner

Sources: National Statistics Bureau of the PRC; Synovate report

The huge domestic demand size and the sufficient supply of labors induced from about 1.3 billion Chinese population attracted the move and setup of electrical appliances production bases in China, which caused the growth of number of customers for EPS packaging products from 2006 to 2010. These production bases are mostly located at Pearl River Delta, Yangtze River Delta, Bohai regions including Anhui, Hefei, Nanchong, Jiangxi, Hubei, and Wuhan, Chengdu, Sichuan, Chongqing. Due to the continuous trend of huge domestic demand in the future, the number of customers for EPS packaging products for electrical appliances will grow steadily by following the current trend.

Customers expect EPS packaging product manufacturers to provide lower cost with qualified and consistent EPS packaging products, timely services, total EPS packaging solution, and localized supply. They have high concern about the operation cost control without the quality distortion to their electrical appliances products.

Market Competition and Trend of EPS Packaging Products

The market of EPS packaging products for electrical appliances is fragmented with many packaging products manufacturers in place. The top 10 market leaders shared about 35.0% of the total market share in China in 2010, as they were able to gain their places through their advantage in production capacity, technology and capital power to compete on network of distribution, price, and stable quality. They have squeezed the smaller-sized players to face greater challenges on survival and maintaining good operation. In particular, there are about 30 packaging manufacturers in Chuzhou City, Anhui Province, 150 packaging manufacturers in Sichuan Province and Chongqing municipality. According to Synovate, we accounted for approximately 47% of the EPS packaging for electrical appliances in Chuzhou City, Anhui Province approximately 70% in Sichuan Province and Chongqing municipality and approximately 4.3% in the PRC. Given that EPS packaging products are relatively large and rigid, the transportation cost over long distance can be high. As such, electrical appliances manufacturers will likely select EPS packaging product suppliers near to their production base. The table below sets out the revenue of the top 10 EPS packaging product suppliers for electrical appliances in China in 2010.

INDUSTRY OVERVIEW

Market Share of the Top 10 EPS Packaging Products Suppliers in terms of Revenue for Electrical Appliances in China in 2010

Rank	Name of Company	Revenue (RMB million)	Market Share of Revenue (%)
1	Company A	447	11.6%
2	Company B	316	8.2%
3	Our Company	166	4.3%
4	Company C	128	3.3%
5	Company D	90	2.3%
6	Company E	70	1.8%
7	Company F	54	1.4%
8	Company G	50	1.3%
9	Company H	48	1.3%
10	Company I	47	1.2%
	Subtotal of top 10 companies	1,416	36.7%
	Others	2,428	63.3%
	Total	3,844	100.0%

Notes: The above data and analysis is focused on 4 categories of the electrical appliances including (1) Television, (2) refrigerator, (3) washing machine and (4) air-conditioner

Sources: Synovate report

The EPS packaging product manufacturers for electrical appliances will go for international by increasing the interactions with international packaging manufacturers to develop the business cooperation relationship, and to introduce the foreign capital, advanced technology, and management experiences to accelerate the enhancement of EPS packaging industry for electronic appliances in China. As the electrical appliances manufacturers are exporting their products outside China, their products including the packages of electrical appliances must meet the international standards or the standards of the importing countries.

The role of EPS packaging product manufacturers in China are turning from purely manufacturers to total EPS packaging solution providers, by providing an integrated production and services from packaging product design, production, packaging the electrical appliances products, warehousing and storage of packed electrical appliances products, and transporting and distributing these packed products to the assigned destinations.

As the production technology has been enhanced, the advancement of lightweight EPS product has been one of the key focuses for the electrical appliances packaging. For example, the EPS packaging for a window air-conditioner has been improved to save the weight of the EPS packaging product by about 50%. The other important focus has been on the products and production of 'low-carbon, eco-design' for the electrical appliances packaging, which the products are in recyclable and biodegradable materials, in order to maintain the sustainability of the business.

INDUSTRY OVERVIEW

As advised by Synovate, packaging products that meet any of the characteristics namely, ‘reduce’ (減量化), ‘reuse’ (復用), ‘recover’ (回收) and ‘recycle’ (再生) are considered, to be friendly to the environment. Enhancement EPS packaging production and recyclability of EPS packaging products will be tried and used to compete with the alternative materials such as plant fiber and paper. Lighter materials such as EPO, will be tried and used in the future to reduce the delivery cost, and the new ingredients added to EPS will be used to shorten the production time.

EPO has been developed to be the alternatives to EPS in packaging electrical appliances, mainly for the packaging of LCD and plasma televisions and other high-end fragile electrical appliances, and be the alternative component in air conditioners and washing machines to absorb shock. EPO maximizes the advantages of EPS to possess the toughness and multi-shock resistance, which reduces the package volume; it has higher reusing and recycling rates. However, the price of EPO packaging products is usually 3 to 4 times higher than that of EPS packaging products, and thus, EPS will still be in the mainstream and growing usage for the electronic appliances packaging for the next 3 to 5 years.

Note

On 5 January 2011, we engaged Synovate to undertake a market survey on the packaging products manufactured for packaging consumer electrical appliances including televisions, air conditioners, washing machines and refrigerators in the PRC at a fee of approximately HK\$328,000. The findings of the market survey are set out in a report issued by Synovate on 1 November 2011. Our Directors confirm that Synovate, including all of its subsidiaries, divisions and units, is independent of and not connected with us in any way. Synovate, on behalf of itself, its subsidiaries, divisions and units, confirms that the market survey report was prepared in its ordinary course of business, and has given its consent for us to quote from the market survey report and to use information contained in the report in this prospectus.

The information contained in the Synovate report is derived by means of data and intelligence gathering methodology which includes (i) desk research conducted by Synovate including specialized industry literature, government/regulatory sources, online data sources, third-party reports and surveys, industry reports and analyst reports, industry associations and the database maintained by Synovate; and (ii) primary research by having interviews with key stakeholders and industry experts, including consumer electrical manufacturers, packaging materials suppliers and packaging products manufactures in the PRC.

Synovate is the market research and consulting firm that generates insights to help clients drive competitive brand, product and customer experience strategies, with offices in over 80 countries. Synovate engaged in the provision of various services including market survey, market profiling, market sizing, share and segmentation analysis, distribution and value analysis, competitor tracking and corporate intelligence.

We have disclosed certain information extracted from the market survey report in the sections headed “Summary”, “Industry overview”, “Business” and “Financial information” in this prospectus.

REGULATIONS

REGULATORY OVERVIEW

Our business and operations are principally based in the PRC. This section sets forth a summary of the most significant regulations or requirements that affect our Group's business activities in the PRC and our Shareholders' right to receive dividends and other distributions from our Group.

The PRC legal advisor of our Company, Shu Jin Law Firm, is of opinion that, each of our PRC subsidiaries are required to comply with the Company Law of the PRC (中華人民共和國公司法), the Law on Foreign-owned Enterprises of the PRC (中華人民共和國外資企業法), the Guidance Catalog of Industries for Foreign Investment (外商投資產業指導目錄), the Regulation on Guiding the direction of Foreign Investment (指導外商投資方向規定), the Regulation of the PRC on Foreign Exchange Administration (中華人民共和國外匯管理條例), the Product Quality Law of the PRC (中華人民共和國產品質量法), the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) and the Environmental Protection Law of the PRC (中華人民共和國環境保護法) in respect of our operations in the PRC. Any non-compliance with these laws and regulations could result in confiscation of illegal income, payment of penalty of up to RMB500,000, revocation of business license or criminal prosecution.

Our PRC Legal Advisers, Shu Jin Law Firm, is of opinion that, save as disclosed in the section headed "Business – Regulatory compliance – Social security insurance and housing provident fund contributions", our PRC subsidiaries have complied in all material aspects with relevant regulatory requirements set out below.

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

The establishment and management of companies in the PRC are governed by the Company Law of the PRC (中華人民共和國公司法) (the "Company Law") which was enacted by the Standing Committee of the National People's Congress (全國人民代表大會常務委員會) (the "Standing Committee of NPC") on 29 December 1993 and was implemented on 1 July 1994. The Standing Committee of NPC amended the Company Law on 25 December 1999, 28 August 2004 and 27 October 2005 respectively. The Company Law provides the establishment, corporate structure and corporate management of companies. The Company Law also applies to foreign-invested enterprises. Where laws and regulations relating to foreign-invested enterprises otherwise stipulate, such stipulations shall apply.

Wholly foreign-owned enterprises are governed by the Law on Foreign-owned Enterprises of the PRC (中華人民共和國外資企業法) (the "Foreign-owned Enterprise Law") and its implementation rules. The Foreign-owned Enterprises Law was adopted at the 4th Meeting of the Sixth National People's Congress (第六屆全國人民代表大會第四次會議) on 12 April 1986 and was amended by the Standing Committee of NPC on 31 October 2000. The establishment procedures, approval procedures, registered capital and corporate structure of sino-foreign equity joint ventures and wholly foreign-owned enterprises are regulated by the above mentioned laws and regulations.

REGULATIONS

Foreign investors shall also abide by Guidance Catalog of Industries for Foreign Investment (外商投資產業指導目錄) (the “Catalog”) and the Regulation on Guiding the Direction of Foreign Investment (指導外商投資方向規定) (the “Regulation”). The Catalog was promulgated on 28 June 1995 and was revised in 1997, 2002 and 2004. The currently effective Catalog was promulgated by the Ministry of Commerce of the PRC (中華人民共和國商務部) and the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) (the “NDRC”) on 31 October 2007, while the Regulation was promulgated by the State Council on 11 February 2002 and effective as of 1 April 2002. The Regulation classifies industries into four categories: encouraged, permitted, restricted and prohibited. Except otherwise stipulated by other laws and regulations, foreign investors are permitted to invest in industries which are not in the restricted or prohibited categories.

The Ministry of Commerce or the relevant local authorities are responsible for approving the relevant joint venture contracts, articles of association of the foreign invested enterprises and other substantial changes to the foreign-invested enterprises, such as changes in capital, equity transfer and consolidation.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

The principal law governing foreign currency exchange in the PRC is the Regulation of the PRC on Foreign Exchange Administration (中華人民共和國外匯管理條例) (the Foreign Exchange Rules). The Foreign Exchange Rules was enacted by the State Council of the PRC (中華人民共和國國務院) (the State Council) on 29 January 1996 and implemented on 1 April 1996. On 14 January 1997 and 1 August 2008 the State Council amended the Foreign Exchange Rules. According to the currently effective Foreign Exchange Rules, international payment in foreign exchange and transfer of foreign exchange under current items shall not be restricted. The foreign exchange income of a domestic institution or individual may be transferred back into the PRC or deposited overseas, the specific conditions and term requirements of which shall be determined by the foreign exchange administrative department of the State Council in light of the balance of payments and the foreign exchange administrative requirements. An overseas institution or individual that makes direct investments in the PRC shall handle the registration formalities at a foreign exchange administrative organ upon the approval of the competent department. A domestic institution or individual that makes direct investment or issues or trades negotiable securities or derivative products overseas shall handle the registration formalities at the foreign exchange administrative department of the State Council. If the relevant state provisions require the approval or registration of the competent department, such approval or registration shall be obtained before handling the registration formalities. As the capital injection from foreign shareholders into our PRC subsidiaries involves foreign exchange and our Company is engaged in exporting, our PRC Legal Advisers, Shu Jin Law Firm, is of opinion that such laws and regulations relating to foreign exchange shall apply to us and our PRC subsidiaries.

REGULATIONS

LAWS AND REGULATIONS RELATING TO DIVIDEND DISTRIBUTION

The principal regulations governing distribution of dividends paid by PRC enterprise include (i) the Company Law; (ii) the Foreign-owned Enterprise Law; (iii) the Rules for Implementation of the Law of PRC on Foreign-owned Enterprise (中華人民共和國外資企業法實施細則); (iv) the JV Law and the Rules for Implementation of the Law of PRC on Sino-Foreign Equity Joint Ventures. Under the above laws and regulations, domestic companies and foreign-owned enterprises in the PRC may pay dividends only from accumulated after-tax profits, if any, determined in accordance with the PRC accounting standards and regulations. In addition, such enterprises are required to set aside at least 10% of their after-tax profits each year, if any, to fund certain reserve funds. These reserves are not distributable as cash dividends. Under the relevant PRC laws, no net assets other than the accumulated after-tax profits can be distributed in the form of dividends.

LAWS AND REGULATIONS RELATING TO PRODUCT QUALITY

On 22 February 1993 the Standing Committee of NPC enacted Product Quality Law of the PRC (中華人民共和國產品質量法), which was revised on 8 July 2000 by the Standing Committee of NPC. The said law stipulates that producers shall be responsible for compensating for damages to the person or property caused by the following defective products. Where the case is severe enough to constitute a crime, criminal responsibility shall apply.

- (a) The product sold does not have the attribute or function that it should have, and there was no advance explanation or statement made to that effect;
- (b) The product sold does not comply with the adopted standards indicated on the product or its package; or
- (c) The product sold does not comply with similar product quality as indicated by means of product instruction or sample.

On 7 November 1997 the former bureau of technical supervision of the State issued the Product Labeling Requirement (the “Requirement”). Pursuant to the Requirement manufacturers and sellers of products must properly label their products, for example, in respect of information on quality inspection certificates and address of the major manufacturing facilities.

LAWS AND REGULATIONS RELATING TO TAXATION

Income Tax

Prior to 1 January 2008, Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises (中華人民共和國外商投資企業和外國企業所得稅法) and its implementation rules applied to foreign-invested enterprises. According to the said law, any enterprise with foreign investment of a production nature scheduled to operate for a period of not less than ten years shall, from the year beginning to make profit, be exempted from income tax in the first and second years and allowed a fifty percent reduction in the third to fifth years.

REGULATIONS

Pursuant to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the “New Tax Law”) and its implementation rules, which became effective on 1 January 2008, tax payers are divided into resident enterprise and non-resident enterprise. A resident enterprise refers to an enterprise that is established inside the PRC, or which is established under the law of a foreign country (region) but whose actual institution of management is inside the PRC. A resident enterprise shall pay the enterprise income tax on its incomes derived from both inside and outside the PRC at the rate of 25%. A non-resident enterprise refers to an enterprise established under the law of a foreign country (region), whose actual institution of management is not inside the PRC but which has offices or establishments inside the PRC; or which does not have any offices or establishments inside the PRC but has income sources in the PRC. A non-resident enterprise having offices or establishments inside the PRC shall pay enterprise income tax on its incomes derived from the PRC as well as on incomes derived from outside the PRC but which has real connection with the said offices or establishments at the rate of 25%. A non-resident enterprise having no office or establishment inside the PRC, or whose incomes have no actual connection to its institution or establishment inside the PRC shall pay enterprise income tax on the incomes derived from the PRC at the rate of 10%.

Pursuant to the Notice on the Policy of Enforcing Transitional Preferential Treatment of Enterprise Income Tax (國務院關於實施企業所得稅過度優惠政策的通知) promulgated on 26 December 2007, for the enterprises that were established prior to the promulgation of the New Tax Law and enjoyed lower tax rates according to the provisions of the previous tax laws and regulations, their income tax rates shall be gradually transferred to the tax rate provided in the New Tax Law within five years after the New Tax Law taking effect. The enterprises that have enjoyed the preferential treatment of tax exemption for a fixed term may, according to the provisions of the State Council, continue to enjoy such treatment after the promulgation of the New Tax Law until the fixed term expires. In particular, enterprises which were subject to an income tax rate of 15% would be subject to an income tax rate of 18% in 2008, increasing to 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012. Enterprises which are enjoying two years of 100% exemption and three years of 50% reduction on tax payments may continue to enjoy such exemption and reduction until the term of such privilege expires. However, for those that have failed to enjoy the preferential treatment due to failure to make profits, the term of preferential treatment may be counted as of the year when the New Tax Law takes effect.

VAT

On 13 December 1993 the State Council promulgated Interim Regulation of the PRC on Value Added Tax (中華人民共和國增值稅暫行條例) (the “VAT Interim Regulation”). On 5 November 2008 the State Council amended the VAT Interim Regulation which became effective on 1 January 2009. Pursuant to the VAT Interim Regulation, entities and individuals engaged in the sale of goods, supply of processing, repair and replacement services, and import of goods in the PRC are taxpayers of value added tax and shall pay value added tax at the rate of 17% unless otherwise stipulated.

REGULATIONS

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

The principal laws and regulations governing environmental protection in the PRC that are applicable to the Company's PRC subsidiaries are Environmental Protection Law of the PRC (中華人民共和國環境保護法) and the Administrative Regulations on Environmental Protection for Construction Project (建設項目環境保護管理條例). Construction projects shall conduct assessment of environmental impact, obtain approval on such assessment and be examined and considered up to the environmental protection standard. Prior to the construction of new facilities or expansion or transformation of existing facilities that may cause a significant impact on the environment, a report on the environmental impact of the construction project shall be submitted to the relevant environmental protection authority. The newly constructed production facilities cannot operate until the relevant department is satisfied that such facilities are in compliance with all relevant environmental protection standards. Environmental protection facilities shall be designed, constructed and put into use simultaneously with the main project construction.

Government authorities may impose different penalties against persons or enterprises in violation of environmental protection laws and regulations. The penalties include warnings, fines, decisions to impose deadlines for cure, orders to stop production and imposition of administrative actions against relevant responsible individuals. Any entity whose construction projects fail to satisfy the requirements of pollution prevention may be ordered to suspend its production or operation and be subject to a fine.

As of the Latest Practicable Date, our Directors are not aware of any regulations prohibiting the manufacturing and sale of EPS and EPO packaging products for packaging of consumer electrical appliances in the PRC.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Laws on Patents

China began reviewing patent applications and granting patents under the PRC Patent Law (中華人民共和國專利法) adopted in 1984 and revised in 1992, 2000, 2008 respectively. Under the PRC Patent law, invention patents are valid for twenty years and external design patents and utility model patents are valid for ten years, in each case commencing on their respective application dates. Persons or entities who use patents without the consent of the patent owners, make counterfeits of patented products, or engage in activities that infringe upon patent rights are held liable to the patent owner for compensation and may be subject to fines and even criminal punishment.

The patent prosecution system in China is different in many ways from that in other countries. The patent system in China uses the principle of first to file. This means that when more than one person file a patent application for the same invention, the patent will be granted to the person who files the application first. In addition, China requires absolute novelty in order for an invention to be patentable. Therefore, in general, a patent will be denied if it is publicly known in or outside of China. Furthermore, patents issued in China are not enforceable in Hong Kong, Taiwan and Macau, each of which has an independent patent system.

REGULATIONS

Utility patent

The products seeking utility patent protection must also possess such characteristics as novelty, practicability and innovation. Utility patent is granted and registered upon application unless there are reasons for the patent administrative authority to reject the application after its preliminary review. The utility patent is also subject to the registration and publication requirement upon application. The term of protection is ten years from the date of application. Once an utility patent is granted, unless otherwise permitted by law, no individuals or entities are permitted to engage in the manufacture, use, sale or import of the product protected by such patent or otherwise engage in the manufacture, use, sale or import of the product directly derived from applying the production technology or method protected by such patent, without consent of the patent holder.

LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

On 29 June 2002 the Standing Committee of NPC promulgated Production Safety Law of the PRC (中華人民共和國安全生產法), which became effective on 1 November 2002. The production and business operation entities shall observe the said law and other relevant laws, regulations concerning the production safety, strengthen the administration of production safety, establish and perfect the system of responsibility for production safety, perfect the conditions for safe production, and ensure the safety in production. The major person-in-charge of the production and business operation of the entities shall take charge of the overall work of the production safety of the entity concerned.

LAWS AND REGULATIONS RELATING TO LABOR AND SOCIAL INSURANCE

On 5 July 1994 the Standing Committee of NPC promulgated the Labor Law of the PRC (中華人民共和國勞動法), which became effective on 1 January 1995. On 29 June 2007 the Standing Committee of NPC promulgated Labor Contract Law of the PRC (中華人民共和國勞動合同法), which became effective on 1 January 2008. Pursuant to the said laws, a written labor contract shall be concluded within one month from the date when the employee commence working. Labor contract is divided into two types, namely labor contract with fixed term and labor contract without fixed term. Where the employee has already worked for the employer for 10 full years consecutively or meet other conditions required by the laws, a labor contract without fixed term shall be concluded.

Pursuant to the Interim Regulations Concerning the Levy of Social Insurance Fees (社會保險費申報繳納管理暫行辦法) adopted on 14 January 1999 and promulgated as well as implemented on 22 January 1999 by the State Council, the Regulation Concerning the Administration of Housing Fund (住房公積金管理條例) promulgated and implemented on 3 April 1999 and amended on 24 March 2002 by the State Council, the employer shall pay pension insurance fund, basic medical insurance fund, unemployment insurance fund, occupational insurance fund, maternity insurance fund and housing fund for the employees.

REGULATIONS

POLICIES ON HOUSEHOLD APPLIANCES

Rural Area Subsidized Electrical Appliances Purchase Policy (家電下鄉)

On 28 November 2008, the Ministry of Finance of the PRC (財政部), the Ministry of Commerce of the PRC (商務部) and the Ministry of Industry and Information Technology of the PRC (工業和資訊化部) promulgated the notice of Promotion of Home Appliances in Rural Area (關於全國推廣家電下鄉的通知). The PRC government grants a subsidy of 13% of selling price of the home appliances under this program. The subsidized household appliances include television, refrigerator, washing machine and mobile phone. On 16 April 2009, relevant PRC government authorities further issued the Guidance for Rural Area Subsidized Electrical Appliances (家電下鄉操作細則) pursuant to which the number of subsidized home appliances was extended to cover, computer, air conditioner, hot water heater, microwave oven and induction cooker.

Home Appliances Replacement Policy (家電以舊換新)

On 28 June 2009, the Ministry of Finance of the PRC (財政部), the Ministry of Commerce of the PRC (商務部), the National Development and Reform Commission (國家發展改革委), the Ministry of Industry and Information Technology of the PRC (工業和信息化部), the Ministry of Environmental Protection of the PRC (環境保護部), the State Administration for Industry and Commerce of the PRC (工商總局) and the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (質檢總局) promulgated the Home Appliances Replacement Policy, which became effective on the same date. A qualified person under this policy could enjoy a subsidy of 10% selling price of the home appliances, subject to limit, if he purchases new home appliances in replacement of the old home appliances. The subsidized home appliances include television, refrigerator, washing machine, air conditioner and computer. Subsidies cannot be claimed under the Home Appliances Replacement Policy and the Rural Area Subsidized Electrical Appliances Purchase Policy simultaneously.

Energy Efficient Product Subsidy Policy (節能產品惠民工程)

On 18 May 2009, the Ministry of Finance of the PRC (財政部) and the National Development and Reform Commission (國家發展改革委) promulgated the notice of Launch of Energy Efficient Product Subsidy Policy (關於開展節能產品惠民工程的通知). The PRC government grants subsidy for purchase of energy efficient products. The subsidized energy efficient products include but not limited to air conditioner, refrigerator, television and washing machine.

Under the above policies, consumers may purchase consumer electrical appliances at lower and subsidized prices and more consumers may find such electrical appliances affordable which in turn encouraged the sales of such consumer electrical appliances. The increase in sales of consumer electrical appliances also encouraged the demand for packaging products and to a certain extent our packaging products for consumer electrical appliances namely, televisions, air conditioners, washing machines and refrigerators in the PRC. The above policies will likely expire in phases over a four year period from dates of implementation of the respective policies, and the latest by 2013, and upon the expiry which, consumer electrical appliances will no longer be available at lower and subsidized prices and the demand for which together with packaging products in the PRC may decrease, which may have an adverse impact on the demand for our products.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

HISTORY AND DEVELOPMENT

Introduction

In 1995, the founder of our Group, Mr. Chao and his spouse, Ms. Zhou, set their feet in the PRC packaging industry by establishing a joint venture in Heilongjiang, the PRC which was owned as to 60% by a holding company controlled by Mr. Chao and 40% by an Independent Third Party, and such equity interests held by the Independent Third Party were subsequently transferred to other Independent Third Parties. The joint venture engaged principally in the supply of building materials made of, among other things, EPS for construction purpose only, in Heilongjiang, the PRC. In 2009, as Mr. Chao and the other shareholders (which are Independent Third Parties) of the joint venture did not share the same view in terms of business strategy and future development of the joint venture, one of the aforesaid other shareholders of the joint venture decided to take full control and purchased all the outstanding equity interests in the joint venture not already owned by it. Mr. Chao disposed of all his interests in the joint venture in 2009.

Mr. Chao and his elder brother established Qingdao Haijing Packaging Products Company Limited (青島海景包裝製品有限公司) and Hefei Haijing Packaging Products Company Limited (合肥海景包裝製品有限公司) in 2000 and 2001, respectively. In 2001, Mr. Chao further established Qingdao Xinhaijing Packaging Products Company Limited (青島新海景包裝製品有限公司), in which he disposed of all his interests to his elder brother in 2002. As at the Latest Practicable Date, the aforesaid companies were subsidiaries of Sino Haijing which is principally engaged in manufacture and sale of packaging materials, including EPS packaging products, paper honeycomb products. As at the Latest Practicable Date, the elder brother of Mr. Chao was a controlling shareholder (as defined under the Listing Rules) of Sino Haijing. In order to focus on our Group's business, Mr. Chao disposed of all his interests in the aforesaid companies in 2002 so as to focus on the development of his own business and of our Group.

In the past and during the Track Record Period, there were business dealings between our Group and Sino Haijing, further details of which are set out in the paragraph headed "Interests of other family member" under the section headed "Business" of this prospectus. As at the Latest Practicable Date, there were no business dealings between our Group and Sino Haijing and our Directors did not envisage that there would be any material business dealings between our Group and Sino Haijing or its subsidiaries after the Listing.

Our history dates back to 1997 when Chuzhou Chuangce was established in the PRC.

We are principally engaged in the design, manufacture and sale of packaging products made primarily of EPS and EPO for packaging of consumer electrical appliances such as televisions, air conditioners, washing machines and refrigerators in the PRC.

In preparation for the Listing, our Group underwent the Reorganization and as part of the Reorganization, our Company was incorporated in the Cayman Islands on 4 January 2011 as the holding company of our Group.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Chuzhou Chuangce

Chuzhou Chuangce (formerly known as Chuzhou Jingda Package Company Limited (滁州景達包裝有限公司)) was established in Chuzhou City, Anhui Province, the PRC on 5 October 1997 as a sino-foreign joint venture with a registered capital of RMB3.2 million which was contributed by Conca Investments as to RMB1.76 million in cash and by Chuzhou Television Factory (滁州電視機總廠) (“Chuzhou Television”), a State-owned enterprise, as to RMB1.44 million in cash. At the time of its establishment, Chuzhou Chuangce was owned as to 55% by Conca Investments and as to 45% by Chuzhou Television.

On 23 September 1997, the Foreign Economic and Trading Committee of Chuzhou (滁州市對外經濟貿易委員會) approved the establishment of Chuzhou Chuangce. On 29 September 1997, the People’s Government of Anhui Province (安徽省人民政府) issued the approval certificate for the establishment of Chuzhou Chuangce.

On 5 October 1997, Administration for Industry and Commerce of the State (中華人民共和國國家工商行政管理局) issued a business license to Chuzhou Chuangce. As confirmed by a capital verification report issued by a PRC accounting firm on 9 March 1998, the registered capital of Chuzhou Chuangce of RMB3.2 million had been fully paid up by way of cash and in specie as at 9 March 1998.

As advised by Shu Jin Law Firm, although the registered capital of Chuzhou Chuangce should be contributed in cash only pursuant to the joint venture agreement entered into between Conca Investments and Chuzhou Television, such discrepancy with regard to the form of capital contribution did not affect the due establishment and valid existence of Chuzhou Chuangce as the relevant administration for industry and commerce had subsequently issued the business licenses to Chuzhou Chuangce to confirm the capital contribution made by its shareholders.

As a means to settle part of the debts owed by Chuzhou Television, pursuant to the resolutions of the board of directors of Chuzhou Chuangce dated 18 September 1999, the Civil Ruling of the Intermediate People’s Court of Xiamen, Fujian Province (1999) (Xia Jing Zhi Zi No. 297) (福建省廈門市中級人民法院(1999)廈經執字第297號民事裁定書) dated 8 September 1999 and the Notice of Assistance in Enforcement of the Intermediate People’s Court of Xiamen (99) (Xia Jing Zhi Zi No. 297-2) (廈門市中級人民法院(99)廈經執字第297-2號協助執行通知書) dated 9 September 1999, Conca Investments acquired 45% of the equity interests in Chuzhou Chuangce held by Chuzhou Television at a consideration of RMB1.44 million, equivalent to the contribution by Chuzhou Television to the registered capital of Chuzhou Chuangce, of which, RMB1 million and RMB440,000 were paid to Xiamen Chengda Industrial and Development Company Limited (廈門市成達實業發展有限公司) and Chuzhou Trust Company (滁州信託公司), respectively as settlement of debts owed by Chuzhou Television to the aforesaid two companies.

After the aforesaid transfer of equity interests, Chuzhou Chuangce became a wholly foreign-owned enterprise and was wholly-owned by Conca Investments. As advised by Shu Jin Law Firm, the aforesaid transfer of equity interests was legal, valid and binding.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

On 31 October 2001, Conca Investments entered into an equity transfer agreement with Shenzhen Chuangce Investment and Development Company Limited (深圳市創策投資發展有限公司) (“Shenzhen Chuangce Investment”) pursuant to which, Conca Investments transferred 74% of the equity interests in Chuzhou Chuangce held by it to Shenzhen Chuangce Investment at a consideration of RMB2,368,000 which was determined with reference to 74% of the capital contribution made by Conca Investments to Chuzhou Chuangce.

After the aforesaid transfer of equity interests, Chuzhou Chuangce became a sino-foreign joint venture and was owned as to 74% by Shenzhen Chuangce Investment and as to 26% by Conca Investments.

Shenzhen Chuangce Investment is a domestic enterprise established in the PRC. As confirmed by our Directors after having made all reasonable enquiries, save that Mr. Zhou Penghong (周鵬鴻), a remote relative of Mr. Chao, is the chairman of the board of directors, the general manager, the authorized representative of and owns 89% of the equity interests in Shenzhen Chuangce Investment, Shenzhen Chuangce Investment and its ultimate beneficial owners have no other relationship with our Company or any of its connected persons.

On 12 September 2002, Shenzhen Chuangce Investment entered into an equity transfer agreement with Conca Investments pursuant to which, Shenzhen Chuangce Investment transferred 74% of the equity interests in Chuzhou Chuangce held by it to Conca Investments at a consideration of RMB2,368,000 which was determined with reference to the amount of the registered capital held by Shenzhen Chuangce Investment in Chuzhou Chuangce.

After the aforesaid transfer of equity interests, Chuzhou Chuangce became a wholly foreign-owned enterprise and was wholly-owned by Conca Investments. As confirmed by Mr. Chao, the aforesaid transfers of equity interests in Chuzhou Chuangce between Conca Investments and Shenzhen Chuangce Investment were due to the agreement between the parties to convert Chuzhou Chuangce into a subsidiary of Shenzhen Chuangce Investment in contemplation of listing of the shares of Shenzhen Chuangce Investment in the PRC. The proposed listing of Shenzhen Chuangce Investment did not proceed after further consideration of the results of the preliminary work and feasibility of the proposed listing by the parties. No formal listing application regarding Shenzhen Chuangce Investment had been made to the responsible PRC authority.

On 12 April 2004, Conca Investments resolved to increase the registered capital of Chuzhou Chuangce from RMB3.2 million to RMB12.7 million. The capital increase in the amount of RMB9.5 million was contributed by Conca Investments by the dividends receivable from Chuzhou Chuangce. Such capital increase was approved by the Foreign Trading and Economic Cooperation Bureau of Chuzhou (滁州市對外貿易經濟合作局) and the People’s Government of Anhui Province (安徽省人民政府) on 25 May 2004. Administration for Industry and Commerce of Chuzhou (滁州市工商行政管理局) issued a new business license to Chuzhou Chuangce on 9 June 2004. As confirmed by a capital verification report issued by a PRC accounting firm on 28 May 2004, the contribution of capital in Chuzhou Chuangce of RMB9.5 million by Conca Investments had been fully paid up as at 26 May 2004.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

On 17 March 2005, Conca Investments resolved to increase the registered capital of Chuzhou Chuangce from RMB12.7 million to RMB25 million. The capital increase in the amount of RMB12.3 million was contributed by Conca Investments by the dividends receivable from Chuzhou Chuangce. Such capital increase was approved by the Bureau of Commerce of Chuzhou (滁州市商務局) and the People's Government of Anhui Province (安徽省人民政府) on 12 May 2005 and 23 May 2005, respectively. Administration for Industry and Commerce of Chuzhou (滁州市工商行政管理局) issued a new business license to Chuzhou Chuangce on 13 June 2005. As confirmed by a capital verification report issued by a PRC accounting firm on 24 June 2005, the contribution of capital in Chuzhou Chuangce of RMB12.3 million by Conca Investments had been fully paid up as at 17 June 2005.

Chongqing Guangjing

Chongqing Guangjing was established in Chongqing, the PRC on 20 October 2003 as a wholly foreign-owned enterprise with a registered capital of US\$1.3 million which was contributed solely by Conca Investments in cash. At the time of its establishment, Chongqing Guangjing was wholly-owned by Conca Investments.

On 29 September 2003, the Foreign Trading and Economic Committee of Yubei District, Chongqing (重慶市渝北區對外貿易經濟委員會) approved the establishment of Chongqing Guangjing. On 30 September 2003, the People's Government of Chongqing (重慶市人民政府) issued the approval certificate for the establishment of Chongqing Guangjing.

On 20 October 2003, Administration for Industry and Commerce of Chongqing (重慶市工商行政管理局) issued a business license to Chongqing Guangjing. As confirmed by two capital verification reports issued by a PRC accounting firm on 30 October 2003 and 17 December 2003, respectively, the registered capital of Chongqing Guangjing of US\$1.3 million had been fully paid up by Conca Investments in cash as at 3 December 2003 which complied with the requirement of the Foreign Trading and Economic Committee of Yubei District, Chongqing (重慶市渝北區對外貿易經濟委員會) that the registered capital had to be fully paid up within 6 months after the establishment of Chongqing Guangjing.

On 20 April 2006, Conca Investments resolved to increase the registered capital of Chongqing Guangjing from US\$1.3 million to US\$3.3 million. The capital increase in the amount of US\$2 million was contributed by Conca Investments as to US\$1.85 million in cash and as to US\$150,000 from the dividends receivable from Chongqing Guangjing. Such capital increase was approved by the Foreign Economic and Trading Committee of Jiangjin (江津市對外經濟貿易委員會) and the People's Government of Chongqing (重慶市人民政府) on 18 May 2006. Administration for Industry and Commerce of Chongqing (重慶市工商行政管理局) issued a new business license to Chongqing Guangjing on 27 June 2006. As confirmed by a capital verification report issued by a PRC accounting firm on 15 June 2006, the contribution of capital in Chongqing Guangjing of US\$2 million by Conca Investments had been fully paid up as at 15 June 2006.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Sichuan Jinghong

Sichuan Jinghong was established in Mianyang City, Sichuan Province, the PRC on 15 September 2005 as a sino-foreign joint venture with a registered capital of RMB40.88 million which was contributed by Conca Investments as to RMB26.572 million in cash and by Sichuan Changhong Electric as to RMB14.308 million in specie. At the time of its establishment, Sichuan Jinghong was owned as to 65% by Conca Investments and as to 35% by Sichuan Changhong Electric.

On 14 September 2005, the Foreign Trading and Economic Cooperation Bureau of Mianyang (綿陽市對外貿易經濟合作局) approved the establishment of Sichuan Jinghong. On 21 September 2005, the Foreign Trading and Economic Cooperation Bureau of Mianyang (綿陽市對外貿易經濟合作局) issued the approval certificate for the establishment of Sichuan Jinghong.

On 15 September 2005, Administration for Industry and Commerce of Mianyang of Sichuan Province (四川省綿陽市工商行政管理局) issued a business license to Sichuan Jinghong. As confirmed by two capital verification reports issued by a PRC accounting firm on 12 October 2005 and 12 December 2005, respectively, the registered capital of Sichuan Jinghong of RMB40.88 million had been fully paid up by way of cash and in specie as at 5 December 2005 which complied with the requirement of the Foreign Trading and Economic Cooperation Bureau of Mianyang (綿陽市對外貿易經濟合作局) that the registered capital had to be fully paid up within 6 months after the issue of the business license.

Sichuan Changhong Electric is a domestic enterprise established in the PRC. As confirmed by our Directors after having made all reasonable enquiries, Sichuan Changhong Electric and its ultimate beneficial owners are Independent Third Parties.

On 22 January 2007, Sichuan Changhong Electric entered into an equity transfer agreement with Sichuan Changhong Chuangxin Investment Company Limited (四川長虹創新投資有限公司) (“Sichuan Changhong Chuangxin”) pursuant to which, Sichuan Changhong Electric transferred 35% of the equity interests in Sichuan Jinghong held by it to Sichuan Changhong Chuangxin at a consideration of RMB14,411,600 which was determined with reference to the amount of the registered capital held by Sichuan Changhong Electric in Sichuan Jinghong.

After the aforesaid transfer of equity interests, Sichuan Jinghong was owned as to 65% by Conca Investments and 35% as to Sichuan Changhong Chuangxin.

Sichuan Changhong Chuangxin is a domestic enterprise established in the PRC. As confirmed by our Directors after having made all reasonable enquiries, Sichuan Changhong Chuangxin and its ultimate beneficial owners are Independent Third Parties.

On 25 July 2008, Sichuan Changhong Chuangxin entered into an equity transfer agreement with Conca Investments pursuant to which, Sichuan Changhong Chuangxin transferred 35% of the equity interests in Sichuan Jinghong held by it to Conca Investments at a consideration of RMB32 million which was determined with reference to the net asset valuation of Sichuan Jinghong as at 30 June 2008 which amounted to RMB60,646,100 based on a valuation report issued by a PRC valuer on 15 July 2008.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

After the aforesaid transfer of equity interests, Sichuan Jinghong became a wholly foreign-owned enterprise and was wholly-owned by Conca Investments.

REORGANIZATION

Our Company completed the Reorganization on 9 March 2011 in preparation for the Listing pursuant to which our Company became the ultimate holding company of our Group. The following sets out certain major steps involved in the Reorganization:

Incorporation of holding companies structure

On 4 January 2011, our Company was incorporated under the laws of the Cayman Islands as an exempted company. One Share was allotted and issued fully paid to the subscriber to the Memorandum and the Articles on 4 January 2011, which was subsequently transferred to Rich Gold at a consideration of HK\$0.01 on the same date.

On 6 January 2011, Cheng Hao was incorporated in the BVI with limited liability with an authorized capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, one of which was allotted and issued fully paid to Mr. Chao on 21 January 2011.

On 15 February 2011, Mr. Chao transferred the one share he held in Cheng Hao, which represented the entire issued share capital of Cheng Hao, to our Company at a consideration of US\$1.00.

On 22 December 2010, Metro Master was incorporated in Hong Kong with limited liability with an authorized capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, one of which was allotted and issued fully paid to the subscriber to its memorandum and articles of association on the same date. On 15 February 2011, Cheng Hao acquired from the subscriber to the memorandum and articles of association of Metro Master the one share it held in in Metro Master, which represented the entire issued share capital of Metro Master, at a consideration of HK\$1.00.

After the aforesaid share transfers, Cheng Hao and Metro Master became wholly-owned subsidiaries of our Company.

Acquisition of the equity interests in our PRC subsidiaries

As part of the Reorganization, on 22 February 2011, Metro Master entered into an equity transfer agreement with Conca Investments, pursuant to which Conca Investments transferred 100% of the equity interests in Chongqing Guangjing to Metro Master at a consideration of RMB27.5 million, which was determined with reference to the net asset value of Chongqing Guangjing as at 31 January 2011 which amounted to RMB27.527 million based on the management account of Chongqing Guangjing for January 2011.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

On 2 March 2011, the Bureau of Commerce of Jiangjin District, Chongqing (重慶市江津區商務局) approved the aforesaid equity transfer. On 3 March 2011, the People's Government of Chongqing (重慶市人民政府) granted an approval certificate to Chongqing Guangjing for the equity transfer mentioned above. On 9 March 2011, Administration for Industry and Commerce of Chongqing (重慶市工商行政管理局) issued a new business license to Chongqing Guangjing. Chongqing Guangjing became a wholly-owned subsidiary of Metro Master.

As part of the Reorganization, on 22 February 2011, Metro Master entered into an equity transfer agreement with Conca Investments, pursuant to which Conca Investments transferred 100% of the equity interests in Chuzhou Chuangce to Metro Master at a consideration of RMB40 million, which was determined with reference to the net asset value of Chuzhou Chuangce as at 31 January 2011 which amounted to RMB36.1766 million based on the management account of Chuzhou Chuangce for January 2011.

On 1 March 2011, the Bureau of Commerce of Chuzhou (滁州市商務局) approved the aforesaid equity transfer. On 1 March 2011, the People's Government of Anhui Province (安徽省人民政府) granted an approval certificate to Chuzhou Chuangce for the equity transfer mentioned above. On 1 March 2011, Administration for Industry and Commerce of Chuzhou (滁州市工商行政管理局) issued a new business license to Chuzhou Chuangce. Chuzhou Chuangce became a wholly-owned subsidiary of Metro Master.

As part of the Reorganization, on 22 February 2011, Metro Master entered into an equity transfer agreement with Conca Investments, pursuant to which Conca Investments transferred 100% of the equity interests in Sichuan Jinghong to Metro Master at a consideration of RMB52.29 million, which was determined with reference to the total investment amount contributed by Conca Investments to Sichuan Jinghong as at 31 December 2010 which amounted to approximately RMB52 million.

The Committee of Economic and Informatization of Mianyang (綿陽市經濟和信息化委員會) and the Bureau of Commerce of Mianyang (綿陽市商務局) approved the aforesaid equity transfer on 2 March 2011 and 3 March 2011, respectively. On 3 March 2011, the People's Government of Sichuan Province (四川省人民政府) granted an approval certificate to Sichuan Jinghong for the equity transfer mentioned above. On 3 March 2011, Administration for Industry and Commerce of Mianyang of Sichuan Province (四川省綿陽市工商行政管理局) issued a new business license to Sichuan Jinghong. Sichuan Jinghong became a wholly-owned subsidiary of Metro Master.

In order to provide the necessary funding to Metro Master for the acquisition of the equity interests of Chuzhou Chuangce, Chongqing Guangjing and Sichuan Jinghong from Conca Investments, Mr. Chao, through Rich Gold, subscribed one Share at a consideration of HK\$142,316,243 on 4 April 2011. Our Company provided such subscription proceeds to Metro Master by way of shareholder's loan to finance its payment obligations under the equity transfer agreements entered into with Conca Investments and the aforesaid payments had been fully settled on 4 April 2011.

On 24 October 2011, Rich Gold executed a deed of release in favour of our Company, pursuant to which Rich Gold unconditionally and irrevocably, among other matters, waived, released and discharged the repayment of a shareholder's loan from Rich Gold to our Company in the amount of HK\$12,500,000 and any claim regarding such repayment. The shareholder's loan represented mainly the advances from Rich Gold to our Company for payment of expenses for the Listing.

Shu Jin Law Firm has confirmed that we have obtained all necessary approvals, licenses and permits under relevant PRC laws and regulations in connection with the Reorganization.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Further details of the Reorganization are set out in the paragraph headed “Corporate Reorganization” in Appendix V to this prospectus.

SAFE REGISTRATION

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

- (i) domestic residents who plan to establish or control an offshore special purpose vehicle must conduct foreign exchange registration with the local foreign exchange authority;
- (ii) domestic residents who have contributed their assets or shares of a domestic enterprise into an offshore special purpose vehicle, or have raised funds offshore after such contribution, must conduct foreign exchange registration for the modification of the record concerning the offshore special purpose vehicle with the local foreign exchange authority; and
- (iii) domestic residents who are the shareholders of an offshore special purpose vehicle are required to go through registration for the modification of the record with the local foreign exchange authority within 30 days from the date of any major capital change event, such as an increase/decrease of capital, share transfer, share swap, merger or division, long term equity or debt investment or foreign guarantee where no round-trip investment is involved.

Shu Jin Law Firm has advised that Mr. Chao, being the relevant beneficial shareholder of our Group, is a permanent resident of Macau instead of a “domestic resident” of the PRC who conducts return investment activities, and is not required to file foreign exchange registrations of overseas investments with SAFE under the SAFE Circular 75.

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

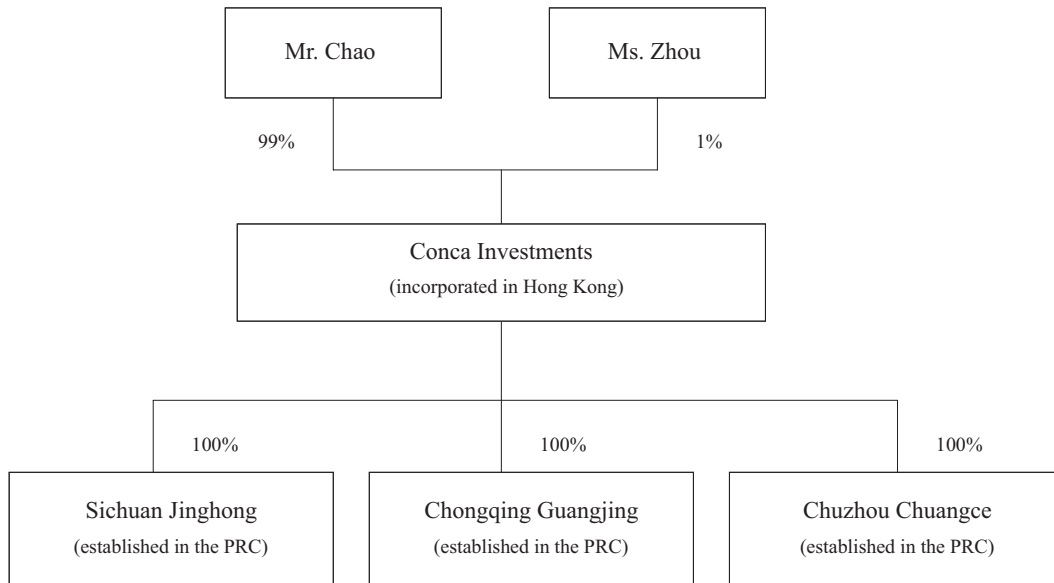
Under the Rules on the Merger and Acquisition of Domestic Enterprises by Foreign Investors in the PRC (關於外國投資者併購境內企業的規定) (the “M&A Rules”), which was issued by MOFCOM on 8 August 2006, effective on 8 September 2006 and further amended on 22 June 2009, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic company thereby converting it into a foreign-invested enterprise, or subscribes for new equity via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. The acquisition shall be based on the results of the appraisals on the equity or assets to be acquired. According to Article 15 of the M&A Rules, where parties to an acquisition of domestic enterprises are related including where the control is only de facto, the parties must “provide an explanation on the purpose of the acquisition and whether the results of the appraisals are consistent with fair market value”. Avoidance of this requirement by using trusts, nominees, or other means is prohibited.

HISTORY, REORGANIZATION AND GROUP STRUCTURE

Shu Jin Law Firm has advised that the acquisitions by Metro Master of equity interests in Chongqing Guangjing, Chuzhou Chuangce and Sichuan Jinghong do not fall within the scope of the above regulated activities stipulated under the M&A Rules as Chongqing Guangjing, Chuzhou Chuangce and Sichuan Jinghong have been foreign-invested enterprises since their establishment several years before the M&A Rules became effective on 8 September 2006.

Corporate and shareholding structure immediately before the Reorganization

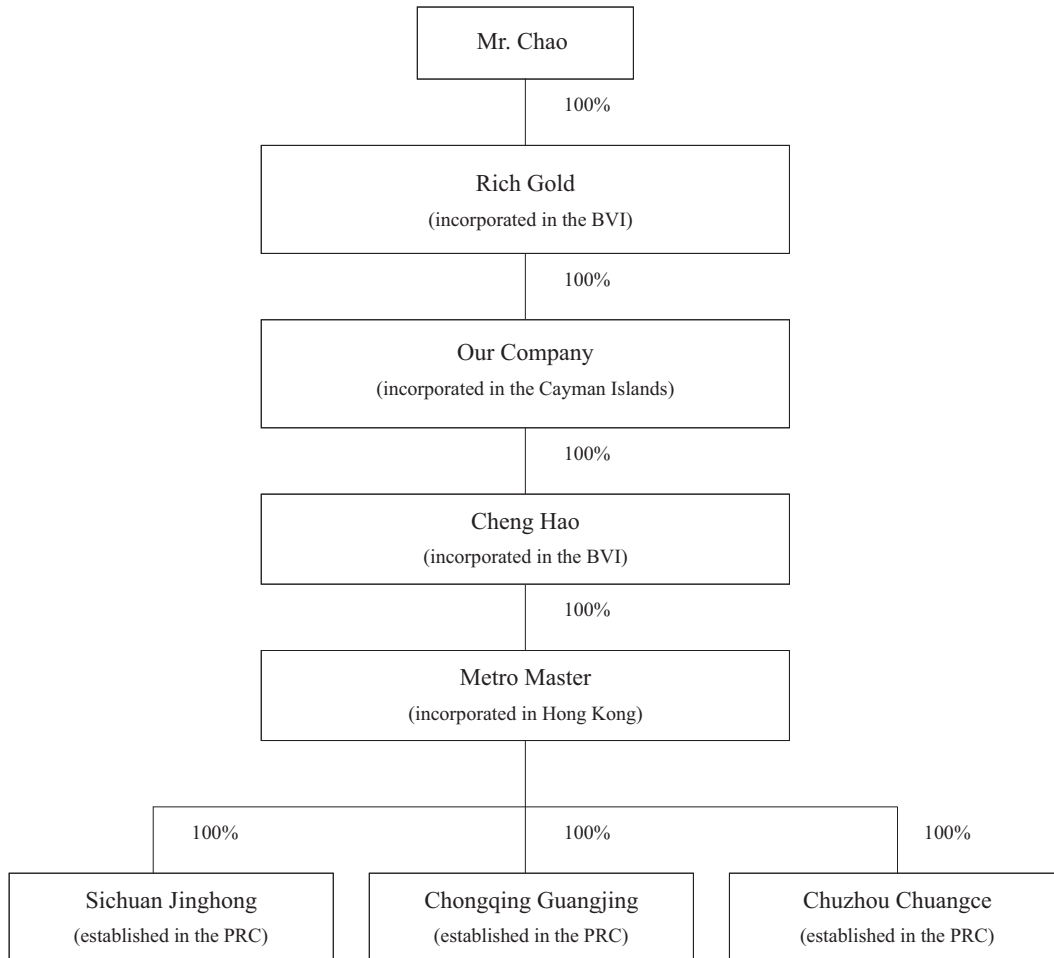
The following chart sets forth the shareholding and corporate structure of our Group immediately before the Reorganization:



HISTORY, REORGANIZATION AND GROUP STRUCTURE

Corporate and shareholding structure upon completion of the Reorganization

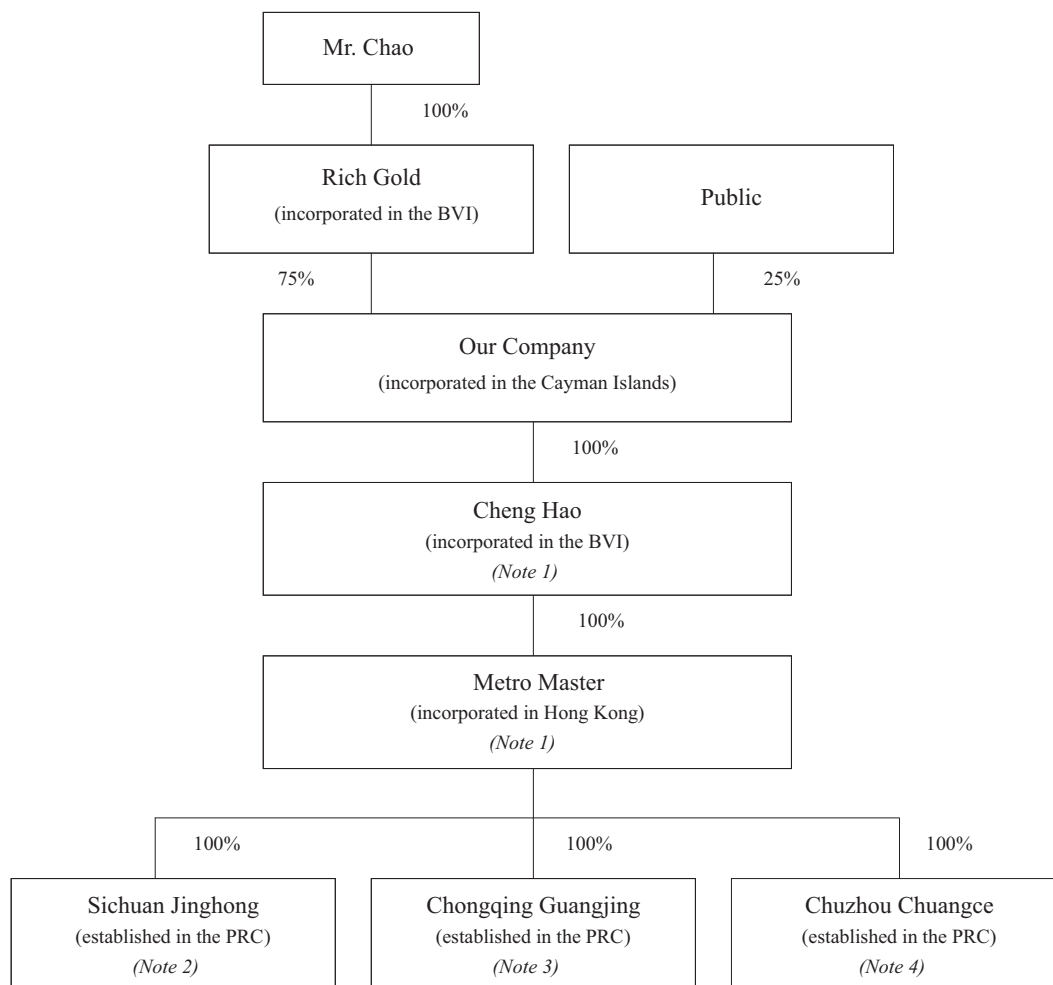
The following chart sets forth the shareholding and corporate structure of our Group immediately upon completion of the Reorganization:



HISTORY, REORGANIZATION AND GROUP STRUCTURE

Corporate and shareholding structure upon completion of the Capitalization Issue and the Share Offer

The following chart sets forth the shareholding and corporate structure of our Group immediately after completion of the Capitalization 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):



Notes:

- (1) Cheng Hao and Metro Master are principally engaged in investment holding. Metro Master will also carry out certain administrative functions in Hong Kong for our Group.
- (2) The business scope of Sichuan Jinghong includes: Research and development in, manufacture and sale of shock-resistant packaging pads using macromolecular materials, and plastic engineering and structural components as steel-substitutes for home electrical appliances such as televisions and air-conditioners, and other products; design, development and sale of various moulds.
- (3) The business scope of Chongqing Guangjing includes: Manufacture and sale of plastic engineering and structural components, and plastic foam packaging components for various home electrical appliances and other products; providing after-sale services of its products.
- (4) The business scope of Chuzhou Chuangce includes: Manufacture and sale of self-made plastic engineering and structural components as steel-substitutes and plastic foam packaging products for home electrical appliances and other products.

BUSINESS

OVERVIEW

We are a provider of packaging products and structural components in the PRC. We specialize in the design, manufacture and sale of packaging products made primarily of EPS and EPO for packaging of consumer electrical appliances such as televisions, air conditioners, washing machines and refrigerators in the PRC. Our packaging products exhibit chemical, thermal and shock resistivity and offer protection against damages in transit and storage. In addition, we undertake the design and manufacture of structural components (結構件) in various shapes and sizes that are often used as components inside consumer electrical appliances manufactured by our customers in the PRC. We are therefore able to offer our customers an integrated solution for their packaging needs.

We design and manufacture all our packaging products and structural components in the three factories located respectively in Chuzhou Economic Development Zone in Chuzhou City, Anhui Province, Pengqiao Economic Development Zone in Guangxing Town, Jiangjin District, Chongqing Municipality and Sichuan Province Miangyang State High Technology Industrial Development Zone in Miangyang City, Sichuan Province in the PRC.

We exercise close management and supervision on the manufacturing processes, product quality and delivery schedules of our packaging products. We upgrade and improve our manufacturing facilities and processes in order to improve manufacturing efficiency and stay competitive in the packaging industry in the PRC. The factories are strategically located close to our major customers and for this reason we can arrange for timely delivery and control the related transportation costs of our products. The close proximity to our major customers also allows us to maintain regular communications with them, understand their latest products and packaging requirements, industry trends and provide them prompt service and support.

The three factories are capable of a maximum annual manufacturing capacity, in aggregate, of 15,100 tonnes of packaging products and structural components. For the three financial years ended 31 December 2008, 2009 and 2010, the three factories manufactured packaging products and structural components per annum, in aggregate, of 9,478 tonnes, 6,683 tonnes and 8,156 tonnes respectively. For the three financial years ended 31 December 2008, 2009 and 2010, the annual average utilization rates of our manufacturing capacity were approximately 64.8%, 45.2% and 54.0% respectively, while the maximum monthly utilization rates were approximately 87.2%, 71.9% and 72.3% respectively.

We are committed to developing efficient and effective packaging products and structural components for our customers. We believe that our strong product design and development capability, our diverse range of packaging products, our continuous focus on improving product quality and efficient product delivery arrangement are our competitive advantages in the packaging industry in the PRC. We have established strong and long term relationships with our customers and some of whom have been customers of our packaging products for nearly 14 years. For the Track Record Period, the sales to our five largest customers were approximately RMB230.9 million, RMB121.3 million, RMB164.7 million, RMB98.5 million representing approximately 98.5%, 99.5%, 99.2% and 97.9% of our turnover for the respective periods.

BUSINESS

In particular, we are the sole supplier of packaging products to Anhui Konka for their televisions and refrigerators. We are also the major supplier of packaging products to Sichuan Changhong Electric for their televisions. We are the major supplier of packaging products to Chongqing Haier for their air conditioners, washing machines and electric water boilers. We are one of the major suppliers of packaging products to Chongqing Gree for its air conditioners.

We were either the sole or major supplier, or one of the largest suppliers of packaging products and structural components to Anhui Konka, Chongqing Haier, Chongqing Gree and Sichuan Changhong Electric, the major consumer electrical appliance manufacturers in the PRC, who were our four major customers for the Track Record Period. We are selected as a core supplier to these manufacturers for the following reasons: (i) our comprehensive range of packaging products; (ii) our capability to provide suitable packaging products to meet the specific packaging requirements of our customers; (iii) our ability to deliver packaging products promptly; and (iv) our provision of integrated solutions for our customer's packaging needs.

According to Synovate: (i) our target packaging product market for consumer electrical appliances namely, televisions, refrigerators, washing machines and air conditioners in the PRC which amounted to about RMB3.8 billion in 2010; and (ii) we ranked the third amongst the largest packaging product providers in the PRC in terms of revenue in 2009. According to this market survey report, the market of EPS packaging products for electrical appliances is fragmented with many packaging products manufacturers in place. The top 10 largest market leaders shared about 36.7% of the total market share in the PRC in 2010. For further details of the market survey report, please refer to the section headed "Industry Overview" in this prospectus.

During the period between 2007 and 2009, the PRC Government promulgated various policies in respect of the consumer electrical appliance industry namely, the "Rural Area Subsidized Electrical Appliances Purchase Policy", the "Home Appliances Replacement Policy" and the "Energy Efficient Product Subsidy Policy", which encouraged, to a certain extent, the demand for consumer electrical appliances and packaging products in the PRC.

For the three financial years ended 31 December 2008, 2009 and 2010 and the two six months ended 30 June 2010 and 2011, we recorded revenue of approximately RMB234.5 million, RMB121.9 million, RMB166.1 million, RMB77.3 million and RMB100.6 million respectively whilst we recorded profit attributable to owners of the Company of approximately RMB31.3 million, RMB23.6 million, RMB35.7 million, RMB12.3 million and RMB20.3 million for the respective periods.

Our revenue increased by approximately RMB23.3 million or 30.1% to approximately RMB100.6 million in first half of 2011 from approximately RMB77.3 million in the first half of 2010. The increase in revenue was caused mainly by the overall increase in customer demand for consumer electrical appliances and in turn our products in the PRC. We recorded an increase in revenue derived from the sale of all our products save and except packaging products for cathode ray tube television in the first half of 2011. In particular, we recorded an increase in revenue derived from the sale of packaging products for air conditioners of approximately RMB9.0 million or 54.2%, for flat panel and plasma televisions of approximately RMB8.6 million or 40.6% and for washing machines of approximately RMB1.5 million or 19.2% in the first half of 2011 as compared to the first half of 2010.

BUSINESS

Our revenue increased by approximately RMB44.2 million or approximately 36.3%, from approximately RMB121.9 million for the financial year 2009 to approximately RMB166.1 million for the financial year 2010. The increase was primarily due to an overall increase in purchase orders placed to us by our customers as the PRC economy together with the consumer electrical appliance industry and packaging industry in the PRC continued to recover from the global financial tsunami. In particular, we recorded increase in revenue from the sales of packaging products for air conditioners, washing machines and refrigerators. Chongqing Gree, one of our major customers, had expanded their manufacturing base and purchased more packaging products and structural components for their air conditioners. Revenue derived from the sales of our structural components for air conditioners increased notably for the financial year 2010.

In 2009, the consumer electrical appliance industry and in turn the packaging industry in the PRC were affected by the global financial tsunami. Our revenue decreased by approximately RMB112.6 million or approximately 48.0%, from approximately RMB234.5 million for the financial year 2008 to approximately RMB121.9 million for the financial year 2009. The decrease was primarily due to an overall decrease in purchase orders placed by our customers as some of them had shifted focus away from the production of cathode ray tube televisions to flat panel & plasma televisions. Some of our customers reduced production of traditional cathode ray tube televisions in favour of the production of flat panel and plasma televisions, which in comparison required lesser amount of packaging products given that they were typically more compact in size and lighter in weight. The decrease in revenue derived from our sale of packaging products for cathode ray tube televisions was offset, to an extent, by the increase in revenue derived from our sales of packaging products for flat panel and plasma televisions.

Notwithstanding the fluctuations in sales activities, we continued our effort to monitor and manage closely our manufacturing operations and to ensure manufacturing efficiency and product quality. For the three financial years ended 31 December 2008, 2009 and 2010, and the two six months ended 30 June 2010 and 2011, our gross profit were approximately RMB58.4 million, RMB34.9 million, RMB53.6 million, RMB24.4 million and RMB30.1 million respectively while gross profit margins were approximately 24.9%, 28.6%, 32.3%, 31.6% and 29.9% respectively. For the three financial years ended 31 December 2008, 2009 and 2010, and the two six months ended 30 June 2010 and 2011, profits attributable to owners of the Company (“net profits”) were approximately RMB31.3 million, approximately RMB23.6 million, approximately RMB35.7 million, approximately RMB12.3 million and approximately RMB20.3 million respectively while net profit margins were approximately 13.3%, 19.4%, 21.5%, 15.9% and 20.2% respectively.

For further details of our financial performance for the Track Record Period, please refer to the section headed “Financial Information” in this prospectus.

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COMPETITIVE STRENGTHS

We consider that our principal competitive strengths are as follows:

Our quality products

We are of the view that the quality of our packaging products and structural components is important to the success of our business. We put emphasis on the maintenance of our product quality such that our products continue to meet the demands of our customers. Our quality control personnel carry out tests of raw materials used in the manufacturing of our products and at various stages of the manufacturing processes, select semi-finished products for reviews and carry out final inspections before product delivery to our customers. Our quality management systems installed for the manufacturing of our packaging products and structural components at the three factories have been awarded certificates in respect of the compliance with the international standards of ISO9001:2008 and GB/T19001:2008.

Personnel with knowledge of and experience in the packaging products

Members of our senior management team have in-depth knowledge of and extensive experience in the packaging industry for consumer electrical appliances in the PRC. In particular, Mr. Chao, our chairman and chief executive officer, an executive Director and a Controlling Shareholder who is responsible for overall strategic planning and business development of our Group, has over 14 years of experience in the packaging industry. Our senior management team is vigilant of the changing industry landscape and demands of our customers. They provide guidance to our Group and lead us in various aspects of our operations including modifying and enhancing our packaging products, improving our overall manufacturing efficiency such that our packaging products remain competitive in the packaging industry in the PRC.

A broad range of packaging products

We offer a broad range of packaging products and structural components to suit the various requirements and specifications of our customers in the PRC. The availability of a broad range of packaging products allows us to better serve our customers by providing readily available solutions to our customers who often have changing packaging requirements due to their business developments and new product introductions. We believe that our broad range of packaging products allows us to compete successfully in the packaging industry in the PRC.

Integrated solution for customers' packaging needs

We adopt a fully integrated manufacturing process starting from the design of packaging solutions to the manufacturing of packaging products that suits the specific requirements of our customers.

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We believe that our fully integrated manufacturing process allows us to enhance our overall competitiveness in the packaging industry as we have the ability to carry out the design and development of packaging products for our customers in a cost effective and timely manner. We exercise stringent supervision and control over the entire manufacturing processes through regular checks on our products by our quality control personnel throughout the manufacturing process to ensure product quality.

Strategic locations of the factories

We have strategically located our manufacturing facilities in the three factories that are close to our major customers in Chuzhou Economic Development Zone, Chuzhou City, Anhui Province, Pengqiao Economic Development Zone , Guangxing Town, Jiangjin District, Chongqing Municipality and Mianyang City, Sichuan Province, the PRC. The close proximity of our manufacturing operations with our customers allows us to respond promptly to the specific needs and requirements of our customers, understand the latest industry trends and provide better service. We are able to keep the delivery time and transportation cost of our packaging products to our customers in check.

BUSINESS STRATEGIES

Further expand our market position and increase our market share

According Synovate, we ranked the third, in terms of revenue, amongst the EPS packaging product providers for consumer electrical appliances namely televisions, air conditioners, washing machines and refrigerators in the PRC in 2010.

We intend to further strengthen our market position through: (i) further strengthening our product design and development capability; (ii) expansion of our manufacturing capacity; and (iii) recruitment of quality personnel and continuous training of our staff.

Further strengthening our product design and development capability

We will continue to strengthen our product design and development capability by further investment in improving our manufacturing process and technique through utilizing machineries and testing apparatus to ensure product quality and cost effective manufacturing processes. We believe strong product design and development capability is essential for us to remain competitive in the packaging industry in the PRC. By working closely with our customers on product design and development at early stage, we may offer better packaging products to our customers and foster stronger commercial ties with them.

Expansion of our manufacturing capacity

We will expand our manufacturing capacity to cater for the growing demand for packaging products from our customers and to achieve better economies of scale. In order to expand the manufacturing capacity of our packaging products, we may elect to add more assembly lines in our existing three factories and/or establish new manufacturing factory in new locations. We will study and

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evaluate the merits of possible ways to increase manufacturing capacity of our packaging products in a cost efficient manner. We consider the locations of our new manufacturing plants important and our preference are those locations within close proximity to our potential customers. The close distance between the manufacturing plant and our customers will shorten the delivery time and minimize related transportation costs of our packaging products to our customers. Our three factories located within close proximity to our major customers and are commercially viable to serve customers in their respective neighborhoods only and therefore spare manufacturing capacity of one factory may not be used by another. Notwithstanding the spare manufacturing capacities of the three factories, the establishment of our new factory in Wuhu City is to serve potential customers in the city. By reason of geographical delineation above, our Directors are of the view that the appropriate suppliers of packaging products available to our major customers may be restricted to those located close to their manufacturing bases.

Packaging products for consumer electrical appliances such as televisions, air conditioners, refrigerators and washing machines are typically large in size and relatively rigid in property and therefore, making long distance transportation of which, in large quantities, is not very attractive from cost control perspective. We believe that our manufacturing facilities shall be established near the manufacturing bases of our potential customers namely consumer electrical appliance manufacturers in the PRC to remain competitive. Packaging products suppliers with manufacturing bases far away from our potential customers may encounter difficulty in keeping pricing of their packaging products competitive in view of the transportation costs to be incurred by delivery of packaging products to customers. As such, it is an industry pattern that the number of potential customers of packaging product suppliers may be restricted by the travel distance between them and as to what length is acceptable, in general, depends on circumstances in which such supplier operates, which may differ from supplier to supplier. By the same token, each of our three existing factories is established to serve potential customers in nearby areas and thus the spare capacity of one factory may not be utilized by another factory. The new factory we intend to establish is designed to serve potential customers namely consumer electrical appliances manufacturers with manufacturing bases in Wuhu City.

According to Synovate, Wuhu City is the water and land transportation hub of East China. As at the Latest Practicable Date, there are around 60 electronic and electrical appliances enterprises in Wuhu City which realized about RMB13 billion, RMB16 billion and RMB24 billion total output value respectively in 2008, 2009 and 2010. By 2015, the total output value is expected to reach about RMB100 billion of which electrical appliances is expected to make up about RMB80 billion. The city has been focusing on the development of consumer electrical appliances manufacturers industry and in particular, the development as a regional manufacturing base of such consumer electrical appliances. Our Directors are of the view that Wuhu City is an appropriate location for the establishment of our new factory as it is the manufacturing base of many consumer electrical appliances with renowned brand names in the PRC, some of which are public listed companies in the PRC. Our Directors are of the view that there is a demand for packaging products made of EPS and EPO in Wuhu City given the number of manufacturers of consumer electrical appliances such as televisions, air conditioners, washing machines and refrigerators in the city. In addition, the establishment of a new factory in Wuhu City allows our Company to conduct business with new customers and avoid over reliance on our existing customers. Our Directors consider that the establishment of new manufacturing facilities

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in another area with potential customers is beneficial to the long term development of our Group. As at the Latest Practicable Date, our Group has not entered into any agreements in respect of supply of products to any potential customers in Wuhu City, acquisition of land and machinery for the new factory in the city.

We intend to establish a new factory in Wuhu City equipped with the necessary machineries and equipment capable of an annual maximum manufacturing capacity of approximately 5,000 tonnes of EPS/EPO packaging products and structural components. Upon commencement of production of the new factory in Wuhu City, we will have an annual maximum manufacturing capacity of approximately 20,100 tonnes of packaging products and structural components. Despite the good properties of EPO, products made of EPO can cost 3 to 4 times more than products made of EPS, which may limit the popularity of EPO as the choice of material for packaging products and in turn, purchase orders for them. Nonetheless, our manufacturing facilities are capable of manufacturing products made of both EPS and EPO and can be adjusted to manufacture the products made of the EPS or EPO in accordance with the demand from our customers. For further details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

Recruitment of quality personnel and continuous training of our staff

We believe that the recruitment, training and retention of high caliber personnels are important to the success of our business and to achieve our business objectives. We will seek to recruit both domestically and internationally management personnel and engineers with appropriate qualifications and talents and offer them competitive compensation packages including bonus programs, share option schemes and education and training allowances. We believe that providing training to our staff is also an important factor in attracting and retaining employees. We plan to arrange for in-house training programs, on a regular basis, to our employees as well as to provide financial support to those seeking external educational programs. Further, we plan to arrange gatherings and social events for all our employees, on a regular basis, to encourage communications between members of our senior management team and general staff and to foster employee loyalty to our Group. We believe that a team of highly trained personnels will enhance our overall manufacturing efficiency, improve our product design and development and help achieve our business objectives effectively.

OUR BUSINESS

We are a provider of packaging products and structural components in the PRC. We specialize in the design, manufacture and sale of packaging products made primarily of EPS and EPO for packaging of consumer electrical appliances such as televisions, air conditioners, washing machines and refrigerators in the PRC. Our packaging products exhibit chemical, thermal and shock resistivity and offer protection against damages in transit and storage. In addition, we undertake the design and manufacture of structural components in various dimensions that are often used inside the consumer electrical appliances manufactured by our customers in the PRC. We are therefore able to offer our customers an integrated solution for their packaging needs.

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During the Track Record Period, all our packaging products were primarily made of raw materials comprising mainly EPS and EPO while our structural components were made of EPS.

The raw materials are preprocessed, conditioned and moulded through our manufacturing facilities into our packaging products. We carry out regular tests and checks throughout the manufacturing processes to ensure quality of our packaging products before delivery to our customers. The raw materials we used in the manufacturing operations exhibit various characteristics such as the ability to resist shock and moisture, having thermal and electrostatic discharge insulation, being lighter in weight and being easier to be handled by automated machines.

We do not apply chlorofluorocarbons as blowing agents in the manufacturing of our products and therefore making the manufacturing process more benign to the environment. Given the stable nature of EPS products, the proper handling and storage of which will not cause them to produce harm that contaminates the air and underground water.

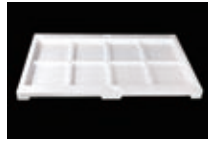
Packaging products made of EPS and EPO can be recycled and reused. Their scraps can be reprocessed in our manufacturing facilities for production of packaging products and structural components. Nonetheless, the rigidity and low value of the scraps made of EPS make it not too commercially attractive to collect, transport and recycle them in the PRC. Please refer to the section headed "Glossary of Technical Terms" for more information.

We will continue our effort on improving the quality and specifications of our products such that our products will meet the expectations of our customers, some of whom may prefer the use of more environmental friendly materials in the packaging products. EPO is an alternative to EPS as it possesses superior toughness and shock absorbing properties and therefore the use of EPO may reduce the overall quantity of packaging material required for packaging and protection purposes. EPO also has comparatively higher reusing and recycling rates. Nonetheless, the costs of EPO products can be 3 to 4 times higher than EPS products, which may limit the popularity of EPO as the choice of material for packaging products. Our manufacturing facilities are capable of manufacturing products made of both EPS and EPO and may be adjusted to manufacture the quantity of products made of the material in accordance with the requirements of our customers. In our selection for suppliers of, among other things, raw materials used in the manufacturing of our products, we will give priority to those who support for environmental protection. In addition, we will continue to monitor and ensure compliance with all relevant environmental production related regulations as may be promulgated by regulatory authorities in the PRC.

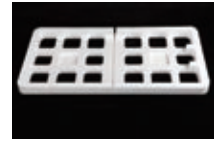
BUSINESS

Packaging products

Flat panel and plasma



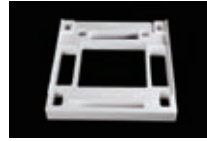
Air conditioners



Washing machines



Refrigerators



Packaging products for consumer electrical applicants

We offer packaging products for packaging consumer electrical appliances such as cathode ray tube, flat panel and plasma televisions, air conditioners, washing machines, refrigerators and other electrical appliances such as electrical water boilers and satellite television receivers. Our packaging products are fabricated into moulds to hold and protect the contents before being inserted into corrugated outer boxes. Our consumer packaging products withstand moisture and humidity well and absorb shocks and therefore offering protection in delivery of the products. Our packaging products may be used alone or in combination with other packaging materials such as corrugated paper, wood or other materials.

Electrostatic discharge insulation

Our packaging products are particularly suitable for packaging a wide range of consumer electrical appliances that require electrostatic discharge insulation. Some of the consumer electrical appliances may have electronics like integrated circuits that are prone to electrostatic discharge which can be rendered malfunction if exposed to high voltages from static electricity or other sources. Our packaging products are made of materials that insulate the electrical appliances contained within the packaging against static electricity. Static electricity can be caused by a myriad of factors including interference from other electronic devices, friction or even the weather.

Shock absorption

Our packaging products are resistant to shock and can be deployed to cushion and protect the products packaged by our products in transit. Our packaging products are moulded into the specific shapes and dimensions so as to hold and protect the products packaged by our products properly during transportation. Our trained personnel carry out tests and evaluations to ensure adequate protection being provided such that products using our packaging products will reach its destination in pristine condition.

Thermal insulation

Our packaging products have thermal insulation property and are suitable for packaging temperature-sensitive products.

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Structural components (結構件)



Structural components for air-conditioner

We offer structural components in various shapes and sizes that are often used as substitutes for components inside the consumer electrical appliances manufactured by our customers in the PRC. Our structural components are designed and manufactured to the specifications of our customers. Our structural components are manufactured with EPS at higher density as compared to our packaging products. Our structural components are chemical resistant, very light in weight and are economical to be produced and replaced. Our structural components are used inside air conditioners manufactured by our customers. Our structural components for air-conditioners may be used to replace certain parts made of metal inside air-conditioners such as metal frames and other metal parts, and offer support and connection points to other parts inside air-conditioners. Our structural components are preferred by our customers as the manufacturing costs and weight of which are comparatively lower than those of the parts made of metal and therefore contributing to the overall savings in manufacturing and transportation costs of our customers' air-conditioners.

During the Track Record Period, we had supplied structural components to 3 customers.

MANUFACTURING

We specialize in the design, manufacture and sale of packaging products and structural components in the PRC. We also purchase ancillary parts for integration into our packaging products for our customers. The manufacturing of ancillary parts requires specialized machinery and specific knowledge that are outside the scope of our principal business.

We are of the view that the purchase of ancillary parts allows us to utilize our manpower and resources more efficiently and reduce our labour and related costs.

Manufacturing Planning

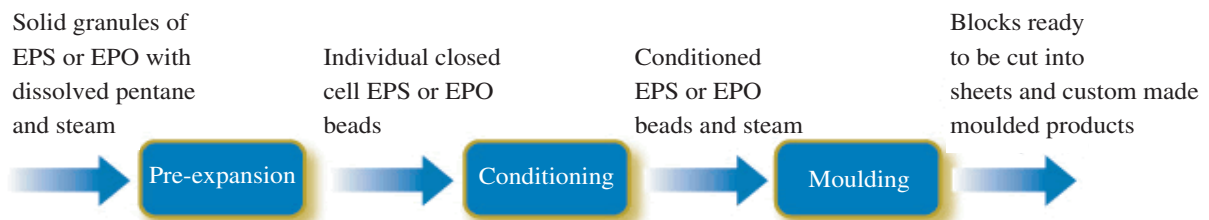
We, in general, devise our annual manufacturing plan on the basis of our annual manufacturing forecasts and purchase orders placed by our major customers. We procure raw materials in accordance with our annual manufacturing plan and our inventory level. The actual quantities of packaging products to be manufactured and our manufacturing schedules are determined based on the purchase orders placed by our customers.

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We also plan and determine in advance the quantities of ancillary parts required to be purchased based on our annual manufacturing plan and purchase orders placed by our customers. Our own quality control personnel examine, on a regular basis, the quality of the ancillary parts purchased. We, in general, made purchases of all ancillary parts that are required to be integrated with our packaging products so as to offer better packaging and protection for our customers' products. We are of the view that our manufacturing facilities should specialize in the manufacturing of packaging products made of EPS and EPO and structural components made of EPS as it is not cost effective, at this stage, to expand the scope of our manufacturing capacity to the production of the ancillary parts. We place purchase orders to the ancillary parts manufacturers depending on our production demand. The ancillary parts suppliers are required to supply ancillary parts based on our requirements. The purchase orders normally specify the purchasing amount, price, delivery time, payment terms and allocation of transportation costs. After receipt of the ancillary parts from our suppliers, we carry out further review process and tests to ensure such products are suitable for our use. For the Track Record Period, our purchases of the ancillary parts amount to approximately RMB3.5 million, RMB4.3 million, RMB6.2 million and RMB3.1 million respectively. We have engaged 14, 13, 15 and 22 ancillary parts suppliers respectively during the same periods.

Manufacturing process

We purchase raw materials namely EPS and EPO, in form of beads, and pass them through the following manufacturing process to produce our packaging products made of EPS and EPO:



Pre-expansion

The beads are heated by hot steam in a batch or continuous operation. Upon contact with steams the pre-foaming agent found within the beads (usually a hydrocarbon such as pentane) starts to boil and the beads are expanded to between 40 to 50 times their original volume and their densities are reduced. Bulk density of pre-expansion beads varies with the equipment, temperature and time.

Conditioning

After expansion, the beads are conditioned at room temperature in a ventilated area which allows beads to dry and aerate. The conditioning generally requires 24 hours and is essential to the quality of the beads which will reach an equilibrium temperature and pressure.

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Moulding

The beads are placed within a mould and again reheated with steam. The pre-expanded beads expand further, completely fill the mould cavity and fuse together. The beads are moulded to form boards, blocks or customized products.

There are two moulding processes:

- Block moulding produces large blocks of EPS or EPO which can then be cut into shapes or sheets for use in both packaging and construction applications.
- Shape moulding produces parts which have custom designed specifications. Electronic product packaging in particular is where shape moulded EPS or EPO is used extensively.

Manufacturing facilities and capacity

The locations of our three factories, namely, Chuzhou Factory, Sichuan Factory and Chongqing Factory, have been chosen to be strategically close to our major customers. The close proximity of the factories to our major customers allows us to respond promptly to changing packaging requirements of our customers and deliver our products to them in a timely and efficient manner.

The following table sets out the standard and actual annual manufacturing capacity, and utilization rate of our manufacturing facilities in the Chuzhou Factory for the periods stated:

Chuzhou Factory	For the financial year ended		
	31 December		
	2008	2009	2010
Manufacturing output (tonnes)	3,038	1,767	2,121
Manufacturing capacity (tonnes)	4,620	4,800	4,800
Approximate average annual utilization rate	65.8%	36.8%	44.2%
Approximate maximum monthly utilization rate	93.1%	59.7%	61.1%

Chuzhou Chuangce carries out business and manufacturing operations in the Chuzhou Factory that stands on a piece of land with an area of approximately 18,142 m² and offers a gross floor area of approximately 9,939 m².

The utilization rate of the manufacturing facilities in the Chuzhou Factory decreased from approximately 65.8% in 2008 to approximately 36.8% in 2009 mainly as a result of the decrease in our output of products as our customers placed fewer purchase orders for our products and in particular our packaging products for cathode ray tube televisions in 2009 than in 2008. The utilization rate increased from approximately 36.8% in 2009 to approximately 44.2% in 2010 mainly as a result of the increase in our output of products as our customers placed more purchase orders for our products and in particular, our packaging products for flat panel and plasma televisions and refrigerators in 2010 than in 2009. Please refer to the paragraph headed “Financial information – Principal income statement components – Revenue” for further information.

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The following table sets out the standard and actual annual manufacturing capacity, and utilization rate of our manufacturing facilities in the Chongqing Factory for the periods stated:

Chongqing Factory	For the financial year ended 31 December		
	2008	2009	2010
Manufacturing output (tonnes)	2,085	2,322	3,353
Manufacturing capacity (tonnes)	5,000	5,000	5,300
Approximate average annual utilization rate	41.7%	46.4%	63.3%
Approximate maximum monthly utilization rate	72.0%	77.6%	88.0%

Chongqing Guangjing carries out business and manufacturing operations in the Chongqing Factory that stands on a piece of land with an area of approximately 17,601 m² and offers a gross floor area of approximately 15,874 m².

The utilization rate of the manufactory facilities in Chongqing Factory increased from approximately 41.7% in 2008 to approximately 46.4% in 2009 mainly as a result of the increase in our output of products as our customers placed more purchase orders for our products and in particular, our packaging products for air conditioners and washing machines in 2009 than in 2008. The utilization rate increased further from approximately 46.4% in 2009 to approximately 63.3% in 2010 mainly as a result of the increase in our output of products as our customers placed more purchase orders for our products and in particular, packaging products and structural components for air conditioners and washing machines. Please refer to the paragraph headed “Financial information – Principal income statement components – Revenue” for further information.

The following table sets out the standard and actual annual manufacturing capacity, and utilization rate of our manufacturing facilities in the Sichuan Factory for the periods stated:

Sichuan Factory	For the financial year ended 31 December		
	2008	2009	2010
Manufacturing output (tonnes)	4,355	2,594	2,682
Manufacturing capacity(tonnes)	5,000	5,000	5,000
Approximate average annual utilization rate	87.1%	51.9%	53.6%
Approximate maximum monthly utilization rate	95.2%	78.0%	70.0%

Sichuan Jinghong carries out business operations and manufacturing operations in the Sichuan Factory that offers a gross floor area of approximately 17,294 m².

The utilization rate of the manufacturing facilities in the Sichuan Factory decreased from approximately 87.1% in 2008 to approximately 51.9% in 2009 mainly as a result of the decrease in our output of products as our customers placed fewer purchase orders for our products and in particular, our packaging products for cathode ray tube televisions in 2009 than in 2008. The utilization rate

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increased from approximately 51.9% in 2009 to approximately 53.6% in 2010 mainly as a result of the increase in our output of products as our customers placed more purchase orders for our products and in particular, packaging products for flat panel and plasma televisions, air conditioners and refrigerators in 2010 than in 2009. Please refer to the paragraph headed “Financial information – Principal components of statement of comprehensive income – Revenue” for further information.

On 12 May 2008, an earthquake measured 8.0 on the Richter scale hit Wenchuan County, Sichuan Province, the PRC and caused wide spread damages to infrastructures and buildings in the region. The Sichuan Factory is approximately 264 kilometers away from the earthquake epicenter and was affected by the earthquake and suffered a loss of approximately RMB2.9 million primarily as a result of damages to certain manufacturing machineries and equipments and the operations in the factory were suspended for seven days. There was no compensation paid to our customers as a result of the earthquake.

In an attempt to minimize risk of loss arising from earthquakes that may occur near where the Sichuan Factory is located in the future, we intend to take out insurance policy to cover against risk of loss arising from, among other things, damages made to material fixed assets and machineries necessary for the business and manufacturing operations of the Sichuan Factory. We also intend to adopt earthquake drill policy and procedure for all staffs in the Sichuan Factory and require all occupants to participate in the drill and vacate the factory in an orderly fashion when required. The object of the drill is to prepare the factory occupants for exiting a factory quickly during an earthquake or related emergency.

Further, we will monitor and follow closely any earthquake warning notices issued by the China Earthquake Administration (中國地震局) and/or other relevant authorities in Sichuan Province, the PRC and take appropriate actions such as suspending operations and vacating the Sichuan Factory, and other actions considered appropriate by our management.

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The following table sets out the standard and actual manufacturing capacity, and utilization rate of our manufacturing facilities of our Group for the periods stated.

	For the financial year ended 31 December		
Manufacturing output (tonnes)	2008	2009	2010
<i>Packaging products</i>			
Televisions	6,779	3,109	2,650
Cathode ray tube	6,115	1,312	555
Flat panel & Plasma	664	1,797	2,095
Air conditioners	880	1,101	1,993
Washing machines	641	1,215	1,386
Refrigerators	457	855	1,491
Others	419	141	119
<i>Structural components</i>			
Air conditioners	302	262	517
Total	9,478	6,683	8,156
Manufacturing capacity (tonnes)	14,620	14,800	15,100
Approximate average annual utilization rate	64.8%	45.2%	54.0%
Approximate maximum monthly utilization rate	87.2%	71.9%	72.3%

The demand for our packaging products depends on the sales or expected sales of our customers. The demand for our packaging products and structural components are affected by the seasonality of the purchase orders placed by our customers. In general, there is expectation of higher sales of consumer electrical appliances around major festive holidays such as the Chinese New Year and the summer season requires stocking of consumer electrical appliances which in turn encourage the purchases of our packaging products and structural components.

For further details about factors that affect our results of operations, please refer to paragraph headed “Financial information – Factors affecting our results of operations” in this prospectus.

Relationship with Sichuan Changhong Electric

We, in general, owned all our factories and the site on which they stand save and except the Sichuan Factory. The Sichuan Factory is situated within the manufacturing base of Sichuan Changhong Electric and was set up, at the outset, to manufacture and supply packaging products for packaging televisions, air conditioners and to manufacture structural components.

BUSINESS

Sichuan Jinghong was established jointly by Conca Investments and Sichuan Changhong Electric on 15 September 2005 and owned as to 65% by Conca Investments and 35% by Sichuan Changhong Electric.

As part of the terms of the investment agreed upon between Conca Investments and Sichuan Changhong Electric, Sichuan Changhong Electric agreed to offer and Sichuan Jinghong agreed to lease a parcel of land on which the Sichuan Factory stands for business and manufacturing operations of Sichuan Jinghong. In addition, Sichuan Changhong Electric agreed to supply and Sichuan Jinghong agreed to purchase power resources including electricity, water, steam and pressurized air in an amount adequate for the business and manufacturing operations of the Sichuan Factory at predetermined rates. The close proximity to Sichuan Changhong Electric allowed Sichuan Jinghong to minimize transportation costs and delivery time of the packaging products and quicken the response time to its customer requests. Since commencement of operation in 2005, Sichuan Changhong Electric has provided to Sichuan Jinghong a stable supply of power resources including electricity, water, steam and pressurized air and offer the Sichuan Factory to Sichuan Jinghong for its business and manufacturing operations. The above arrangements allowed Sichuan Jinghong to dispense with the requirement for the outlay of initial capital expenditure and resources for setting up a factory equipped with the necessary equipment for supply of power resources and expedite its commencement of operations.

On 26 September 2008, Sichuan Jinghong became a wholly-owned subsidiary of Conca Investments. For details, please refer to the section headed “History, Reorganization and Group Structure – Sichuan Jinghong” in this prospectus.

Sichuan Changhong Electric and Sichuan Jinghong entered into a renewed leasing agreement on 27 December 2010 pursuant to which Sichuan Changhong Electric agreed to offer and Sichuan Jinghong agreed to lease the Sichuan Factory for business and manufacturing operations for a term of three years commencing on 1 January 2011 and ending on 31 December 2013, subject to renewal, at a rental of approximately RMB121,000 per month or approximately RMB1.5 million per year. Our Directors are of the view that the leasing agreement was based on normal commercial terms after arm’s length negotiations between Sichuan Changhong Electric and Sichuan Jinghong. As confirmed by Asset Appraisal Limited, our property valuer, the rental payable by Sichuan Jinghong to Sichuan Changhong Electric for leasing of the Sichuan Factory under the leasing agreement is reasonable and comparable to market rental prices of similar industrial properties located nearby. In light of the above, the Sponsor concurs with our Directors’ view that the leasing agreement was based on normal commercial terms that are reasonable and comparable to market rental prices of similar industrial properties located in nearby region. In addition, Sichuan Changhong Electric and Sichuan Jinghong entered into an agreement on 13 February 2011 pursuant to which Sichuan Changhong Electric agreed to supply and Sichuan Jinghong agreed to purchase power resources including electricity, water, steam and pressurized air for business and manufacturing operations of Sichuan Jinghong, for a term of three years commencing on 13 February 2011 and ending on 13 February 2014, subject to renewal, at predetermined rates with reference to prevailing market rates and manufacturing capacity of the Sichuan Factory. Our Directors are of the view that the rates payable by Sichuan Jinghong to Sichuan Changhong Electric for the purchase of power resources under the abovementioned agreement are reasonable and based on the prevailing market rates of such power resources, the materials and operating costs incurred in the provision of such power resources by Sichuan Changhong Electric, and

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that the agreement was based on normal commercial terms after arm's length negotiations between Sichuan Changhong Electric and Sichuan Jinghong. In light of the above, the Sponsor concurs with our Directors' view that the agreement was based on normal commercial terms that are reasonable and reflected the prevailing market rates of such power resources, the materials and operating costs incurred in the provision of such power resources by Sichuan Changhong Electric.

For the Track Record Period, Sichuan Jinghong continued to lease the manufacturing space and purchase necessary power resources from Sichuan Changhong Electric. For the Track Record Period, our rental payments for the Sichuan Factory were approximately RMB1.3 million, RMB1.3 million, RMB1.5 million and RMB726,000 whilst payments for purchase of the power resources above were approximately RMB12.0 million, RMB6.3 million, RMB4.4 million and RMB3.4 million for the respective periods. The quantities of the power resources namely, electricity, water, steam and pressurized air purchased by Sichuan Jinghong from Sichuan Changhong Electric decreased from 2008 to 2009 amidst a lackluster business performance and the general decrease in manufacturing output and revenue of our Group during the period. In 2010, Sichuan Jinghong completed the enhancement of the power supply system in the Sichuan Factory and in particular, the refurbishment of some steam pipes through which pressurized steam required for manufacturing of our products was transported. The refurbishment of steam pipes increased the efficiency of utility usage and lowered the consumption of steam in the manufacturing operations. In addition, Sichuan Jinghong installed machines for production of pressurized air in 2010. Sichuan Jinghong managed to consume much less steam and pressurized air provided by Sichuan Changhong Electric in 2010 as compared to 2009, which contributed to the decrease in payments for the purchase of power resources by Sichuan Jinghong to Sichuan Changhong Electric in 2010 as compared to 2009. Please also refer to the paragraph headed "Financial information – Principal components of statement of comprehensive income – Gross profit" for further information.

Sichuan Jinghong (as licensee) has entered into two patent licensing agreements with Sichuan Changhong Electric (as licensor) pursuant to which: (i) we are granted the right to use in the PRC of two patents owned by Sichuan Changhong Electric for a term of 5 years from 22 August 2008 at a total consideration of RMB8,000 per year; and (ii) we are granted the right to use in the PRC of four patents owned by Sichuan Changhong Electric for a term of 5 years from 20 October 2009 at a total consideration of RMB12,000 per year. The aforesaid licensing arrangements have been registered with the relevant PRC intellectual property authority on 25 September 2010. The considerations for the licensing of the patents under the abovementioned agreements are reasonable and based on arm's length negotiation between the respective parties. Our PRC Legal Advisers is of the opinion that there is no restrictive clause in the patent licensing agreements prohibiting the use of the above patents by our Company in the manufacturing of products for customers other than Sichuan Changhong Electric. The patents were related to the design of packaging products for certain versions of flat panel and plasma televisions. For the Track Record Period, our Group did not rely on the application of the patents referred to in the patent licensing agreements as we did not derive revenue from sale of packaging products on which such patents were directly applied. In view of the above, our Directors considered that the patents were not crucial to the operations of our Group during the Track Record Period. For further details, please refer to the paragraph headed "Appendix V – Intellectual property rights" in this prospectus.

For the Track Record Period, we derived revenue from the sale of products to Sichuan Changhong Electric of approximately RMB126.0 million, RMB43.5 million, RMB40.8 million and RMB25.0 million respectively, which accounted for our total revenue of approximately 53.7%, approximately

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35.7%, approximately 24.6% and approximately 24.9% respectively. The pricing for the sales of our products to Sichuan Changhong Electric was based on market rates and fall within our price range for such products. For the Track Record Period, our Company paid compensation of approximately RMB6,000 in 2010 and approximately RMB3,000 in the first half 2011 to Sichuan Chonghong Electric in connection with supply of defective products. Our Directors are of the view that such compensation was immaterial as compared to revenue derived from the sales of products to Sichuan Changhong Electric, which has continued to place purchase orders for our products.

In addition, we manufactured and sold our packaging products and structural components to Sichuan Changhong Electric and its related companies during the Track Record Period. For further details, please refer to the paragraph headed “Customers” of this section.

Sichuan Jinghong relies on Sichuan Changhong Electric for the purchase of its products and the following arrangements: leasing of the Sichuan Factory, the supply of power supply and the licensing of patents in connection with its business and manufacturing operations carried out in Mianyang City, Sichuan Province, the PRC. Notwithstanding our cordial commercial relationship with Sichuan Changhong Electric, there can be no assurance that the above arrangements will not be terminated before or will be renewed further upon their respective expiry dates. In the event of early termination or the non renewal of the above arrangements upon expiry, we will have to execute a contingency plan and secure another factory and alternative source of power supply or produce such power supply on our own in Mianyang City, Sichuan Province, the PRC at manageable costs and within a reasonable timeframe in order to continue our business and manufacturing operations there. We may have to adjust the product mix of Sichuan Jinghong such that its manufacturing operations will not require the applications of the above patents owned by Sichuan Changhong Electric. Based on our contingency plan, we identified factories available for leasing at appropriate locations in Mianyang City within reasonable distance from our existing and potential customers offering gross floor areas ranged from approximately 14,000 sq.m. to approximately 16,000 sq.m. at asking rents comparable to the rent for the leasing of the Sichuan Factory. The factories were installed with equipment for the supply of power resources necessary for our operations at rates comparable to that payable by Sichuan Jinghong to Sichuan Changhong Electric for purchase of power resources. The execution of the contingency plan will likely incur expenses including, among other things, relocation expenses and renovation expenses and such expenses were estimated, in aggregate, to be approximately RMB2 million. The whole relocation process was expected to take around 30 days while the installation of machines and equipment for the manufacturing of our products was expected to take around 7 days and during which the operations of Sichuan Jinghong would be suspended and as such, Sichuan Jinghong would suffer a loss of revenue of approximately RMB5.4 million estimated on a pro rata basis of the revenue contributed by Sichuan Jinghong for the financial year ended 2010. The estimated loss of revenue represented approximately 3.3% of the total revenue of our Company for the financial year ended 2010. Our Directors are of the view that the execution of the relocation process will have an impact on the operations of our Group and based on the number of days of operation suspension of Sichuan Jinghong, the related expenses to be incurred and loss of revenue as estimated on the basis above, such impact is not excessive and is manageable. The Sponsor concurs with our Directors’ view in this regard. In order to manage disruption to Sichuan Jinghong and to remain as a supplier of packaging products to Sichuan Changhong Electric, we will continue to monitor commercial relationship and maintain regular communication with Sichuan Changhong Electric and in addition, review the above

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arrangements prior to their respective expiry dates and evaluate options available to us including acquisition of land and self production of power supply and in doing so, consider relevant factors such as the funding requirement, working capital requirement and business expansion of our Group, and further, our sales and marketing staff will continue to focus on Sichuan Changhong Electric so as to understand its latest product requirements, and our product design and development staff and quality control staff will continue to maintain product quality or modify product specifications such that we may continue to supply products to its satisfaction. Please refer to the paragraph headed “Risk factor – Our reliance on Sichuan Changhong Electric” for risks arising from our reliance on Sichuan Changhong Electric. Nonetheless, we will continue our effort to increase our customer base. In particular, our plan to establish a new factory in Wuhu City, which upon completion, will likely expand our customer base and reduce our reliance on Sichuan Changhong Electric in the future.

Maintenance

We carry out inspection and maintenance on our manufacturing facilities on a regular basis. We have internal procedures for carrying out inspection and maintenance on our manufacturing facilities in accordance with the requirements and conditions of particular machineries so as to ensure their proper functioning. Our technicians carry out inspection and maintenance in respect of a particular set of machinery or part of our manufacturing lines upon request and, in general, carry out maintenance examinations in respect of the whole of manufacturing lines on a weekly basis. For the Track Record Period and up to the Latest Practical Date, we did not experience any material or prolonged suspension of manufacturing operations arising from failures or breakdowns of machineries and equipment.

Quality Control

Our customers require our packaging products and structural components to be of good quality. Quality control is considered an important aspect of our manufacturing operations as adequate quality control can lower defects and returns of defective products which in a long run can fortify our position as a core supplier to our major customers. We have implemented a set of stringent quality control and testing procedures designed to ensure that our products meet the quality requirements of our customers. We have invested and acquired machineries and testing apparatuses for the purposes of ensuring that testing and checking of our product quality is conducted in accordance with rigorous technical criteria.

Our quality control department is responsible for quality control of our products. We have strengthened our quality control capacity by recruiting more quality control personnel. As of 30 June 2011, we have a total of 102 quality control personnel and the majority of whom have obtained appropriate technical skills and experiences in the packaging industry in the PRC. Furthermore, our quality control personnel have received in house vocational training in connection with their quality control work. Our quality control team monitors and controls the quality of our operations. We closely monitor the manufacturing processes from the sourcing of raw materials to the production of our products to ensure product quality and safety prior to delivery to our customers. Before delivery of our products to the customers, the quality control personnel will ensure that our products are in compliance with the customers’ specifications and are without any patent defects. Our quality control team also actively takes part in product design and development thus ensuring that quality considerations are

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addressed at an early stage and thereby minimizing subsequent revisions to product design and the number of faulty products. Our quality control team carries out quality control inspection throughout the manufacturing process, including:

- **Quality control for raw materials.** We select suppliers of our raw materials based on, among other things, quality and reliability assessments of their raw materials and we maintain a list of qualified suppliers and only purchase raw materials from suppliers in this list. We carry out reviews of the raw materials on a sampling basis. Before the raw materials are utilized in the manufacturing process, a sample of each type of raw materials will be examined to ensure that their quality meets our specifications. Raw materials that failed our inspection test are returned to suppliers. We also review, on a regular basis, the suppliers in our list and will remove from our list any supplier who fails our evaluations.
- **Quality control during manufacturing.** Our quality control team carries out testing at various stages of the manufacturing processes and select semi-finished products for review testing in accordance with our internal procedures and technical criteria. Our quality control team ensures that any quality related issues revealed under such testing is promptly addressed and resolved.
- **Final testing before delivery.** Our quality control team carries out final inspections to ensure that our products comply with specifications of our customers before arranging delivery of our products to them.

Our quality management systems installed for the manufacturing of our packaging products and structural components at our three factories have been awarded certificates in respect of the compliance with the international standards of ISO9001:2008 and GB/T19001:2008.

In general, we do not have specific sales return and compensation policy. We evaluate claims for compensations by our customers on a case by case basis. We replace defective products with products in good condition. In the event that our customers considered our products deviated from their specified requirements, they serve with us a defect notice. We will carry out product investigation after receipt of such defect notice; and if upon investigation, it is confirmed that our products did deviate from the specified requirements of the customers, we will in general pay compensation in accordance with terms of the sales arrangements with the respective customers and replace such defective products with products in good condition.

For the Track Record Period, in respect of the sale and delivery of products to customers that were considered subsequently to be defective:

- no sales return and no sale proceeds were refunded to the customers;
- compensations paid to the customers were approximately RMB251,000, RMB188,000, RMB628,000 and RMB46,000 respectively while the defective ratios of our products, being the ratio of compensation payments to revenue, were approximately 0.1%, 0.2%, 0.4% and 0.04% respectively;

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- compensations above were not sales return in nature and were recorded as expenses in our financial statement; and
- products in good conditions were delivered to replace the defective products and the costs of such replacement products were recorded in our cost of sales.

The increase in compensation payments to our customers in 2010 was caused mainly by the return of structural components for air conditioners by our customers as they considered the structural components did not comply, in full, with their specifications. The structural components were used as parts inside air-conditioners and required to meet high level of precision. As such, our customers may return structural components to us if they consider such components deviate but not to a large extent from their specifications. In general, our customers were satisfied with the way we handled products returned by them and they had continued to place purchase orders for our products at similar level and terms as before. We continue to put emphasis on product quality and have continued to enhance and update our quality control policy and procedures in accordance with the latest product requirements and specifications of our customers with an aim to ensuring our products' compliance with specifications before delivery to our customers. Further, we have increased the average headcount of our quality control department from 74 employees in 2008 to 82 employees in 2009 to 101 employees in 2010 and further to 102 employees in the first half 2011, so as to strengthen our quality control effort.

PRODUCT DESIGN & DEVELOPMENT

We design and manufacture packaging products in accordance with the specifications provided by our customers such that our packaging products fit properly with the target contents and offer adequate protection required for various delivery and storage conditions. We emphasis on enhancing our design and manufacturing capabilities such that our products can be used for broader range of hardware and objects and offer better protection under more harsh and difficult conditions. Our staff works closely with our customers and understands their requirements before designing appropriate packaging products. We believe thorough understanding of our customers' requirements and careful planning before manufacturing allow us to avoid subsequent amendments or interruptions to our manufacturing process and incurring unnecessary costs. In particular, we continue our efforts on utilizing equipment and testing apparatuses as well as making improvements on our moulding tools and processing technologies for our packaging products. We also focus our efforts on ways to streamline our manufacturing processes, reduce manufacturing costs and increase our manufacturing efficiency.

As of 30 June 2011, we had a total of 12 personnel in our product design and development team.

CUSTOMERS

We supply packaging products and structural components to our customers in the PRC. We have established strong and long term relationships with our customers and some of whom have been our customers for around 14 years. Our major customers namely, Anhui Konka, Sichuan Changhong, Chongqing Haier and Chongqing Gree are larger-scale manufacturers with leading brand names in the consumer electrical appliance markets in the PRC and some of whom engaged in development

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and production of a diversified portfolio of products. Our major customers or their parent companies are publicly listed on stock markets in the PRC and/or Hong Kong. Based on the financial statements published by our major customers in 2010, the financial status of our major customers were solid as they recorded turnovers in billions of RMB and total assets in multi billions of RMB. Our Directors are of the view that all of our major customers are creditworthy commercial counter parties and are confident that all of them will honour their obligations including but not limited to settlement of trade receivables due to our Company in accordance with the terms of the respective sales agreements and purchase orders entered into between our major customers and our Company. For the Track Record Period, the number of customers with whom we had business dealings was 28 customers, 31 customers, 32 customers and 27 customers respectively. We had lost certain customers as some of them had adjusted the product mix and moved manufacturing lines of certain products away while others had decided to close down businesses. We intend to retain, to the extent possible, our existing customers and gain new customers, relying on, among other things, our competitive strengths namely, our quality products, knowledge of and experiences in the packaging products, broad range of packaging products, integrated solution for customers' packaging needs, and strategic locations of our factories. Please refer to the paragraph headed "Business – Competitive strengths" for details of our competitive strengths.

We also intend to expand our manufacturing capacity, as part of our business objectives, and establish a new factory in Wuhu City so as to expand our business and customer base geographically into the region. Please refer to the paragraph headed "Business – Business objectives" for details of our business objectives. There is no assurance that we can continue to maintain cordial commercial relationships with our customers or establish commercial relationships with new customers. Should our customers decrease purchase order size or stop placing order with us, our revenue and profit might be reduced notably and in which case, our business, operations and financial performance could be adversely affected.

Chuzhou Factory

Chuzhou Chuangce began the production of EPS packaging products for consumer electrical appliances shortly after its establishment and in October 1997 successfully obtained purchase orders for provision of EPS packaging products to Anhui Konka Electronic Co., Ltd (安徽康佳電子有限公司) for its cathode ray tube televisions and in August 2005 for its plasma televisions. In June 2003, Chuzhou Chuangce began provision of EPS packaging products to Anhui Konka Household Appliances Co., Ltd. (安徽康佳電器有限公司) for its refrigerators.

Chuzhou Chuangce has been the sole supplier of EPS packaging products to Anhui Konka for its cathode ray tube televisions since October 1997, refrigerators since June 2003 and plasma televisions since August 2005.

Chongqing Factory

In October 2003, Chongqing Guangjing commenced the manufacturing and sale of packaging products made of EPS and in May 2005 obtained purchase orders for provision of EPS packaging products and EPS structural components to Chongqing Gree for its air conditioners.

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Since then, Chongqing Guangjing has become one of the major suppliers of EPS packaging products and EPS structural components to Chongqing Gree for air conditioners.

In January 2007, Chongqing Guangjing had obtained purchase orders for provision of EPS packaging products to Chongqing Haier for its electrical water boilers. In February 2007, Chongqing Guangjing began the supply of EPS packaging products to Chongqing Haier for its washing machines, in March 2007 for its air conditioners, in July 2007 for its refrigerators and in October 2007 for its cathode ray tube televisions.

Chongqing Guangjing provides after-sale services to our customers by stationing personnel at the production premises of our customers. The aforesaid personnel are responsible for: (i) delivering our products to our customers' production lines; (ii) organizing and taking records of returned products; (iii) on-site handling of any issue or problem raised by our customers regarding our products; and (iv) collecting feedbacks and identifying needs of our customers.

For the Track Record Period, Chongqing Guangjing was the largest supplier of EPS packaging products to Chongqing Haier for its air conditioners, washing machines and electrical water boilers; and the sole supplier for its cathode ray tube televisions for the three financial years ended 31 December 2008, 2009 and 2010.

Sichuan Factory

Sichuan Jinghong was established jointly by us together with Sichuan Changhong Electric, one of our major customers, for the manufacturing of packaging products for packaging of televisions and air conditioners and structural components. In October 2005, Sichuan Jinghong commenced manufacturing and sale of EPS packaging products to Sichuan Changhong Electric for its cathode ray tube, flat panel and plasma televisions and in August 2008, EPO packaging products for its flat panel and plasma televisions.

In September 2005, Sichuan Jinghong commenced the manufacturing and sale of EPS packaging products to Sichuan Changhong Air Conditioners Company Limited (四川長虹空調有限公司) for its air conditioners and Sichuan Changhong Web Technology Limited Liability Company (四川長虹網絡科技有限責任公司) for its satellite television receivers. In January 2007, Sichuan Jinghong began the manufacturing and sale of EPS packaging products to Sichuan Changhong Moulding Technology Company Limited (四川長虹模塑科技有限公司) for its plasma televisions and Sichuan Changhong Good Technology Precision Engineering Company Limited (四川長虹技佳精工有限公司) for its various consumer electrical appliances.

In March 2010, Sichuan Jinghong began the manufacturing and sale of EPS packaging products to Guangyuan Changhong Electronics Company Limited (廣元長虹電子科技有限公司) for its flat panel televisions and cathode ray tube televisions.

Sichuan Jinghong has maintained a cordial commercial relationship with Sichuan Changhong and since 2005 has been its largest supplier of EPS packaging products for flat panel televisions and since August 2008, has been the largest supplier of EPS and EPO packaging products for its plasma television.

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Sichuan Changhong, Anhui Konka, Chongqing Haier and Chongqing Gree fell within our top five customers for the Track Record Period.

We work with our major customers, at early stage, to understand and analyze their products and requirements for packaging solutions such that our products can be devised to comply with their specific requirements and be available promptly and within schedules. Our practical approach to our packaging operations allows us to foster close commercial ties with our major customers and therefore gaining the opportunities to become a core supplier to them. In keeping regular communications with our customers, we have gained industry knowledge as to the technical requirements and the trends in packaging industry in the PRC. The exchanges of industry related information with our customers enable our product design and development team to improve the design, quality and technological standards of our packaging products which, in turn, fortify our position as a reputable supplier of packaging products in the PRC.

The following table sets out our major customers and types of packaging products provided to them for the Track Record Period.

Names of major customers	Types of packaging solution and packaging products
Anhui Konka	Cathode ray tube televisions, flat panel televisions and refrigerators
Sichuan Changhong	Cathode ray tube televisions, flat panel and plasma televisions and others
Chongqing Haier	Cathode ray tube televisions, air conditioners, washing machines, refrigerators and others
Chongqing Gree	Air conditioners

We, in general, do not enter into long term sales and purchase agreements with our customers as they normally place purchase orders with us for our products based on their estimated sales and production needs. We typically enter into sales agreements with and receive purchase orders from our customers, which set out, among other things, the following:

- the scope of our supplier-customer relationship
- the procedures for placing purchase orders;
- the pricing (including price adjustment mechanism);
- the product quality;
- the payment method;
- the procedures for product delivery, examination and acceptance;
- the return of defective products, if any;

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- the termination and related notice period; and;
- the parties' confidentiality obligations in respect of the commercial transactions.

There are no specific requirements on duration and minimum purchase amount in our typical sales agreements and purchase orders.

We communicate with our customers, in advance, in respect of their packaging requirements such as the quantities of packaging products and delivery timeframes in order to plan for our manufacturing schedules and inventory level. We believe that advanced planning for manufacturing schedules and inventory level enables us to keep down our manufacturing costs and related expenses and allows us to remain competitive in setting our price terms. Our pricing policy, in general, takes into account various factors namely, the complexity of the packaging products required by our customers, the cost of raw materials, the cost of transportation and customer relations. Our pricing policy allows us to pass the changes in costs of raw materials used in the manufacturing of EPS products to our customers. In the event that the costs of raw materials used in the manufacturing of EPS products increase, the selling price of which will increase and vice versa. The pricings for our EPO products are predetermined and set at fixed sums which cover, among other things, the costs of raw materials and manufacturing overhead expected to be incurred in relation to the manufacturing of the EPO products. We typically deliver our packaging products to the destinations required by our customers and the transportation cost is covered in the price for any purchase order placed by our customers. For any delivery to a destination that is far away from our production facility, we typically engage external logistics and transportation companies for delivering our packaging products to the destinations required by our customers. For the Track Record Period, all purchases placed by our customers and the corresponding settlements were made in RMB. We generally give our customers 30 to 180 days' credit upon issuance of invoice and the actual credit terms depend on, among other things, the history of commercial relationships and records of purchases and settlement history of the respective customers.

For the Track Record Period, revenues derived from the sales of our packaging products and structural components to the top five customers were approximately RMB230.9 million, RMB121.3 million, RMB164.7 million and RMB98.5 million representing approximately 98.5%, 99.5%, 99.2% and 97.9% respectively of our total revenues. As at the Latest Practicable Date, we have business relationship with our five largest customers ranging from about two to thirteen years.

For the Track Record Period, the largest customer accounted for approximately 55.3%, 46.1%, 38.2% and 41.9% of our revenues for the respective periods. None of our Directors, their respective associates or Shareholders who hold more than 5% of our issued share capital prior to the completion of the Share Offer has any interest in any of our five largest customers.

As of the Latest Practicable Date, our Directors, to the best of their knowledge after making reasonable enquiries, are not aware of any pending or threatened litigation between our Group and any of our top five customers arising from the performance of our Group's obligations under sales contracts entered into between our Group and any of them; and settlement of the outstanding balances of our Group's trade receivables by any of them.

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SALES AND MARKETING

Our sales and marketing department sets the overall marketing strategies with reference to the types of our packaging products, our business areas and the general market dynamics.

Our sales and marketing personnel regularly contact our existing and potential customers for our product development plans. They also pay visit to our existing customers once every week. Our sales and marketing personnel also contact target potential customers by paying visit to them and by emails and phone calls. Our sales and marketing personnel are available onsite at the manufacturing facilities of our major customers to provide detailed information of our packaging products and provide necessary evaluation to assist our major customers in deciding on the appropriate packaging products for their products. The communications with major customers provide our sales and marketing personnel with important feedbacks, requirements of our customers and the latest industry trends.

In general we rely on, among other things, our sales and marketing department and word-of-mouth referral for sales and marketing of our products. Prior to placing purchase orders with us, potential customers will typically inquire about our reputation in the packaging industry and make physical inspection on our factories to satisfy themselves regarding our production capacity and production facilities. The potential customers will also require sample packaging products for their inspection. Until the potential customers are satisfied with our capacity to supply quality products, they will then start placing purchase orders on a recurrent basis with us.

As of 30 June 2011, we had a sales and marketing team of 127 personnel working on sales and customer coverage and services. For the Track Record Period, our selling and distribution expenses were approximately RMB4.8 million, RMB4.3 million, RMB6.3 million and RMB3.9 million respectively.

SUPPLIERS

We purchase raw materials and components necessary for the manufacturing of our packaging products and structural components from independent third parties. The raw materials mainly include EPS and EPO. We retain a list of approved suppliers of raw materials and components and only make our purchases from the list. We subject potential suppliers to series of evaluations to determine the variety and quality of their raw materials and timeliness of their deliveries of raw materials. Raw materials and components delivered by potential suppliers are analysed and tested with machineries and testing apparatus to determine their quality and standards. We initially make purchases of limited amount of raw materials and components from newly approved suppliers and over time make purchases of larger amount if they have proved themselves to be stable suppliers of raw materials and components of good quality. We believe reliable suppliers of raw materials and components are essential for our business and operations to remain competitive in the packaging industry in the PRC.

We have established long-term commercial relationships with our major suppliers for stable supply and timely delivery of high quality raw materials and components. For the Track Record Period, we did not experience any major difficulties in procuring raw materials and components necessary for the manufacture of our packaging products. We continue to diversify our suppliers

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of raw materials and components to avoid overly reliance on a single supplier for any type of raw materials and components. Our suppliers typically offer us credit terms of up to 90 days from the time when the raw materials are received by us. For the Track Record Period, the payments to our suppliers were settled in RMB.

For the Track Record Period, the prices of raw material offered by our suppliers reflected, in general, the fluctuations of market prices of EPS and EPO in the PRC. The increases in price of the raw materials are passed, to an extent, to our customers in accordance with the price adjustment mechanism stipulated in our typical sales agreements with customers. Such adjustment to selling price is the normal market practice in packaging industry in the PRC.

For the Track Record Period, purchases from our top five suppliers of raw materials were approximately RMB97.7 million, RMB45.7 million, RMB63.1 million and RMB42.0 million respectively while the largest supplier accounted for approximately 57.7%, 25.7%, 32.5% and 41.7% of our total purchases for the respective periods. As at the Latest Practicable Date, we had business relationship with our five largest suppliers of raw materials ranging from about one to twelve years. A majority of our five largest suppliers of raw materials are EPS or EPO producers in the PRC. For the Track Record Period, purchases from our top five suppliers of ancillary parts were approximately RMB3.1 million, RMB3.5 million, RMB5.1 million and RMB2.4 million respectively.

None of our Directors or their respective associates or Shareholders who own more than 5% of our issued share capital immediately prior to the completion of the Share Offer has any interest in any of our five largest suppliers.

INVENTORY MANAGEMENT

We monitor and control our inventory level to facilitate smooth manufacturing operations while avoiding stock-out or over-stocking of inventory. Our inventory control department is responsible for keeping track of our inventory level and related information. We manage our inventory of raw materials and components and finished products based on the amount of the purchase orders placed by our customers, our delivery schedules, and our procurement cycle for raw materials and components.

We, in general, inform our suppliers the expected demands and schedules of delivery for raw materials and components, in advance, such that they can make appropriate arrangements for timely delivery of raw materials and components. Finished products are stocked in our warehouses after passing our quality inspection and testing procedures. The finished products will be checked and numbered by our personnel for product delivery in accordance with our customer delivery notice and packing note. The finished products that have been packed will be delivered to the locations designated by customers in accordance with the delivery schedules.

We follow a stock-take policy and carry out stock-taking process. Our routine stock-taking is conducted on a monthly basis. We assess periodically if our inventories have suffered from any impairment and there is the need to set aside provision for such inventories. In general, we make provisions in the event that the anticipated realizable selling prices of our products are lower than their costs.

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For the Track Record Period, provision for inventory impairment were nil, nil, approximately RMB322,000 and approximately RMB76,000 respectively. We made provision for inventory impairment in the respective financial years as the actual realizable values of the inventories were lower than their net realizable values. In 2010 and the first half 2011, excessive packaging products for a customer (including cathode ray tube televisions) were manufactured in anticipation of further demand from the customer and as the products no longer being produced or being produced as many as before by the customer, the anticipated purchase order for these excess packaging products was not fulfilled by the customer and thus, we made inventories provision of approximately RMB322,000 in the year ended 31 December 2010 and approximately RMB76,000 in the six months ended 30 June 2011 in respect of such specific packaging products.

Shift of demand for packaging products for cathode ray tube televisions to those for flat panel and plasma televisions

The shift in our customers' production mix from cathode ray tube televisions to flat panel and plasma televisions may affect their choice of packaging products and in turn demand for our packaging products. Our products and inventories may also become obsolete as a result of adverse changes in market demands. Our Directors are of the view that the market trend for flat panel and plasma televisions will likely continue and as such, the demand for packaging products for cathode ray tube televisions will likely continue to decline as a result. For the Track Record Period, we made provisions for obsolete products of nil, nil, approximately RMB322,000 and approximately RMB76,000 respectively. We will capitalize on the market trend and increase our sales and marketing effort for the sale of packaging products for flat panel and plasma televisions instead of cathode ray tube televisions. Revenue derived from the sales of packaging products for flat panel & plasma televisions increased notably during the Track Record Period. We will also focus on the sale of our packaging products and structural components for other electrical appliances. Revenue derived from the sales of packaging products for washing machines and refrigerators and sales of structural components for air conditioners increased during the Track Record Period. In addition, our future plan to establish a new factory in Wuhu City, if successful, will likely expand our customer base and result in an overall increase in revenue. Nonetheless, there is no assurance that our sales and marketing effort and the future plan will result in an increase in revenue adequate to compensate for the loss of revenue arising from the decrease in the demand for packaging products for cathode ray tube televisions. Should we fail to compensate for the loss in revenue arising from the above, our total revenue and in turn our profit might decrease notably, and in which case our business, operations and financial performance could be adversely affected. Our staff from sales and marketing department, inventory control department and product design and development team will step up their effort and carry out regular meetings to determine the appropriate level of inventory for particular types of our products so as to avoid building up of excess and obsolete inventory.

COMPETITION

We operate in a competitive packaging industry in the PRC. The EPS packaging industry for electrical appliances including televisions, air-conditioners, refrigerators, washing machines is fragmented with more than 500 EPS packaging product manufacturers in the PRC. Many of the packaging product manufacturers are located around the electrical appliances manufacturing bases in Pearl River Delta, Yangtze River Delta and Bohai regions in the PRC. The regions combined accounted for approximately

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70% of the total television production, approximately 84% of the total air-conditioner production, approximately 71% of the total refrigerator production and approximately 75% of the total washing machine production in the PRC in 2009. The top 10 largest market leaders shared approximately 36.7% of the total market share in the PRC in 2010, as they were able to take advantage of their production capacity, technology and capital power to compete on network of distribution, price, and stability of product quality. In particular, there are about 30 packaging manufacturers in Chuzhou City, Anhui Province, 150 packaging manufacturers in Sichuan Province and Chongqing municipality. According to Synovate, we accounted for approximately 47% of the EPS packaging for electrical appliances in Chuzhou City, Anhui Province, approximately 70% in Sichuan Province and Chongqing municipality and approximately 4.3% in the PRC in 2010. Given that EPS packaging products are relatively large and rigid, the transportation cost over long distance can be high. As such, electrical appliances manufacturers will likely select EPS packaging product suppliers near their production base.

Our competitors are EPS packaging product manufacturers for electrical appliances in the PRC, who may cooperate with international packaging products manufacturers and utilize advanced technology and management experiences to enhance EPS packaging products for electrical appliances in the PRC. The competitors may use products that are recyclable and biodegradable for packaging electrical appliances. They may also use lighter materials such as EPO as raw material for packaging products so as to reduce the weight and delivery cost. EPO has been developed for packaging electrical appliances mainly flat panel and plasma televisions and other high-end fragile electrical appliances, and as substitute for components used inside air conditioners and washing machines so as to absorb shock. Given the notably lower manufacturing cost as compared to EPO and good shock absorbing property, our Directors believe that EPS is among the preferred choices of materials for packaging products in the PRC.

Interests of Other Family Member

As advised by the Controlling Shareholders and our Directors, the elder brother of Mr. Chao, an executive Director and one of the Controlling Shareholders, held interests in entities which engaged in businesses that may compete, directly or indirectly, with our Group's business. The elder brother of Mr. Chao is a controlling shareholder (as defined under the Listing Rules) of Sino Haijing, which is engaged in manufacture and sale of packaging materials, including EPS packaging products and paper honeycomb products. For the financial year ended 31 December 2010, Sino Haijing reported revenue of approximately HK\$514.3 million, profit for the year of approximately HK\$32.9 million and net assets of approximately HK\$350.7 million. Please refer to the paragraph headed "Targetting different customers in terms of product types and geographical markets" below for details of target customers. Nevertheless, all the production premises of Sino Haijing and its subsidiaries are located in cities different from those in which our Group carries out operations.

EPS packaging products are relatively bulky and hence transportation costs of EPS packaging products are very high. As such, the EPS industry is a localized industry where each EPS factory serves its customers located nearby. Given the geographical limitations for the EPS packaging industry, our Directors consider that there is no competition between our Group and Sino Haijing for EPS in different localities.

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Mr. Chao, through Conca Industries Limited, had been one of the founding members of Hefei Haijing Packaging Products Company Limited (合肥海景包裝製品有限公司) (“Hefei Haijing”), Qingdao Haijing Packaging Products Company Limited (青島海景包裝製品有限公司) (“Qingdao Haijing Packaging”) and Qingdao Xinhaijing Packaging Products Company Limited (青島新海景包裝製品有限公司) (“Qingdao Xinhaijing”), which, as at the Latest Practicable Date, were subsidiaries of Sino Haijing. Mr. Chao had disposed of all his interests in the aforesaid companies in 2002 so as to focus on the development of his business.

Our Company has confirmed that none of our Directors or senior management is a director or senior management of Sino Haijing and none of our senior management has participated in the management of operations of Sino Haijing.

Save as disclosed above, our Company has confirmed that Mr. Chao and Ms. Zhou, the spouse of Mr. Chao and an executive Director, had no direct or indirect equity interest in Sino Haijing and were not involved in any management of its businesses, which is separate and independent from the business of our Group.

In the past, Chongqing Guangjing and Chuzhou Chuangce had various business dealings with Hefei Haijing, Qingdao Haijing, Qingdao Xinhaijing and Qingdao Haijing Moulds Products Company Limited (青島海景模具製品有限公司) (“Qingdao Haijing Moulds”), a wholly owned subsidiary of Sino Haijing. Prior to the Track Record Period, Chuzhou Chuangce had provided to Hefei Haijing moulds and machines used in the manufacture of packaging products and EPS packaging products; and acquired from it raw materials used in the manufacture of EPS packaging products.

During the Track Record Period, Chongqing Guangjing had business dealings with Qingdao Haijing, Qingdao Xinhaijing and Qingdao Haijing Moulds, which were considered by our Directors as immaterial in terms of their aggregate monetary value. For the Track Record Period, the aggregate monetary value of the business dealings between our Group and Qingdao Haijing, Qingdao Xinhaijing and Qingdao Haijing Moulds was approximately RMB17,900, approximately RMB2,900, approximately RMB88,000 and nil respectively.

In 2008, Chongqing Guangjing had acquired moulds from Qingdao Xinhaijing at a consideration of approximately RMB17,900. Our Directors considered that the acquisition of moulds could save our effort in the design and manufacture of moulds which are necessary for the manufacture of certain of our packaging products.

In 2009, Chongqing Guangjing received reimbursement of approximately RMB2,900 in connection with the repair expenses of the moulds acquired previously from Qingdao Xinhaijing.

In 2010, Chongqing Guangjing had acquired moulds from Qingdao Haijing Moulds for the manufacture of packaging products at a consideration of approximately RMB32,000 and models from Qingdao Haijing that would facilitate the design of moulds at a consideration of approximately RMB300. In addition, Chongqing Guangjing had sold to Qingdao Haijing EPS packaging products, ancillary parts and moulds required for the manufacture of packaging products at an aggregate consideration of approximately RMB56,000. The provision of packaging products, parts and moulds was mainly a commercial decision arrived at after taking into consideration of, among other things,

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the shift of the manufacturing base of a product type of a customer from Chongqing Municipality to Qingdao City, where Qingdao Haijing runs its manufacturing operation and management of excess packaging products and related parts and manufacturing equipment as a result of such development. In this connection, Qingdao Haijing had arranged, at its expense, the transportation for the delivery of the EPS packaging products and ancillary parts.

Our Directors considered the above transactions were entered into on commercial terms after arm's length negotiation with the counter parties, and were immaterial in terms of the aggregate monetary value of the transactions. Save and except the above, there were no other business dealings between our Group and Sino Haijing or its subsidiaries during the Track Record Period. Our Directors did not, at this stage, envisage that there would be any material business dealings between our Group and Sino Haijing or its subsidiaries after the Listing.

Our Group had adopted the following strategies to manage the potential competition with Sino Haijing after the Listing:

- (i) **Maintaining independence from Sino Haijing:** We are independent from Sino Haijing and we will maintain our independence from Sino Haijing. There is no overlap in members of the board of directors and senior management between our Group and Sino Haijing and we do not rely on Sino Haijing for any of our financing, administration or operation related matters. We have an independent marketing team with experienced staff responsible for sourcing new customers. For the Track Record Period, our Company sourced customers independently and did not make or receive business referrals to or from Sino Haijing. As at the Latest Practicable Date, our Group did not envisage that there will be any transaction with Sino Haijing or its subsidiaries after the Listing. In case of any potential transaction with Sino Haijing or its subsidiaries arises, such transaction has to be approved by our Directors (including independent non-executive Directors) on the basis that such transaction is fair and reasonable so far as our Company and independent Shareholders are concerned. Any Director having conflicting or potential conflicting interests in the transaction will have to abstain from voting and will not be counted as quorum at the relevant meetings of the Board and in accordance with the provisions of the Articles and the applicable Listing Rules. We will also comply with all applicable Listing Rules in relation to any of such proposed transaction;
- (ii) **Being geographically delineated from Sino Haijing:** We are of the view that the EPS packaging industry is a localized industry as EPS packaging products are typically large and rigid and therefore the transportation costs of EPS packaging products over long distance are expensive. As such, buyers of EPS packaging products and in our case, consumer electrical appliance manufacturers, will typically choose to purchase such EPS packaging products from suppliers which are nearby to their manufacturing bases. As disclosed in the section headed "Future Plans and Use of Proceeds" in this prospectus, we intend to focus on our existing geographical markets, which are in close proximity to where our three factories are located, namely, (i) Chuzhou City, Anhui Province, (ii) Guangxing Town, Jiangjin District, Chongqing municipality and (iii) Sichuan Province Mianyang State High Technology Industrial Development Zone Mianyang City, Guaoxin

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District, Sichuan Province, the PRC and the new market in Wuhu City. Our Group has no immediate plan to build a material business presence in locations where Sino Haijing has major manufacturing operations in, namely, based on the information contained in its website as at the Latest Practicable Date, Dalian City, Qingdao City, Hefei City and Huizhou City, the PRC. Our Directors are of the view that our existing and proposed manufacturing operations are geographically delineated from those of Sino Haijing, and given that EPS packaging is a localized industry, our Group is not in direct competition with Sino Haijing. Our Company or Mr. Chao has not entered into any agreement or arrangement with Sino Haijing in respect of the target geographical markets for establishment of business presence as we operate our businesses independently from Sino Haijing.

- (iii) **Targeting different customers in terms of product types and geographical markets:** We understand that Sino Haijing, based on the information contained in its website as at the Latest Practicable Date; manufactures and sells EPS and paper honeycomb packaging products instead of EPO packaging products, while our Group manufactures and sells EPS and EPO packaging products instead of paper-made packaging products. As at the Latest Practicable Date, our Group had no plan to manufacture and sell paper honeycomb packaging products. Given such difference in product types and the geographical delineation, our target customers are not likely to be exactly the same as those of Sino Haijing. We also understand from the website of Sino Haijing that there are business dealings between Sino Haijing and Haier group, which is related to Chongqing Haier, one of our top five customers based in Chongqing municipality, the PRC. During the Track Record Period, save as Chongqing Haier, our Group did not provide any packaging products to other related companies of Haier group. For the Track Record Period, our Company derived revenue of approximately RMB15.4 million, RMB23.1 million, RMB14.7 million and RMB9.9 million from Haier group, respectively. As at the Latest Practicable Date, save as disclosed above, our Directors were not aware of any business dealings between our Group and any of our customers who were related to customers of Sino Haijing by way of common ownership and control. Having considered the above, our Directors are of the view that the target customers of our Company and Sino Haijing are different individual companies despite some of them may be related by way of common ownership and control.
- (iv) **Ensuring fair competition in the best interests of our Shareholders:** Our Group is encountering competition or potential competition from many suppliers of packaging products (including but not limited to Sino Haijing) in the PRC market in the usual and ordinary course of business. As mentioned above, our existing and proposed operations are geographically delineated from those of Sino Haijing and as such, there is no direct competition between our Group and Sino Haijing at present. In determination of an appropriate area for establishment of our business presence, we will consider, among other things, potential demand for our products in the area namely, the number and size of consumer electrical appliance manufacturers in the area. We will also consider the potential competition in the area stemming from existing suppliers of packaging products and scale of their business operations. In general, we aim to avoid head-on competition with well-established and large scale suppliers of packaging products with

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ample financial resources in an area as we consider such strategy will yield comparatively higher chance of success and therefore limit the chance of investment loss. Taking into account that (i) we have long business relationship (most of which had been started before the Track Record Period) with our major customers; (ii) we have an established sale network; and (iii) EPS packaging industry requires investment in terms of time and capital for providing tailor-made products to customers, our Directors are of the view that the aforesaid factors will provide us with competitive advantages over those EPS product suppliers (including but not limited to Sino Haijing) who may plan to establish business presence in areas we may have operations in future. In addition, should any competition between our Group and Sino Haijing arises in the future, our Directors believe that by maintaining our independence from Sino Haijing as mentioned above, we are able to fully leverage on our competitive strengths (including our quality and diversified products, our personnel with knowledge of and experience in the packaging industry, our integrated solution for customers' needs and the strategic locations of our production bases) and implement our business strategies (including expanding our market position, market share and production capacity, strengthening our product design and development capability, and recruitment of quality personnel and providing continuous training to our staff) so as to ensure fair competition with Sino Haijing. Our Company or Mr. Chao has not entered into any agreement or arrangement with Sino Haijing in respect of the target geographical markets for establishment of business presence, business strategy and development, product type development, target customer types or business referral as we operate our business independently from Sino Haijing. Our Board will also act in the best interests of our Shareholders. In case of any potential transaction that may give rise to a reasonable perception of compromising our independence from Sino Haijing, such transaction has to be approved by our Directors (including independent non-executive Directors) on the basis that such transaction is fair and reasonable so far as our Company and independent Shareholders are concerned. Any Director having conflicting or potential conflicting interests in the transaction shall abstain from participating in and voting as well as not being counted as quorum at the relevant meetings of the Board and comply with the applicable requirements in accordance with the provisions of the Articles and the applicable Listing Rules. We will also comply with all applicable Listing Rules in relation to any of such proposed transaction. In addition, we will disclose in our annual reports details of such proposed transaction, including but not limited to, the background of such proposed transaction, basis of consideration and whether the Board considers such proposed transaction is fair and reasonable so far as our Company and independent Shareholders are concerned. For further details of our competitive strengths and business strategies, please refer to the sections headed "Business – Competitive Strengths" and "Business – Business Strategies" in this prospectus.

In view of the above, the Sponsor concurs with our Company's view that as at the Latest Practicable Date (i) there is no competition for EPS products between our Group and the other above mentioned businesses of the Controlling Shareholder in different localities; and (ii) none of the Controlling Shareholders or our Directors has any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business and which falls under the ambit of Rule 8.10 of the Listing Rules.

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Our manufacturing facilities are capable of producing packaging products made of EPS and EPO and can be adjusted to increase the output of EPO packaging products as may be required by our customers should they prefer EPO packaging products. The new factory we intend to establish in Wuhu City will also be equipped with the necessary manufacturing facilities for production of packaging products made of EPS and EPO. For the Track Record Period, EPO packaging products attracted comparatively higher gross profit margins than EPS packaging products as the manufacturing of EPO packaging products required additional procedures and planning and EPO packaging products were priced comparatively higher than EPS packaging products. On this basis, the increase in the sales of EPO packaging products may be beneficial to the profitability of our Company. We will continue to monitor the latest trends in the packaging industry and maintain regular communication with our customers in the PRC so as to understand the latest requirements for packaging products and continue modifying our product types and quality to the satisfaction of our customers.

Our Directors believe that we can compete with competitors based on our competitive strengths set out in the section headed “Business – competitive strengths” and business strategies set out in the section headed “Business – Business strategies” to this prospectus.

REAL PROPERTY

We carry out our business and manufacturing operations in Chuzhou City, Anhui Province, Jiangji District, Chongqing City and Mianyang City, Sichuan Province, the PRC and have maintained a principal place of business in Hong Kong.

Our Owned Properties

As of the Latest Practicable Date, we held properties in Chuzhou City, Anhui Province and Jiangji District, Chongqing Municipality the PRC, which consist of: (i) the two parcels of industrial land with a total site area of approximately 35,743 sq.m. and (ii) the buildings with a total gross floor area of approximately 25,813 sq.m.. We have obtained all the relevant long term land use right certificates and building ownership certificates for our owned properties.

Our Leased Properties

As of the Latest Practicable Date, we leased properties in Hong Kong as our principal place of business in Hong Kong and in Mianyang City, Sichuan Province, the PRC for our business and manufacturing operations carried out in the Sichuan Factory in the PRC. The leased property in Hong Kong comprises gross floor area of approximately 108 sq.m. The leased property in Mianyang City, Sichuan Province, the PRC comprises three contiguous factory buildings with a total gross floor area of approximately 17,294 sq. m.

On 27 December 2010, Sichuan Changhong Electric and Sichuan Jinghong entered into a renewed leasing agreement and pursuant to which Sichuan Changhong Electric agreed to offer and Sichuan Jinghong agreed to lease the Sichuan Factory for business and manufacturing operations for a term of three years commencing on 1 January 2011 and ending on 31 December 2013, subject to renewal, at a rental of approximately RMB121,000 per month or approximately RMB1.5 million per year. As


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of the Latest Practicable Date, the building ownership certificates in respect of the Sichuan Factory had not been provided by Sichuan Changhong Electric to prove its ownership titles to the property as required under the relevant PRC laws and regulations. The building ownership titles of the property have been registered with Changhong Machinery Factory (長虹機器廠), a related company of Sichuan Changhong Electric. On 25 January 2011, Changhong Machinery Factory issued a letter acknowledging Sichuan Changhong Electric's right to the disposition of the property. In consideration of the above, Shu Jin Law Firm are of the view that the leasing agreement entered into between Sichuan Changhong Electric and Sichuan Jinghong are legally binding to the respective parties and enforceable in the PRC and as such, Sichuan Jinghong has the right to utilize the property for its operations in accordance with the terms and conditions under the leasing agreement.

For further details of our properties, please refer to the valuation report set out in Appendix III to this prospectus.

INTELLECTUAL PROPERTY

For the purpose of minimizing our exposure to infringement or misappropriation claims in respect of intellectual property rights, we rely on, among other things, the proper registration of intellectual property rights with authorities in jurisdictions in which we carry out our business operations (in the case of our intellectual property rights); and the entering into legally binding patent licensing agreements with patents owners in respect of applications of their patents in our business operations (in the case of third party intellectual property rights).

As of the Latest Practicable Date, our Company had applied for the registration of the logo  as our trademark in Hong Kong which was subsequently assigned to Metro Master. We have registered jinbaobao.com.hk as our domain name.

Our subsidiary, Sichuan Jinghong (as licensee) has entered into two patent licensing agreements with Sichuan Changhong Electric (as licensor) pursuant to which: (i) we are granted the right to use in the PRC of two patents owned by Sichuan Changhong Electric for a term of 5 years from 22 August 2008 at a total consideration of RMB8,000 per year; and (ii) we are granted the right to use in the PRC of four patents owned by Sichuan Changhong Electric for a term of 5 years from 20 October 2009 at a total consideration of RMB12,000 per year. The aforesaid licensing arrangements have been registered with the relevant PRC intellectual property authority on 25 September 2010.

For further details, please refer to "Appendix V – Intellectual property rights" in this prospectus.

INSURANCE

We currently maintain insurance coverage on our fixed assets and other properties, plant and equipment, inventory and employee social security. For the Track Record Period and up to the Latest Practicable Date, we had not received any material claims from our customers or end-users of our packaging products in respect of faulty or defective products.

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EMPLOYEES

As of the end of three years ended 31 December 2008, 2009 and 2010 and 30 June 2011, we had 543, 529, 597 and 607 employees respectively. A breakdown of our employees by department as of 30 June 2011 is set forth below:

	<i>Total number</i>	<i>%</i>
Management & administration	35	6
Finance	12	2
Manufacturing	229	38
Maintenance	19	3
Sales & marketing	127	21
Quality control	102	17
Inventory control	83	13
Total	<u>607</u>	<u>100</u>

In addition, we have a product design and development team comprising certain management personnel and technicians from various departments who have extensive experience in and knowledge of the manufacturing of packaging products and structural components. The product design and development team is responsible for, among other things, improving the manufacturing process and enhancing the quality and functions of our products. For the Track Record Period, our staff expenses were approximately RMB11.9 million, RMB11.6 million RMB15.2 million, and RMB9.4 million respectively. The average annual wage per employee of our Group based on the number of employee as of the respective year end dates were approximately RMB22,000 in 2008, approximately RMB22,000 in 2009 and approximately RMB25,000 in 2010. For the Track Record Period, we did not have any significant difficulty in recruiting employees or any labor disputes. We had not receive any demand for pay raise from our employees as a direct result of labor unrest which had been reported at several other PRC based manufacturing companies recently. We continue to determine our employee salaries with reference to the prevailing market salary rate of respective locations, experience as well as performance of such employees.

We place strong emphasis on training our employees such that they are equipped with the right set of skills and educated of the latest job requirements, industry knowledge and experience. We provide in house training to our employees regularly, including introductory training for new employees, technical training, team-building and communications training. We also encourage our staff to attend external training courses.

In order to motivate our employees and retain talent while keeping staff expenses in check, we have adopted the employee incentives, which include the Share Option Scheme and bonus sharing arrangement. The employee incentives are available to our employees who are considered qualified for such incentives by the management members of our Group based on their performances in the year under review. The employee incentives allow our Group to reward only the employees who have performed well in the year under review and keep all the employees motivated without having

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to commit on an overall pay rise for all the employees. We may also consider to engage additional employees on a part-time basis in the future to work on some routine manufacturing processes in our factories, as and when required, so as to have enough workforce to cope with business requirements during the peak season in a year without incurring an overall increase in staff expenses for the whole of a year.

For details of the Share Option Scheme, please refer to Appendix V to this prospectus.

INTERNAL CONTROL

We put emphasis on maintaining adequate internal control and risk management systems. Our Board of Directors and senior management assume the overall responsibilities for overseeing the implementation of our internal control procedures and risk management systems of our Company. We engaged Baker Tilly Hong Kong, an independent internal control advisor, for an initial review of our overall internal control system in 2010. The scope of work included a review of our internal control over key business processes, including, among other things, financial reporting, sales, procurement, inventory management and fixed asset management. In the report issued by Baker Tilly Hong Kong to us, the internal control advisor did not identify any material weakness or deficiency in our internal control system, and recommended a number of actions to be taken to further improve our existing internal control process in various areas including better documentations of delegation of authority and credit approval for our customers, better record keeping of documents in relation to purchasing and sales activities and upgrading the user security function of our computer system. We have taken up the recommendations and implemented measures and the internal control advisor is satisfied that all the measures have been properly implemented.

Our products and the environment

We manufacture and supply packaging products and structural components for packaging of consumer electrical appliances such as televisions, air conditioners, washing machines and refrigerators in the PRC. During the Track Record Period, all our packaging products were primarily made of raw materials comprising mainly EPS and to a lesser extent EPO while our structural components were made of EPS. The raw materials are preprocessed, conditioned and moulded through our manufacturing facilities into our packaging products. We do not apply chlorofluorocarbons as blowing agents in the manufacturing of our products and therefore making the manufacturing process more benign to the environment. Given the stable nature of EPS products, the proper handling and storage of which will not cause them to produce harmful substance that contaminates the air and underground water. Packaging products made of EPS and EPO can be recycled and reused. Their scraps can be reprocessed in our manufacturing facilities for production of packaging products and structural components. Nonetheless, the rigidity and low value of the scraps made of EPS make it not too commercially attractive to collect, and transport them over long distance for recycling in the PRC. We do not, in general, incinerate EPS and EPO scraps as such scraps are typically stored in our storage facilities and may be mixed with raw materials and used in the manufacturing of packaging products in our existing manufacturing facilities. For the Track Record Period, the value of packaging products that were recycled in our manufacturing facilities was negligible in comparison with our revenue and total asset values. Our Directors are not aware of any harmful substances released during our manufacturing processes of

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packaging products that caused material adverse impact on the environment. In this connection, we had not been served official notice in respect of any material breach of applicable environmental regulations in the PRC during the Track Record Period. We have no control over the end users as to their dispositions of our products. Given that products made of EPs and EPO tend to biodegrade slowly in an open environment, any disposal of such products, in an uncontrolled manner, may have a negative impact on the environment.

There are packaging products for electrical appliances that are considered environmental friendly and are recyclable and biodegradable. Customers who are conscious about environment protection may consider the use of environmental friendly packaging products. They may also use lighter materials such as EPO as raw material for packaging products so as to reduce the weight and delivery cost. EPO is an alternative to EPS as it possesses superior toughness and shock absorbing properties and therefore the use of EPO may reduce the overall quantity of packaging material required for packaging and protection purposes. EPO also has comparatively higher reusing and recycling rates. Our manufacturing facilities are capable of producing packaging products made of EPS and EPO and may be adjusted to increase the output of EPO packaging products as may be requested by our customers. In view of the above, our Directors consider that the EPO packaging products may allow us to accommodate the trend of using more environmentally friendly packaging products, if any, despite that EPO products are stable and degrade slowly and considered an environmental issue by some environmental organizations. We will continue to monitor the latest trends in the packaging industry and maintain regular communication with our customers in the PRC so as to understand the latest requirements for packaging products and continue modifying our product types and quality to the satisfaction of our customers.

As of the Latest Practicable Date, our Directors as advised by our PRC Legal Advisers, are not aware of any regulations prohibiting the manufacturing and sale of EPS and EPO packaging products for packaging consumer electrical appliances in the PRC. As advised by our PRC Legal Advisers and confirmed by our Directors, our PRC subsidiaries had obtained confirmations from relevant environmental bureau in respect of our compliance in all material aspects with the environmental laws in the PRC during the Track Record Period. In order to ensure on-going compliance with environmental protection related regulatory requirements applicable to our business activities in the PRC, our Group would designate Ms. Chen Fen, an executive Director, to supervise our compliance with the regulatory requirements and communicate with the relevant regulatory authorities and our PRC Legal Advisers, if necessary, with a view to keeping us abreast of the latest regulations and regulatory developments relating to our business, will circulate internal memo summarizing any new development to the regulatory requirements to our staff to ensure on-going compliance and the designated personnel is also responsible for reviewing compliance related work done and compliance records of our Group.

LEGAL PROCEEDINGS

To the best knowledge of our Directors after making reasonable enquiries, as of the Latest Practicable Date, our Directors were not aware of any pending, threatened litigation or other proceedings that may, and are not involved in any litigation or other proceedings, the outcome of which our Directors believe might, cause material adverse effect on our operations or financial position.

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REGULATORY COMPLIANCE

Licences and permits

As advised by our PRC Legal Advisers and confirmed by our Directors, save as disclosed in the section headed “Business – Regulatory compliance – Social security insurance and housing provident fund contributions” below, our PRC subsidiaries had (i) obtained all licences, permits or certificates necessary to conduct its business in the PRC; (ii) complied in its operations with all relevant laws and regulations in the PRC; and (iii) obtained confirmations from relevant environmental bureau in respect of the compliance in all material aspects with the environmental laws in the PRC during the Track Record Period.

Social security insurance and housing provident fund contributions

Our PRC subsidiaries are required to make social security insurance and housing provident fund contributions for their respective employees in the PRC under the applicable laws and regulations in the PRC. Due to differences in local regulations and inconsistent implementation or interpretation of the relevant laws and regulations by local authorities in the PRC, different levels of acceptance of the social security system by their respective employees, as well as insufficient knowledge on our part of the social security system in the PRC, our PRC subsidiaries have not made full contributions in respect of social security insurance and the housing provident fund for their respective employees in the PRC before March 2011. Some of our employees came from rural areas out of where our PRC subsidiaries are located and such rural workers have their residence registered with the villages from which they came. The relevant local government authorities have different policies in respect of social security insurance contribution schemes for rural workers, who migrate from place to place. Thus it is difficult for rural workers to transfer their social security registrations to other localities and continue their social security contributions. Further, some of these rural workers are reluctant to participate in social security contribution schemes as they considered such contributions a financial burden given contributions are required to be paid by employees as well as employers, and their inability to transfer contributions previously made by them. We have also not been able to make housing provident fund contributions for our employees in circumstances where employees have not been willing to make corresponding contributions.

The outstanding amount of the social security insurance and housing provident fund contributions payable by our PRC subsidiaries to the relevant PRC authorities in respect of the above non-compliance with the social security system in the PRC were approximately RMB914,000. Our PRC Legal Advisers are of the view that the chance for our PRC subsidiaries to settle a penalty or fine in connection with the outstanding amount of social and security insurance and housing provident fund contributions arising from the non-compliance with the social security system in the PRC was remote. Each of our Controlling Shareholder has also agreed to indemnify our Group against all losses suffered or incurred by our Group as a result of or in connection with the failure of our PRC subsidiaries to make contribution in respect of the social security insurance and housing provident fund due to the relevant governmental authorities in the PRC prior to the Listing. In view of the above, our Directors considered it is not necessary for our Company to set aside provision at this stage in connection with the non-compliance with the social security system in the PRC. As advised by Shu Jin Law Firm, our

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PRC Legal Advisers in accordance with applicable laws and regulations in the PRC, employers may not unilaterally pay their portion of the contribution to the relevant authority in circumstances where an employee's portion of the contribution has not been paid. As such, we will not be able to complete the payment of the outstanding contributions for those employees, who are no longer employed by us. Nonetheless, if such employees elect to make the payments for their own portion of the overdue contributions and request us, as an employer, to make up for such past overdue contributions, we undertake to pay the contributions in accordance with the applicable laws and regulations in the PRC. Other than the outstanding contributions which we could settle only after the employees' request, all other outstanding contributions will be settled before the Listing.

We have obtained confirmations from Chuzhou, Chongqing and Sichuan social security bureaus that they will not impose penalty on Chuzhou Chuangce, Chongqing Guangjing and Sichuan Jinghong. Our PRC Legal Advisers, Shu Jin Law Firm, is of opinion that, Chuzhou, Chongqing and Sichuan social security bureaus are the competent and appropriate authority to provide such confirmations.

Our Directors confirmed that all our PRC subsidiaries have complied with the relevant requirements of the social security system in the PRC and have made all necessary arrangement in respect of the full payment of social security insurance and housing contributions to the accounts for the benefit of all qualified PRC employees in a timely manner since March 2011.

Further, in order to ensure on-going compliance with regulations applicable to our business activities in the PRC namely, the social insurance and housing fund related regulatory requirements, and environmental protection related regulatory requirements ("Regulatory requirements"), our Directors confirmed that our Group would designate Ms. Chen Fen, an executive Director, to supervise our compliance with the Regulatory requirements and communicate with relevant regulatory authorities and our PRC Legal Advisers, if necessary, with a view to keeping us abreast of the latest regulations and regulatory developments relating to our business, and will circulate internal memo summarizing any new development to the Regulatory requirements to our staff to ensure on-going compliance and the designated personnel is also responsible for reviewing compliance related work done and compliance records of our Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalization Issue and the Share Offer (without taking into account our Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), Rich Gold, which is wholly-owned by Mr. Chao, will be interested in 75% of the issued share capital of our Company. In view of the above, Mr. Chao and Rich Gold will be the Controlling Shareholders within the meaning of the Listing Rules. Each of Mr. Chao and Gold Rich has confirmed that he/it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our Group's business.

COMPETITION WITH THE CONTROLLING SHAREHOLDERS AND OUR DIRECTORS

Each of the Controlling Shareholders and our Directors has confirmed that it/he/she does not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business.

Conca Investments

Conca Investments was a company incorporated in Hong Kong with limited liability on 23 January 1992 which is owned as to 99% by Mr. Chao and as to 1% by Ms. Zhou. Mr. Chao is our Chairman, chief executive officer, an executive Director and one of the Controlling Shareholders. Ms. Zhou is the spouse of Mr. Chao and an executive Director.

Conca Investments was principally engaged in investment holding. As at the Latest Practicable Date, Conca Investments did not have any substantial operation or hold any investment. During the Track Record Period and up to the Reorganization, Conca Investments had been the controlling shareholder (as defined under the Listing Rules) of all of our PRC subsidiaries namely, Chongqing Guangjing, Chuzhou Chuangce and Sichuan Jinghong. As confirmed by Mr. Chao and Ms. Zhou, after disposal of the interests held by Conca Investments in Chongqing Guangjing, Chuzhou Chuangce and Sichuan Jinghong, Conca Investments had ceased to engage in any business which competes or is likely to compete, directly or indirectly, with our Group's business.

Conca Industries Limited

Conca Industries Limited ("Conca Industries") was a company incorporated under the laws of the Bahamas on 7 April 1994 which is owned as to 99% by Mr. Chao and as to 1% by an Independent Third Party. Conca Industries is principally engaged in investment holding and had held interests in Qingdao Haijing Packaging Products Company Limited (青島海景包裝製品有限公司), Hefei Haijing Packaging Products Company Limited (合肥海景包裝製品有限公司), and Qingdao Xinhaijing Packaging Products Company Limited (青島新海景包裝製品有限公司), which, as at the Latest Practicable Date, were subsidiaries of Sino Haijing. The interests held by Conca Industries in the aforementioned companies were subsequently disposed of in 2002. Please refer to the section headed "Business – Interests of other family member" for further details. As confirmed by Mr. Chao, Conca Industries does not engage in any business which competes or is likely to compete, directly or indirectly, with our Group's business. As at the Latest Practicable Date, Conca Industries was the controlling shareholder (as defined under the Listing Rules) of the following PRC companies:

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Chongqing Chuangce Packaging Material Company Limited (重慶創策包裝材料有限公司) (“Chongqing Chuangce Packaging”)

Chongqing Chuangce Packaging was established as a sino-foreign joint venture in the PRC on 8 January 1999 which is owned as to 76% by Conca Industries and as to 24% by Chongqing Wireless Electricity Testing Equipment Factory (重慶無線電測試儀器廠), an enterprise established in the PRC and an Independent Third Party. Chongqing Chuangce Packaging is principally engaged in the manufacture and sale of packaging materials. Chongqing Chuangce Packaging (as lessor) had entered into a lease agreement with an Independent Third Party (as lessee), which is principally engaged in printing business, regarding the leasing of the plant held by Chongqing Chuangce Packaging for a term from July 2009 to July 2011. The aforesaid lease agreement has not been renewed. Save as disclosed above, Chongqing Chuangce Packaging has ceased substantially all its operation including its business in the manufacture and sale of packaging materials, since 2005.

Our Directors have confirmed that the aforesaid leasing arrangement does not compete or is not likely to compete, directly or indirectly, with our Group’s business. Our Directors have further confirmed that Chongqing Chuangce Packaging does not engage in any business which competes or is likely to compete, directly or indirectly, with our Group’s business and will not engage in such business after the Listing.

Our Directors have confirmed that as Chongqing Chuangce Packaging has ceased its business in the manufacture and sale of packaging materials since 2005, during the Track Record Period and up to the Latest Practicable Date, there was no competition between our Group and Chongqing Chuangce Packaging. As confirmed by Mr. Chao, Chongqing Chuangce Packaging will not engage in any business which competes or is likely to compete, directly or indirectly, with our Group’s business after the Listing.

Taking into account that (i) Chongqing Chuangce Packaging has ceased its business in the manufacture and sale of packaging materials since 2005; (ii) Chongqing Chuangce Packaging and Chuzhou Chuangce are geographically separated; and (iii) our business in Chongqing has been conducted through Chongqing Guangjing, our Directors are of the view that our customers can distinguish Chongqing Chuangce Packaging from our Group even though Chongqing Chuangce Packaging has a similar name to Chuzhou Chuangce.

Chongqing Jingkang Plastic Material Company Limited (重慶景康塑膠製品有限公司) (“Chongqing Jingkang Plastic”)

Chongqing Jingkang Plastic was established as a sino-foreign joint venture in the PRC on 8 June 1999 which is owned as to 68.75% by Conca Industries and as to 31.25% by Chongqing Konka Electric Company Limited (重慶康佳電子有限公司). Save as being one of our Group’s customers during the Track Record Period, each of Chongqing Konka Electric Company Limited (重慶康佳電子有限公司) and its ultimate beneficial owners has no other relationship with our Company and its connected persons. Chongqing Jingkang Plastic is principally engaged in the processing and sales of plastic products. On 22 April 2009, the board of directors of Chongqing Jingkang Plastic resolved to, among others, dissolve Chongqing Jingkang Plastic as its results were not satisfactory. On 28 September

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

2009, the Foreign Trading and Economic Committee of Jiangbei District, Chongqing (重慶市江北區對外貿易經濟委員會) approved the termination of performance of the joint-venture agreement and the articles of Chongqing Jingkang Plastic. As confirmed by Mr. Chao, the local tax authority has been reviewing the accounts of Chongqing Jingkang Plastic before Chongqing Jingkang Plastic is to submit the formal application for dissolution to the local administration for industry and commerce. As confirmed by Mr. Chao, the dissolution of Chongqing Jingkang Plastic has not resulted in any liability or obligation imposed against himself.

Our Directors have confirmed that Chongqing Jingkang Plastic does not engage in any business which competes or is likely to compete, directly or indirectly, with our Group's business.

On 10 June 2011, each of Mr. Chao and Rich Gold entered into a deed of non-competition in favor of our Company (for itself and for the benefit of its subsidiaries). Further details of the aforesaid deeds of non-competition are set out in the paragraph headed "Non-Competition Undertaking" below.

Shenzhen Qi Shun Trading Company Limited (深圳市啟順貿易有限公司) ("Shenzhen Qi Shun")

Shenzhen Qi Shun is a company with limited liability established in the PRC on 15 April 2006 which is principally engaged in trading purpose and is owned as to 90% by Ms. Zhou and 10% by an Independent Third Party. During the Track Record Period, there were amounts due from Shenzhen Qi Shun to our Group arising from fund transfers, which were non-trade in nature. Shenzhen Qi Shun had no business and had been inactive since establishment. As at the Latest Practicable Date, all the aforesaid amounts had been fully settled by Shenzhen Qi Shun. On 19 April 2011, Ms. Zhou disposed of all her interests in Shenzhen Qi Shun to an Independent Third Party. As confirmed by Ms. Zhou, during the Track Record Period and up to the Latest Practicable Date, Shenzhen Qi Shun had not engaged in any business which competes or is likely to compete, directly or indirectly, with our Group's business.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Our Directors considered that our Group is capable of carrying out its business independent of the Controlling Shareholders or their respective associates for the following reasons:

Management independence and operational independence

Our Company has full rights to make all decisions on, and to carry out, our own business independently. In particular, our Company, through its subsidiaries, holds all relevant licenses necessary to carry on the business, and has adequate working capital, machineries and qualified staff to manage and operate the business independently from the Controlling Shareholders.

We have established our own organizational structure comprising individual departments, each with specific areas of responsibilities. Our Group has not shared our operational resources, such as suppliers, customers, marketing, sales and general administration resources with the Controlling Shareholders and/or their respective associates.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our Directors have confirmed that none of the Controlling Shareholders, nor our Directors and their respective associates, has any relationship with the major suppliers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

Our Directors have also confirmed that none of the Controlling Shareholders, nor our Directors and their respective associates, has any relationship with the major customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

Our Directors have confirmed that our Group has independent access to its customers and suppliers, and there is no overlap in its customers and suppliers with that of the Controlling Shareholders or their respective associates.

The management and operation of our Company have been delegated to our executive Directors and senior management, who have served our Company and/or its subsidiaries for a long time and/or have substantial experience and skill set in the industry in which our Company is engaged. In addition, the three independent non-executive Directors will provide independent judgment and advice to the decision-making process of the Board.

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group's business while preserving the management and operational continuity of our Group. The Board's main functions include approval of the overall business plans and strategies of our Group, monitoring the implementation of these policies and strategies and the management of our Company. Our Group has an independent management team, which is led by a team of senior management with substantial experience and expertise in our business, to implement our Group's policies and strategies. All our Directors (save as Mr. Chao and Ms. Zhou) and senior management are independent of the Controlling Shareholders or their respective associates.

As of the Latest Practicable Date, there was no transaction between our Group and any connected person of our Company which was expected to become a continuing connected transaction (as defined under the Listing Rules) upon the Listing.

Our Directors do not expect that immediately following the Listing there will be any non-exempt continuing connected transactions between our Group and any of the Controlling Shareholders or their respective associates.

Based on the above, our Directors are of the view that our Company is independent of the Controlling Shareholders in terms of management and business operations.

Administrative independence

Our Group is capable of performing all essential administrative functions and has employed competent staff to manage such functions including financial and accounting management, inventory management and product design and development.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Financial independence

Our Group has its own financial management system in place and the ability to operate independently of the Controlling Shareholders in the financial aspect. Our Directors believe that our Group is capable of obtaining adequate financing from external sources without reliance on the Controlling Shareholders. Our Directors have confirmed that all outstanding balances due from/to related parties of the Controlling Shareholders and/or any Director have been fully settled as of the Latest Practicable Date.

Our Directors have confirmed that our Group has independent access to third party financing as all our bank loans are secured by the assets of our Group and the only guarantee provided by Mr. Chao regarding the tenancy of our office premises in Hong Kong had been released before the Listing. As at the Latest Practicable, there was no amount due to the Controlling Shareholders by our Group or amount due from the Controlling Shareholders to our Group.

NON-COMPETITION UNDERTAKING

In order to avoid any possible future competition between our Group and each of Rich Gold and Mr. Chao (the “Covenantors”), the Covenantors have executed two deeds of non-competition (“Deeds of Non-competition”) in favor of us (for ourselves and for the benefit of each member of our Group). Pursuant to the Deeds of Non-competition, during the period that the Deeds of Non-competition remain effective, each of the Covenantors irrevocably and unconditionally undertakes with us (for ourselves and for the benefit of each member of our Group) that he/it shall not, and shall procure any of his/its associates (other than members of our Group) not to, directly or indirectly engage, participate, hold any right or interest in, hold any position in, 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 our Group or any business activity to be conducted by any member of our Group from time to time in the future save for the holding of not more than 5% shareholding interests (together with his/its associates) in any company listed on a recognized stock exchange and at any time the relevant listed company shall have at least one shareholder (together with its associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of the relevant Covenantor (together with his/its associates).

Where business opportunities which may compete with the business of our Group arise, the respective Covenantor(s) shall, and shall procure their respective his/its associates to, give us notice in writing and we shall have a right of first refusal to take up such business opportunities. We shall only exercise the right of first refusal upon the approval of our Board (where any Director who has any interest in such proposed transactions shall abstain from participating in and voting at the relevant meetings of our Board in accordance with our Articles and the Listing Rules). 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 for considering whether or not to exercise the right of first refusal.

Our Board will establish a committee comprising all the independent non-executive Directors which will be delegated with the authority to 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 committee from time to time.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Each of the Covenantors has undertaken to make an annual declaration on its/his compliance with the Deeds of Non-competition and our Company will disclose such annual declarations made by the Covenantors and the result of review by our independent non-executive Directors of the compliance with the Deeds of Non-competition by the Covenantors in our Company's annual report.

The undertakings mentioned above are conditional upon the fulfillment of the conditions stated in the paragraph headed "Conditions of the Share Offer" under the section headed "Structure of the Share Offer" in this prospectus. If any of such conditions is not fulfilled on or before the date falling 30 days after the date of this prospectus, 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 upon (i) the Covenantors and his/its associates (jointly or severally) cease to hold in aggregate 30% or more of the entire issued share capital of our Company or otherwise cease to be a Controlling Shareholder; or (ii) our Shares cease to be listed and traded on the Stock Exchange due to any reason (except for temporary suspension of trading of our Shares on the Stock Exchange due to any reason).

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board comprises seven Directors, among whom there are four executive Directors and three independent non-executive Directors.

The following table sets forth information regarding our Directors:

Name	Age	Position	Roles and responsibilities	Date of appointment
Mr. Chao	47	Chairman, chief executive office, Executive Director	Overall strategic planning and business development of our Group.	10 June 2011
Ms. Zhou	47	Executive Director	Operation of our Group and to assist Mr. Chao in formulating the overall strategic planning and business development of our Group.	10 June 2011
Ms. Chen Fen (陳蕢)	44	Executive Director	Financial management and operation of our Group.	10 June 2011
Mr. Zuo Ji Lin (左際林)	44	Executive Director	Marketing management and operation of our Group.	10 June 2011
Mr. Chan Chun Chi (陳駿志)	33	Independent non-executive Director	Chairman of the Audit Committee and a member of the Remuneration Committee	10 June 2011
Mr. Yu Xi Chun (虞熙春)	49	Independent non-executive Director	Member of the Audit Committee and the Nomination Committee.	10 June 2011
Mr. Wu Hao Tian (吳昊天)	46	Independent non-executive Director	Member of the Audit Committee, the Remuneration Committee and the Nomination Committee.	10 June 2011

EXECUTIVE DIRECTORS

Mr. Chao Pang Ieng (周鵬鷹), aged 47, is our Chairman, an executive Director and one of the founders of our Group. Mr. Chao was appointed as a Director on 4 January 2011 and redesignated as an executive Director on 10 June 2011. Mr. Chao is also the chairman of the Remuneration Committee and the chief executive officer of our Company. Mr. Chao has more than sixteen years of experience in packaging materials business. He has been the director of all our subsidiaries. Mr. Chao is the spouse of Ms. Zhou, an executive Director. Relying on his working experience in packaging materials industry, Mr. Chao is primarily responsible for the overall strategic planning and business development of our Group.

Mr. Chao and Ms. Zhou set their feet in the PRC packaging industry in 1995 when they, through a holding company controlled by Mr. Chao, established a joint venture in Heilongjiang, the PRC with an Independent Third Party. Since then, Mr. Chao and Ms. Zhou had acquired the relevant industry experience and the said joint venture had generated investment return which provided the funding for founding our Group. In order to focus on our Group's business, Mr. Chao disposed of all his interests in the aforesaid joint venture in 2009.

DIRECTORS AND SENIOR MANAGEMENT

For the three financial years ended 31 December 2008, 2009 and 2010, Mr. Chao did not receive emoluments from our Company. Mr. Chao did not enter into service contracts with and did not receive emoluments as an employee from our Group during the aforesaid period. For the Track Record Period, Conca Investments, a company controlled by Mr. Chao, received distribution of dividend of approximately RMB8.3 million, approximately RMB41.1 million, approximately RMB23.9 million and approximately RMB34.3 million respectively. In view of the above, no emoluments were paid to Mr. Chao during the three financial years ended 31 December 2008, 2009 and 2010. On 10 June 2011, Mr. Chao entered into a service contract with our Company in connection with his appointment as our Chairman, chief executive officer and an executive Director and is entitled to receive basic salary of RMB166,920 per annum. For the six months ended 30 June 2011, Mr. Chao received from our Company emoluments of approximately RMB10,000.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, Mr. Chao did not hold any other directorships in public listed companies or any other major appointments.

Ms. Zhou Zheng Bin (周鄭斌), aged 47, was appointed as an executive Director on 10 June 2011. Ms. Zhou is the spouse of Mr. Chao, our Chairman and an executive Director. Ms. Zhou obtained a bachelor of education from Guangzhou Physical Education Institute (廣州體育學院) in July 1985, and had been a teacher at Guangzhou Physical Education Institute (廣州體育學院) from July 1985 to May 1990. Starting from 1995, Ms. Zhou has been assisting Mr. Chao in his packaging business, and since January 2003, Ms. Zhou has been a director of Conca Investments. Relying on her working experience in packaging materials industry, Ms. Zhou is primarily responsible for the operation of our Group and to assist Mr. Chao in formulating the overall strategic planning and business development of our Group.

For the three financial years ended 31 December 2008, 2009 and 2010, Ms. Zhou did not receive emoluments from our Company. Ms. Zhou did not enter into service contracts with and did not receive emoluments as an employee from our Group during the aforesaid period. Ms. Zhou depended on Mr. Chao in respect of financial support and requirements. In view of the above, no emoluments were paid to Ms. Zhou for the three financial years ended 31 December 2008, 2009 and 2010. On 10 June 2011, Ms. Zhou entered into a service contract with our Company in connection with her appointment as an executive Director and is entitled to receive basic salary of RMB166,920 per annum. For the six months ended 30 June 2011, Ms. Zhou received from our Company emoluments of approximately RMB10,000.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, Ms. Zhou did not hold any other directorships in public listed companies or any other major appointments.

Ms. Chen Fen (陳蕢), aged 44, was appointed as an executive Director on 10 June 2011. Ms. Chen is also the chairperson of the Nomination Committee. Ms. Chen obtained a bachelor of economics majoring in financial accounting from Shenzhen University (深圳大學) in June 1989. She was accredited as an assistant accountant by the Ministry of Finance, the PRC in December 1992, and then obtained a certificate of accounting professional issued by Ministry of Finance in Nan Shan

DIRECTORS AND SENIOR MANAGEMENT

District, Shenzhen in May 2005. She was a director of Sichuan Jinghong from September 2005 to August 2008. Prior to joining our Group in September 2005, she had been the finance manager of Shenzhen Li Da Silk Garment Company Limited (深圳利達絲綢服裝有限公司) from July 1989 to October 1997. During the Track Record Period, Ms. Chen had also provided service to Mr. Chao in respect of supervising the financial aspects of certain companies held privately by Mr. Chao. Relying on her academic and professional qualification in accounting and finance, Ms. Chen is primarily responsible for the financial management and operation of our Group.

For the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, Ms. Chen did not receive emoluments from our Group. Ms. Chen received basic salary of approximately RMB84,000, approximately RMB84,000 and approximately RMB84,000 from Mr. Chao respectively, and did not receive basic salary from our Group during the period. Save as disclosed above, Mr. Chao confirmed that he had not made payments of emoluments to any other staff of our Group during the Track Record Period. Mr. Chao further confirmed that he will not make payments of emoluments directly to any staff including Ms. Chen in the future. In addition, our Company reimbursed or paid all expenses incurred by Ms. Chen in performing her duties for our Group and such expenses included, among other things, travelling, accommodation and other expenses related to business trips. For the six months ended 30 June 2011, Ms. Chen received from our Company emoluments of approximately RMB10,000. On 10 June 2011, Ms. Chen entered into a service contract with our Company in connection with her appointment as an executive Director and is entitled to receive basic salary of RMB166,920 per annum.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, Ms. Chen did not hold any other directorships in public listed companies or any other major appointments.

Mr. Zuo Ji Lin (左際林), aged 44, was appointed as an executive Director on 10 June 2011. Mr. Zuo is also the marketing director of our Group and the general manager of Chongqing Guangjing and Chuzhou Chuangce. Mr. Zuo graduated from Zhuzhou Metallurgical Industrial School (株州冶金工業學校), majoring in financial accounting of industrial enterprises in July 1992. He was a director of Sichuan Jinghong from September 2005 to August 2008. Prior to joining our Group in April 2001 as the general manager of Chuzhou Chuangce, Mr. Zuo had been the finance manager of Shenzhen Chuangce Investment Development Company Limited (深圳市創策投資發展有限公司) from June 1999 to June 2000, and had been the general manager of Mu Dan Jiang Hua Sheng Packaging Company Limited (牡丹江華升包裝有限公司) from June 2000 to April 2001. Relying on his academic qualification in relation to financial accounting and his working experience in packaging materials industry, Mr. Zuo is primarily responsible for the marketing management and operation of our Group.

For the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, Mr. Zuo received from our Group emoluments of approximately RMB53,000, approximately RMB68,000, approximately RMB71,000 and approximately RMB82,000 respectively. On 10 June 2011, Mr. Zuo entered into a service contract with our Company in connection with his appointment as an executive Director and is entitled to receive basic salary of RMB166,920 per annum.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, Mr. Zuo did not hold any other directorships in public listed companies or any other major appointments.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chun Chi (陳駿志), aged 33, is an independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration Committee. Mr. Chan joined our Group as an independent non-executive Director on 10 June 2011. Mr. Chan obtained a degree of bachelor of arts in accounting from The Hong Kong Polytechnic University in November 2004 and is a member of The Hong Kong Institute of Certified Public Accountants. Since August 2010, Mr. Chan has been serving as an accounting manager of Shanghai Industrial Urban Development Group Ltd., a company whose shares are listed and traded on the Main Board of the Stock Exchange. Prior to this, Mr. Chan worked at several accounting firms, namely, K.S. Li & Company from August 2004 to March 2005, T.K. Lo & Company from March 2005 to April 2006, C. W. Leung & Co. from April 2006 to August 2007, and CCIF CPA Limited from August 2007 to July 2010, and was responsible for, among other things, audit works and preparation of financial statements for listed companies and tax related matters for clients.

For the six months ended 30 June 2011, Mr. Chan received from our Company emoluments of approximately RMB6,000.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, Mr. Chan did not hold any other directorships in public listed companies or any other major appointments.

Mr. Yu Xi Chun (虞熙春), aged 49, is an independent non-executive Director and a member of the Audit Committee and the Nomination Committee. Mr. Yu joined our Group as an independent non-executive Director on 10 June 2011. Mr. Yu has been a certified accountant in the PRC since October 1994. Mr. Yu joined Shenzhen CCTY Certified Public Accountants (深圳正大華明會計師事務所) in August 2005 and currently serves as a chief partner thereof, responsible mainly for management and audit related works. For the period between August 2004 and August 2005, Mr. Yu served in Shenzhen You Xin Certified Accountants (深圳友信會計師事務所) as a certified accountant. For the period between November 1994 to July 2004, Mr. Yu worked in Shenzhen Yong Ming Certified Public Accountants Company Limited (深圳市永明會計師事務所有限公司) as audit manager, chief auditor and partner, respectively. On 1 March 1999, Mr. Yu obtained the qualification of registered tax agent from State Administration of Taxation of the PRC. Since November 2008, Mr. Yu has been an independent director in Shenzhen Deren Electronic Company Limited (深圳市得潤電子股份有限公司), a company listed on the Shenzhen Stock Exchange.

In December 1989, Mr. Yu graduated from a telecourse in accounting from Anhui Finance and Trade College (安徽財貿學院). In addition, Mr. Yu had received forty hours of training in respect of independent director of public listed companies jointly organized by the China Securities Regulatory Commission and the School of Management of Fudan University, the PRC for the period between 14 January 2002 and 18 January 2002.

DIRECTORS AND SENIOR MANAGEMENT

For the six months ended 30 June 2011, Mr. Yu received from our Company emoluments of approximately RMB3,000.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, Mr. Yu did not hold any other directorships in public listed companies or any other major appointments.

Mr. Wu Hao Tian (吳昊天), aged 46, is an independent non-executive Director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Wu joined our Group as an independent non-executive Director on 10 June 2011. Mr. Wu holds a bachelor's degree in finance (金融系) awarded by the Hunan College of Finance (湖南財經學院) in July 1986 and a master's degree in Economics awarded by Finance Institute of the People's Bank of China (中國人民銀行總行金融研究所) in April 1989. Since November 2009, Mr. Wu has been the general manager in Shenzhen City Jin Li Chuang Xin Investment Company Limited (深圳市金立創新投資有限公司). For the period between August 2006 and May 2008, Mr. Wu had been the general manager in Shenzhen City Chuang Xin Investment Guarantee Company (深圳市創新投資擔保公司). For the period between November 2004 and December 2005, Mr. Wu had been the chief executive officer of Credit Orientwise Group Ltd. (中國中科智擔保集團股份有限公司). In addition, for the period between August 2007 and August 2010, Mr. Wu was a director in Shenzhen World Union Properties Consultant Co., Ltd. (深圳世聯地產顧問股份有限公司) and since March 2009, Mr. Wu has been a supervisor in Xiamen Savings Environmental Co., Ltd. (廈門三維絲環保股份有限公司), both companies are listed on the Shenzhen Stock Exchange.

For the six months ended 30 June 2011, Mr. Wu received from our Company emoluments of approximately RMB3,000.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, Mr. Wu did not hold any other directorships in public listed companies or any other major appointments.

SENIOR MANAGEMENT

Mr. Jiang Xian Geng (江獻庚), aged 39, is the Production Director of our Group and the deputy general manager of Chongqing Guangjing. He was appointed as the Production Director of our Group on 10 June 2011. Mr. Jiang graduated from Hunan University (湖南大學), majoring in industrial management engineering, in June 1996, and from State-run Jiangnan Machinery Factory Middle Technical School (國營江南機器廠中等專業學校), majoring in machinery production, in July 1992. He was accredited as a business administration and economics specialist by the Ministry of Personnel, the PRC in November 2002. From October 2004 to July 2008, he served as the head of office of Chuzhou Chuangce. He has been the deputy general manager of Chongqing Guangjing since July 2008. Relying on his academic qualification in relation to production operations and machinery management, Mr. Jiang is primarily responsible for the production management of our Group.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, Mr. Jiang did not hold any other directorships in public listed companies or any other major appointments.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Xia Hui Sheng (夏會生), aged 43, is the Technical Director of our Group and the general manager of Sichuan Jinghong. He was appointed as the Technical Director of our Group on 10 June 2011. Mr. Xia graduated from Chongqing Architectural Engineering Institute (重慶建築工程學院), majoring in applied computer technology, in July 1991. Mr. Xia served as the head of human resources department of Bo Xi Yang Refrigeration Company Limited (博西揚製冷有限公司) from June 1997 to March 2001. He then served as the head of office in Chuzhou Chuangce from April 2001 to June 2002. From June 2002 to October 2004, he served as the deputy general manager of Mu Dan Jiang Hua Sheng Packaging Company Limited (牡丹江華升包裝有限公司) and the deputy general manager of Chongqing Guangjing from November 2004 to August 2005. He has been the general manager of Sichuan Jinghong since August 2005. Relying on his working experience in packaging materials business, Mr. Xia is primarily responsible for the technical management of our Group.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, Mr. Xia did not hold any other directorships in public listed companies or any other major appointments.

Mr. Tsoi Ka Shing (蔡嘉誠), aged 30, is the Company Secretary and Financial Controller of our Group. He was appointed as the Company Secretary and Financial Controller of our Group on 10 June 2011. Mr. Tsoi obtained a bachelor of business from University of Technology, Sydney in July 2005. He was accredited as a Certified Public Accountant by CPA Australia and the Hong Kong Institute of Certified Public Accountants in November 2009 and May 2011, respectively. Prior to joining our Group in 2010 as the Company Secretary and Financial Controller, Mr. Tsoi had been a senior accountant and an assistant audit manager in SHINEWING (HK) CPA Limited from August 2009 to November 2010, an auditor in Deloitte Touche Tohmatsu, CCIF CPA Limited and Yau And Wong, CPA from July 2005 to August 2009.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, Mr. Tsoi did not hold any other directorships in public listed companies or any other major appointments.

BOARD COMMITTEES

Audit Committee

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three independent non-executive Directors namely Mr. Chan Chun Chi, Mr. Yu Xi Chun and Mr. Wu Hao Tian. The chairman of the Audit Committee is Mr. Chan Chun Chi. The primary duties of the audit committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, overseeing the audit process and performing other duties and responsibilities assigned by our Board.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

We have established a remuneration committee with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of chairman of our Board namely Mr. Chao Pang Ieng and two independent non-executive Directors namely Mr. Chan Chun Chi and Mr. Wu Hao Tian. The chairman of the Remuneration Committee is Mr. Chao Pang Ieng. The primary duties of the Remuneration Committee are to evaluate the performance and make recommendations to our Board regarding the remuneration package of our Directors and senior management and employee benefit arrangements, so as to ensure that the levels of remuneration and compensation are appropriate.

Nomination Committee

We have established a nomination committee with written terms of reference as recommended under the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of an executive Director namely Ms. Chen Fen and two independent non-executive Directors namely Mr. Yu Xi Chun and Mr. Wu Hao Tian. The chairman of the Nomination Committee is Ms. Chen Fen. The primary function of the nomination committee is to make recommendations to our Board on the appointment and removal of Directors.

COMPLIANCE ADVISER

We have appointed Cinda International Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules.

Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following matters:

- (i) 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;
- (iii) where we propose to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our 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 with us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year after the Listing Date, subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware of, immediately following completion of the Capitalization Issue and the Share Offer, but without taking into account our Shares that may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, the following persons will have interests or short positions in any Shares or underlying Shares which would fall to be disclosed to our 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 any member of our Group and are therefore regarded as substantial shareholders under the Listing Rules:

Name of Shareholder	Nature of interests	Number of Shares	Approximate percentage of shareholding
Rich Gold	Beneficial owner	150,000,000	75%
Mr. Chao (<i>Note 1</i>)	Interest of controlled corporation	150,000,000	75%
Ms. Zhou (<i>Note 2</i>)	Interest of spouse	150,000,000	75%

Notes: 1. Mr. Chao beneficially held the entire issued share capital of Rich Gold, which in turn, beneficially held 150,000,000 Shares. For the purposes of the SFO, Mr. Chao is deemed or taken to be interested in all our Shares held by Rich Gold. Mr. Chao is also our Chairman, chief executive officer, an executive Director and the sole director of Rich Gold.

2. Ms. Zhou is the spouse of Mr. Chao. For the purposes of the SFO, Ms. Zhou is deemed or taken to be interested in all our Shares in which Mr. Chao is interested. Ms. Zhou is an executive Director.

Save as disclosed above, our Directors are not aware of any other person who will, immediately following completion of the Capitalization Issue and the Share Offer but without taking into account our Shares that may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to the our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

SHARE CAPITAL

The following is a description of our authorized share capital and our share capital in issue and to be issued as fully paid or credited as fully paid immediately after the completion of the Capitalization Issue and the Share Offer (without taking into account our Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme):

Authorized capital:	<i>HK\$</i>
1,000,000,000 Shares of HK\$0.01 each	10,000,000.00

Shares issued and to be issued, fully paid or credited as fully paid:

Number of Shares	Description of Shares	Aggregate nominal value of Shares <i>HK\$</i>
2	Shares of HK\$0.01 each in issue as at the date of this prospectus	0.02
149,999,998	Shares of HK\$0.01 each to be issued pursuant to the Capitalization Issue	1,499,999.98
<u>50,000,000</u>	Shares of HK\$0.01 each to be issued under the Share Offer	<u>500,000.00</u>
<u>200,000,000</u>	Total issued Shares upon completion of Share Offer	<u>2,000,000.00</u>

Assumptions

The above table assumes the Share Offer becomes unconditional and the issue of Shares pursuant thereto is made as described herein. It does not take into account any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate given to our Directors to allot and issue or repurchase Shares referred to in the paragraph headed “General Mandate to Issue Shares” or the paragraph headed “General Mandate to Repurchase Shares” below, as the case may be.

In accordance with rule 8.08 of the Listing Rules, at the time of Listing and at all times thereafter, a minimum prescribed percentage of 25% of the issued share capital of our Company should be in the hands of the public.

Ranking

The Offer Shares will rank pari passu in all respects with all our Shares now in issue or to be issued as set out in the above table, and will qualify in full for all dividends or other distributions declared, paid or made on our Shares in respect of a record date which falls after the date of Listing other than participation in the Capitalization Issue.

SHARE CAPITAL

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 10 June 2011. Pursuant to the Share Option Scheme, the eligible participants of the scheme such as Directors, full-time employees of, advisers and consultants to our Company or our subsidiaries may be granted options which entitle them to subscribe for Shares, when aggregated with options granted under any other scheme, representing initially not more than 10% of our Shares in issue on the Listing Date. Further details of the rules of the Share Option Scheme are set out in the paragraph headed “Appendix V – Share Option Scheme” in this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated under the section headed “Structure of the Share Offer” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) with an aggregate nominal value not exceeding the sum of:

- (i) 20% of the total nominal amount of the share capital of our Company in issue, immediately following completion of the Capitalization Issue and the Share Offer (excluding any Share to be issued upon exercise of the options granted under the Share Option Scheme); and
- (ii) the total amount of the share capital of our Company repurchased by us (if any) pursuant to the authority referred to in the paragraph headed “General Mandate to Repurchase Shares” below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of the options which may be granted under the Share Option Scheme. This general mandate will expire at the earliest of:

- (i) at the conclusion of our next annual general meeting; or
- (ii) upon the expiry of the period within which we are required by any applicable laws of the Cayman Islands or our Articles to hold the next annual general meeting; or
- (iii) when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please see the paragraph headed “Appendix V – Written resolutions of our sole Shareholder passed on 10 June 2011” in this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated under the section headed “Structure of the Share Offer” in this prospectus, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase aggregate nominal amount of Shares which shall not exceed 10% of the total nominal amount of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Share Offer (excluding any Share to be issued upon exercise of the options granted under the Share Option Scheme).

This mandate relates only to repurchases made on the Stock Exchange or any other stock exchange on which our Shares may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, and which are made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “Appendix V – Repurchase of our Shares by our Company” in this prospectus.

This mandate will expire at the earliest of:

- (i) the conclusion of our next annual general meeting;
- (ii) the expiration of the period within which our next annual general meeting is required by the Articles of Association or any applicable laws to be held; and
- (iii) the day on which such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further information about this repurchase mandate, please refer to the paragraph headed “Appendix V – Written resolutions of our sole Shareholder passed on 10 June 2011” in this prospectus.

FINANCIAL INFORMATION

You should read this section together with our consolidated financial statements including notes thereto as set out in the accountants' report in Appendix I to this prospectus.

The following discussion contains forward-looking statements that involve risks and uncertainties. The actual developments may deviate from our expectations or estimations. You should review "Risk factors" section in this prospectus for a discussion of important factors that could cause our actual developments to differ materially from the results described in or implied by the forward-looking statements.

RESULTS OF OPERATIONS

Set out below are summary of our consolidated statements of comprehensive income for the three financial years ended 31 December 2008, 2009 and 2010 and the two six months ended 30 June 2010 and 2011 extracted from the accountants' report set out in Appendix I to this prospectus.

	Year ended 31 December 2008 RMB'000	Year ended 31 December 2009 RMB'000	Year ended 31 December 2010 RMB'000	Six months ended 30 June 2010 RMB'000 (Unaudited)	Six months ended 30 June 2011 RMB'000
Revenue	234,503	121,880	166,079	77,346	100,559
Cost of sales	(176,117)	(86,997)	(112,486)	(52,922)	(70,462)
Gross profit	58,386	34,883	53,593	24,424	30,097
Other income	1,863	474	338	113	301
Other gains and losses	(2,870)	47	(447)	(2,782)	(1,238)
Selling and distribution expenses	(4,760)	(4,327)	(6,260)	(2,626)	(3,935)
Administrative expenses	(5,513)	(5,280)	(6,120)	(3,164)	(3,360)
Other operating expenses	(324)	(263)	(715)	(334)	(55)
Profit from operations	46,782	25,534	40,389	15,631	21,810
Finance costs	(1,522)	(628)	(701)	(296)	(432)
Profit before tax	45,260	24,906	39,688	15,335	21,378
Income tax expense	(7,241)	(1,310)	(3,963)	(3,026)	(1,087)
Profit for the year/period	38,019	23,596	35,725	12,309	20,291
Other comprehensive income for the year/period					
Exchange differences on translating foreign operations	-	-	-	-	2
Total comprehensive income for the year/period	38,019	23,596	35,725	12,309	20,293
Profit attributable to:					
Owners of the Company	31,276	23,596	35,725	12,309	20,291
Non-controlling interests	6,743	-	-	-	-
	38,019	23,596	35,725	12,309	20,291
Total comprehensive income attributable to:					
Owners of the Company	31,276	23,596	35,725	12,309	20,293
Non-controlling interests	6,743	-	-	-	-
	38,019	23,596	35,725	12,309	20,293

FINANCIAL INFORMATION

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We are a provider of packaging products and structural components in the PRC. We specialize in the design, manufacture and sale of packaging products made primarily of EPS and EPO for packaging of consumer electrical appliances such as televisions, air conditioners, washing machines and refrigerators in the PRC. In addition, we undertake the design and manufacture of structural components in various shapes and sizes that are often used as components inside consumer electrical appliances such as air conditioners manufactured by our customers in the PRC. Our business, operations and financial performances are affected by a number of factors and we may or may not have control over these factors. A discussion of the principal factors affecting our results of operations is set out below.

General economic conditions and market conditions for our packaging products

We manufacture packaging products that are used mainly for packaging of consumer electrical appliances manufactured in the PRC. We also manufacture structural components that are used inside consumer electrical appliances such as air conditioners. As such, the demand for our packaging and structural products depend on, among other things, the general market sentiment of and consumer demand for the consumer electrical appliances in the PRC, which is affected to an extent by the global economy.

The onset of the global financial tsunami in 2008 dampened the world financial systems and economies including Chinese economy and in particular, the consumer electrical appliances industry where our packaging products were sold was affected. The lackluster consumer confidence affected the demand for consumer electrical appliances and, in turn, our packaging products and structural components in the PRC for the financial year ended 2009. Given that majority of our packaging products and structural component were sold to manufactures of consumer electrical appliances based in the PRC, the changes in the economics of the consumer electrical appliance industry in the PRC would have a notable impact on our business, including but not limited to the demand for and pricing of our products.

According to the market survey report from Synovate, the packaging product market for consumer electrical appliances namely, televisions, refrigerator, washing machines and air conditioners in the PRC is expected to increase from approximately RMB2.8 billion in 2009 to approximately RMB8.0 billion in 2013. The introductions of new or more advanced televisions, air conditioners, washing machines and other electrical appliances would encourage growth in consumer spending on electrical appliances and in turn demand for packaging products in the PRC.

Raw material costs

Raw material costs represented an important component of our cost of sales for the Track Record Period. For the financial years ended 2008, 2009 and 2010 and the two six months ended 30 June 2010 and 2011, raw material costs accounted for approximately 73.0%, 64.6%, 68.9%, 74.7% and 70.2% of our cost of sales respectively. The principal raw materials used in our products were EPS and EPO for the Track Record Period. The fluctuations in the availability and price of any of such raw materials would have a significant impact on our cost of sales and results of operations.

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EPS constituted the largest component of our raw material costs for the Track Record Period. For the three financial years ended 2008, 2009 and 2010 and the two six months ended 30 June 2010 and 2011, costs of EPS accounted for approximately 98.1%, 76.1%, 79.3%, 77.9% and 79.3% respectively and costs of EPO accounted for approximately 0.1%, 16.7%, 12.6%, 14.5% and 14.7% respectively of total raw material costs. We typically purchase EPS and EPO from suppliers at prices determined, in general, with reference to the average market prices of the raw materials in the PRC. The EPS and EPO prices fluctuate and as such the prevailing prices when we made our purchases may not be the same as the prevailing prices when we completed our sales. For the three financial years ended 2008, 2009 and 2010, and the two six months ended 30 June 2010 and 2011, we purchased EPS at an average price of approximately RMB10,620/tonne, RMB7,688/tonne, RMB9,272/tonne, RMB9,502/tonne and RMB10,689/tonne respectively, while we purchased EPO at approximately RMB35,019/tonne, RMB35,015/tonne, RMB32,234/tonne, RMB34,308/tonne and RMB33,202/tonne respectively. For the three financial years ended 2008, 2009 and 2010, and the two six months ended 30 June 2010 and 2011, we purchased EPS of approximately 9,256 tonnes, 5,344 tonnes, 6,759 tonnes, 3,134 tonnes and 3,688 tonnes respectively, while we purchased EPO of approximately 27 tonnes, approximately 293 tonnes, approximately 302 tonnes, 118 tonnes and 208 tonnes respectively. In general, our pricing policy allows us to pass the increase in cost of raw materials used in the manufacturing of EPS products to our customers by increasing selling prices of our products. The pricing of our products reflected in general the costs of raw materials used in the manufacturing of our products.

Manufacturing capacity and expansion

We have maintained cordial commercial relationships with our customers and understand well the product requirements of our customers and their expectations of both quality and quantities of packaging products and structural components from us. As such, we can plan our manufacturing capacity in a prudent and pragmatic manner and strengthen our commercial relationships with our customers since we are able to offer the necessary quality and quantity of packaging products and structural components to our customers in time. We have increased gradually the manufacturing capacity for our products. For the three years ended 31 December 2008, 2009 and 2010, our maximum annual manufacturing capacities of our products were approximately 14,620 tonnes, 14,800 tonnes and 15,100 tonnes respectively. For the three years ended 31 December 2008, 2009 and 2010, the average annual utilization rates of our manufacturing facilities were approximately 64.8%, 45.2%, 54.0% respectively. In general, we experience changes in demand for our products during a year as a result of changes in the purchase orders placed by our customers in anticipation of sales or expected sales of consumer electrical appliances in the PRC during major festive holidays and summer season. Given the seasonality effect, the average utilization rates of our manufacturing facilities measured, on a monthly basis, can be higher than the average annual utilization rates. For the three years ended 31 December 2008, 2009 and 2010, the highest average monthly utilization rates of our manufacturing facilities were approximately 87.2%, 71.9% and 72.3% respectively. Nonetheless, for the financial year ended 31 December 2009 the decrease in the average annual utilization rates of our manufacturing facilities reflected mainly the decrease in purchase orders placed by our customers and the decrease in quantities of products sold to our customers against background of a lackluster PRC economy and our major customers' focus on the manufacturing of flat panel and plasma televisions that typically require lesser quantity of packaging products given that they are comparatively more compact in size and lighter in weight than traditional cathode ray tube televisions.

FINANCIAL INFORMATION

A mix of products

We offer a wide range of packaging products and structural components to our customers. The diversity in our range of products is considered beneficial to our results of operations as such a business strategy allows us to avoid the risk arising from over reliance on a single product which may have an adverse impact on our results of operations when demand and pricing for a single product decrease for a prolonged period of time. Our product design and development team continues to focus on improving the quality and enhancing the functions of our products to meet the changing requirements of our customers. We have successfully introduced structural components that are used inside air conditioners by our customers. Our structural components are made of EPS and are thermal and chemical resistant and have shock absorbing properties. In general, different products offer different profit margins. Our product design and development capability allows us to manufacture unique products to the specifications of our customers. Our manufacturing experiences together with our flexible manufacturing facilities enable us to switch production from one product to another in a short period of time. We are therefore able to adjust to and take advantage of changing market conditions and manufacture the products in high demand.

Pricing

The packaging industry in the PRC is highly competitive and to be successful in this industry, in our view, depends on, among other things, competitive pricing. Our pricing policy, in general, takes into account of various factors namely, the complexity and the quantity of packaging products required by our customers, the cost of raw materials, the cost of transportation and customer relations. Our pricing reflects to an extent the price of raw materials namely EPS and EPO used in the manufacturing of our packaging products and structural components. Our pricing policy allows us to pass the changes in costs of raw materials used in the manufacturing of EPS products to our customers. In the event that the costs of raw materials used in the manufacturing of EPS products increase, the selling price of which will increase and the vice versa is true. The pricings for the EPO products are predetermined and set at fixed sums which cover, among other things, the costs of raw materials and manufacturing overhead expected to be incurred in relation to the manufacturing of the EPO products. Save and except the price adjustment mechanism for the sale of EPS products, we have not adopted any other policy to hedge against the risk arising from fluctuations of the prices of major raw materials used in the manufacturing of our products. Different pricing policy for EPS and EPO packaging products is due to different level of volatility of EPS and EPO prices. Since the price changes of EPO is less volatile as compared to that of the EPS, our Directors consider it is commercially viable to adopt a fixed pricing policy for our Group's EPO products for the time being. Our Company will closely monitor the price change of EPO and will adjust the pricing of its EPO packaging products if necessary.

Taxation

Our financial results will be affected by changes in tax rates, in particular, the PRC tax rates as we carry out most of our business and derive all of our revenue and profits from the PRC. For the three financial years ended 2008, 2009 and 2010, and the two six months ended 30 June 2010 and 2011, our income tax expenses were approximately RMB7.2 million, approximately RMB1.3 million, approximately RMB4.0 million, approximately RMB3.0 million and approximately RMB1.1 million respectively.

FINANCIAL INFORMATION

Seasonality

The demand for our packaging products and structural components depends on the sales or expected sales of our customers' consumer electrical appliances in the PRC. Our business and financial performances are affected by the seasonality of the purchase orders placed by our customers. In general, the expectation of higher sales of consumer electrical appliances around major festive holidays such as Chinese New Year and summer season requires stocking of consumer electrical appliances which in turn encourages the purchases of our products. We generate more revenue typically in the months of December, January, April and August every year as many of our customers in the consumer electrical appliance industry generally increase their purchase orders in anticipation of the sales of their products during the festive holidays and the summer season while we typically receive relatively fewer purchase orders during the month of February every year as our customers in the consumer electrical appliance industry generally experience a reduced level of manufacturing activities in the absence of the above seasonal factors around that time of the year which tend to drive customer spending on consumer electrical appliances. For the three financial years ended 2008, 2009 and 2010, we generated approximately 27.2%, 37.0% and 37.2% of our total revenue in months of December, January, April and August respectively, whilst approximately 5.5%, 5.1% and 4.2% of our total revenue was recognized in the month of February respectively.

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of our results of operations and financial performances are based on the consolidated financial statements of our Company, which has been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Our operating results and financial performances are sensitive to applications of accounting methods, assumptions and estimates. The assumptions and estimates are based on our experience and various other factors including, among other things, management's judgments of future events which they believe to be reasonable. The actual results may differ from these assumptions and estimates.

The critical accounting policies and the judgments and other uncertainties affecting application of these policies and the sensitivity of reported results to changes in assumptions and estimates should be considered when reviewing our financial information. Our significant accounting policies are summarized in notes to the consolidated financial statements of our Company in the accountants' report set out in Appendix I to this prospectus. We believe that the following critical accounting policies involve the most important assumptions and estimates used in the preparation of the consolidated financial information.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods in the ordinary course of our Group's activities. Revenue is shown net of value-added tax, rebates and discounts. Revenue from the sale of goods is recognized when the goods are delivered and title has passed.

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Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to our Group and the amount of revenue can be measured reliably. Interest income 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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Estimated impairment of inventories

Inventories are valued at the lower of cost and net realizable value. Also, our Group regularly inspects and reviews its inventories to identify slow-moving and obsolete inventories. The amount of the impairment loss is measured as the difference between inventories' cost and net realizable value.

The identification of impairment of inventories requires the use of judgments and estimates of expected net realizable value. Where the net realizable value is lower than the cost, a material write-down may arise. As of 31 December 2008, 2009 and 2010 and 30 June 2011, the carrying amounts of inventories were approximately RMB9.3 million, approximately RMB8.8 million, approximately RMB11.2 million and approximately RMB11.4 million, after taking into account write-down recognized on inventories of nil, nil, approximately RMB322,000 and RMB76,000 respectively.

Estimated impairment of trade and other receivables

Our Group estimates the provisions for impairment of trade and other receivables by assessing their recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgments. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amount of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. Our Group reassesses the provisions at the end of each of the Track Record Period.

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes (other than construction-in-progress), are stated in the statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of assets (other than construction-in-progress) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each of the Track Record Period, with the effect of any changes in estimate accounted for on a prospective basis.

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Construction-in-progress includes property, plant and equipment in the course of construction for its own use purposes. Construction-in-progress is carried at cost less any recognized impairment loss. Construction-in-progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended its use. Depreciation of these assets, on the same basis as other items of property, plant and equipment, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognized 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 recognized in profit or loss.

Useful life and residual value of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value. Our Group assesses annually the residual value and the useful lives of the property, plant and equipment. If the expectation differs from the original estimate, such difference will impact the depreciation and the amortization charge in the period in which such estimate is changed.

PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Revenue

Revenue represents the net amounts received and receivable for sales of our packaging products and structural components to our customers. We derived our revenue mainly from the manufacture and sale of a wide range of packaging products for packaging of and structural components for use in consumer electrical appliances in the PRC.

FINANCIAL INFORMATION

The following table sets out a breakdown of our revenue by product type for the periods stated:

Revenue	For the financial year ended 31 December						For the six months ended 30 June			
	2008	2009		2010		2010	2011			
	Revenue (RMB'000)	% of revenue	Revenue (RMB'000)	% of revenue	Revenue (RMB'000)	% of revenue	Revenue (RMB'000)	% of revenue	Revenue (RMB'000)	% of revenue
							<i>(Unaudited)</i>			
<i>Packaging products</i>										
Televisions	176,892	75.4	62,780	51.5	61,988	37.3	27,088	35.0	32,701	32.5
Cathode ray tube	160,869	68.6	21,378	17.5	9,766	5.9	5,896	7.6	2,902	2.9
Flat panel & plasma	16,023	6.8	41,402	34.0	52,222	31.4	21,192	27.4	29,799	29.6
Air conditioners	16,645	7.1	15,406	12.6	31,493	19.0	16,556	21.4	25,524	25.4
Washing machines	10,571	4.5	19,230	15.8	23,421	14.1	7,602	9.8	9,060	9.0
Refrigerator	11,864	5.1	14,331	11.8	28,037	16.9	16,246	21.0	16,229	16.2
Others (Note)	9,391	4.0	2,446	2.0	1,966	1.2	895	1.2	1,648	1.6
<i>Structural components</i>										
For air conditioners	9,140	3.9	7,687	6.3	19,174	11.5	8,959	11.6	15,397	15.3
Total	234,503	100.0	121,880	100.0	166,079	100.0	77,346	100.0	100,559	100.0

Note:

Others represent our packaging products for, among other things, electrical water heater, medical equipments and other small-size electrical appliances, which we do not at this stage focus on in connection with our business development.

Revenue	For the financial year ended			For the six months ended	
	2008	2009	2010	2010	2011
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				<i>(Unaudited)</i>	
Chuzhou Chuangce	64,931	27,626	37,848	19,430	14,495
Chongqing Guangjing	39,942	38,092	63,893	26,249	43,520
Sichuan Jinghong	129,630	56,162	64,338	31,667	42,544
Total	234,503	121,880	166,079	77,346	100,559

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For the Track Record Period

Average selling price range (RMB/tonne)	
EPS products	16,000 – 20,000
EPO products	55,000 – 69,000

Average selling price range (RMB/tonne)	
<i>Packaging products</i>	
Televisions	
Cathode ray tube	15,000 – 20,000
Flat panel & plasma	19,000 – 28,000
Air conditioners	14,000 – 18,000
Washing machines	16,000 – 18,000
Refrigerators	17,000 – 23,000
<i>Structural component</i>	
For air conditioners	24,000 – 42,000

	For the financial year ended 31 December			For the six months ended 30 June	
	2008 (tonnes)	2009 (tonnes)	2010 (tonnes)	2010 (tonnes)	2011 (tonnes)
Quantities sold					
<i>Packaging products</i>					
Televisions	8,862	3,139	2,750	1,163	1,228
Cathode ray tube	8,054	1,413	610	348	155
Flat panel & plasma	808	1,726	2,140	815	1,073
Air conditioners	981	1,068	1,973	1,054	1,491
Washing machines	619	1,186	1,406	446	532
Refrigerators	524	827	1,511	844	862
Others	565	148	117	51	93
<i>Structural component</i>					
For air conditioners	369	265	539	245	370
Total	<u>11,920</u>	<u>6,633</u>	<u>8,296</u>	<u>3,803</u>	<u>4,576</u>

Note:

In addition to the quantity of products manufactured by our factories, there were inventories of approximately 2,900 tonnes manufactured previously and remained available for sale in the financial year 2008. As such, the quantities of products sold by our Group might be larger than the quantities of products manufactured in a period.

The following table sets out the breakdown of our revenue for EPS and EPO products for the periods stated:

Revenue RMB'000	For the financial year ended 31 December			For the six months ended 30 June	
	2008	2009	2010	2010	2011
EPS products	233,064	104,423	147,461	69,559	86,263
EPO products	1,439	17,457	18,618	7,787	14,296
Total	<u>234,503</u>	<u>121,880</u>	<u>166,079</u>	<u>77,346</u>	<u>100,559</u>

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For the financial years ended 31 December 2008, 2009 and 2010 and the two six months ended 30 June 2010 and 2011, our revenue amounted to approximately RMB234.5 million, RMB121.9 million, RMB166.1 million, RMB77.3 million and RMB100.6 million respectively. For the Track Record Period, we manufactured and sold packaging products made of EPO for packaging flat panel and plasma televisions. The increase in sales of packaging products made of EPO was mainly attributed to the increase in our customers' production of flat panel and plasma televisions and therefore the demand for packaging products made of EPO. Our customers purchased packaging products made of both EPS and EPO for packaging their flat panel and plasma televisions. For the three financial years ended 31 December 2008, 2009 and 2010 and the two six months ended 30 June 2010 and 2011, revenue derived from the sale of packaging products and structural components made of EPS accounted for approximately 99.4%, 85.7%, 88.8%, 89.9% and 85.8% of our revenue respectively.

For the Track Record Period, the magnitude of changes in our revenue did not match precisely the magnitude of changes in the actual and estimated values of EPS packaging products manufacturing industry for electrical appliances packaging in the PRC for the period between 2008 and 2010 as disclosed in the section headed "Industry overview – Electrical appliances packaging product manufacturing industry in China – Overview of EPS packaging products manufacturing market for electrical appliances". In addition to the manufacturing of EPS packaging products, we manufactured structural components and EPO products during the Track Record Period. We relied historically, to a large extent, on the sales of packaging products for cathode ray tube televisions, which decreased notably as our customers shifted their focus from cathode ray tube televisions to flat panel and plasma televisions and as such, purchased fewer quantities of packaging products from us during the Track Record Period.

Our revenue increased by approximately RMB23.3 million or 30.1% to approximately RMB100.6 million in first half of 2011 from approximately RMB77.3 million in the first half of 2010. The increase in revenue was caused mainly by the overall increase in customer demand for consumer electrical appliances and in turn our products in the PRC. We recorded an increase in revenue derived from the sale of most of our products in the first half of 2011. In particular, we recorded an increase in revenue derived from the sale of packaging products for air conditioners of approximately RMB9.0 million or 54.2%, for flat panel and plasma televisions of approximately RMB8.6 million or 40.6% and for washing machines of approximately RMB1.5 million or 19.2% in the first half of 2011 as compared to the first half of 2010. Revenue derived from the sale of packaging products for cathode ray tube televisions decreased by approximately RMB3.0 million or 50.8% to approximately RMB2.9 million in the first half of 2011 from approximately RMB5.9 million in the first half of 2010 as our customers continued to shift their focus away from cathode ray tube televisions to flat panel and plasma televisions.

Our revenue increased by approximately RMB44.2 million or 36.3% to approximately RMB166.1 million in 2010 from approximately RMB121.9 million in 2009. The increase in revenue in 2010 as compared to 2009 was caused mainly to the overall increase in customer demands for consumer electrical appliances as the general economy continue to recover and in turn led to the increase in demand for our products. Our revenue derived from the sales of packaging products for air-conditioner, washing machines and refrigerators increased from 2009 to 2010. In particular, we recorded an increase of approximately RMB16.1 million or 104.4% in revenue derived from sales of packaging products for air

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conditioners in 2010 as compared to 2009. We also recorded an increase of approximately RMB11.5 million or 149.4% in revenue derived from sales of structural components for air conditioners in 2010 as compared to 2009.

Our revenue decreased by approximately RMB112.6 million or approximately 48.0% to approximately RMB121.9 million in 2009 from approximately RMB234.5 million in 2008. The decrease in revenue in 2009 as compared to 2008 was caused mainly by the decrease in sales of some of our packaging products in 2009 and in particular, the decrease in the sales of packaging products for cathode ray tube televisions as some of our customers who had shifted focus away from the production of cathode ray tube televisions to flat panel & plasma televisions. Chongqing Haier increased purchase of our products for their washing machines while Sichuan Changhong Electric increased purchase of our products for their refrigerators in 2009 despite the impact from the global economic downturn.

Shift of demand for packaging products for cathode ray tube televisions to flat panel and plasma televisions

Our major customers focus on the manufacturing of flat panel and plasma televisions that typically require lesser quantity of packaging products given that they are comparatively more compact in size and lighter in weight than traditional cathode ray tube televisions. The shift in our customers' production mix from cathode ray tube televisions to flat panel and plasma televisions may affect their choice of packaging products and in turn demand for our packaging products. Our customers may source packaging products for cathode ray tube televisions, flat panel and plasma televisions from different suppliers depending on their own circumstances. Revenue derived from the sale of packaging products for cathode ray tube televisions decreased from approximately RMB160.9 million in 2008 to approximately RMB21.4 million in 2009 and approximately RMB9.8 million in 2010, and from approximately RMB5.9 million in the first half 2010 to approximately RMB2.9 million in the first half 2011. In this connection, our Directors are of the view that such decrease in revenue was caused mainly by the shift in our customers' production mix away from cathode ray tube televisions and not by the change in our customers' choice of packaging products suppliers. Our Directors are also of the view that the trend in the sales of packaging products for cathode ray tube television would likely continue as our customers continued to focus on the manufacturing of flat panel and plasma televisions. The decrease in revenue derived from sale of packaging products for cathode ray tube televisions was offset, to an extent, by the increase in revenue derived from sales of packaging products for flat panel and plasma televisions as the increase in quantity of packaging products sold (in tonnes) for flat panel and plasma televisions were notably smaller than the decrease in quantity of packaging products sold (in tonnes) for cathode ray tube televisions. The aggregate increase in quantity of packaging products sold (in tonnes) for other electrical appliances such as air conditioners, washing machines and refrigerators and structural components sold for air conditioners were notably smaller than the decrease in quantity of packaging products sold (in tonnes) for cathode ray tube televisions. Further, the average selling prices of packaging products for air conditioners and washing machines were in general lower than that of cathode ray tube televisions. As such, the increase in revenue from the sales of packaging products for other electrical appliances and sales of structural components for air conditioners was not enough to compensate for the loss of revenue arising from the decrease in demand for packaging products for cathode ray tube televisions during the Track Record Period.

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Most of our customers are leading consumer electrical appliance manufacturers in the PRC. All of our revenue was derived from the sale of our packaging products and structural components to our customers in the PRC.

Cost of sales

Cost of sales comprises mainly raw material costs, direct labor costs and manufacturing overhead.

The following table sets out a breakdown of our cost of sales by product type for the periods stated:

Cost of sales	For the financial year ended 31 December						For the six months ended 30 June			
	2008		2009		2010		2010		2011	
	Cost of sales (RMB'000)	% of cost of sales	Cost of sales (RMB'000)	% of cost of sales	Cost of sales (RMB'000)	% of cost of sales	Cost of sales (RMB'000)	% of cost of sales	Cost of sales (RMB'000)	% of cost of sales
	(Unaudited)									
<i>Packaging products</i>										
Televisions	126,672	71.9	42,176	48.5	40,806	36.3	17,317	32.7	21,348	30.3
Cathode ray tube	114,309	64.9	14,555	16.8	6,048	5.4	4,138	7.8	2,101	3.0
Flat panel & plasma	12,363	7.0	27,621	31.7	34,758	30.9	13,179	24.9	19,247	27.3
Air conditioners	15,647	8.9	12,942	14.9	23,924	21.3	13,164	24.9	21,379	30.3
Washing machines	10,270	5.8	16,188	18.6	18,925	16.8	5,877	11.1	7,428	10.6
Refrigerators	8,351	4.8	10,041	11.5	20,151	17.9	12,588	23.8	12,621	17.9
Others	8,785	5.0	1,925	2.2	1,403	1.2	648	1.2	1,349	1.9
<i>Structural components</i>										
For air conditioners	6,392	3.6	3,725	4.3	7,277	6.5	3,328	6.3	6,337	9.0
Total	176,117	100.0	86,997	100.0	112,486	100.0	52,922	100.0	70,462	100.0

The following table sets out a breakdown of our cost of sales for the periods stated:

Cost of sales	For the financial year ended 31 December						For the six months ended 30 June			
	2008		2009		2010		2010		2011	
	Cost of sales (RMB'000)	% of cost of sales	Cost of sales (RMB'000)	% of cost of sales	Cost of sales (RMB'000)	% of cost of sales	Cost of sales (RMB'000)	% of cost of sales	Cost of sales (RMB'000)	% of cost of sales
	(Unaudited)									
Raw materials	128,544	73.0	56,172	64.6	77,538	68.9	39,563	74.7	49,494	70.2
Direct labour costs	7,519	4.3	6,451	7.4	8,260	7.3	4,493	8.5	5,404	7.7
Manufacturing overhead	40,054	22.7	24,374	28.0	26,688	23.8	8,866	16.8	15,564	22.1
Staff costs	1,124	0.6	861	1.0	954	0.8	152	0.3	746	1.0
Depreciation	8,254	4.7	3,879	4.5	4,000	3.6	1,586	3.0	2,092	3.0
Utilities	24,035	13.6	14,121	16.2	15,315	13.6	5,450	10.3	9,617	13.6
Processing charges	4,966	2.8	4,175	4.8	4,895	4.4	1,462	2.7	2,334	3.3
Rental expenses	1,591	0.9	1,289	1.4	1,442	1.3	200	0.4	754	1.1
Other	84	0.1	49	0.1	82	0.1	16	0.1	21	0.1
Total	176,117	100.0	86,997	100.0	112,486	100.0	52,922	100.0	70,462	100.0

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The following table sets out a breakdown of our raw material costs for the periods stated:

Cost of raw materials	For the financial year ended 31 December						For the six months ended 30 June			
	2008		2009		2010		2010		2011	
	Cost of raw materials (RMB'000)	% of cost of raw materials	Cost of raw materials (RMB'000)	% of cost of raw materials	Cost of raw materials (RMB'000)	% of cost of raw materials	Cost of raw materials (RMB'000)	% of cost of raw materials	Cost of raw materials (RMB'000)	% of cost of raw materials
EPS	126,080	98.1	42,739	76.1	61,465	79.3	30,830	77.9	39,252	79.3
EPO	141	0.1	9,365	16.7	9,794	12.6	5,729	14.5	7,257	14.7
Ancillary materials	2,323	1.8	4,068	7.2	6,279	8.1	3,004	7.6	2,985	6.0
Total	<u>128,544</u>	<u>100.0</u>	<u>56,172</u>	<u>100.0</u>	<u>77,538</u>	<u>100.0</u>	<u>39,563</u>	<u>100.0</u>	<u>49,494</u>	<u>100.0</u>

For the financial years ended 31 December 2008, 2009 and 2010 and the two six months ended 30 June 2010 and 2011, our cost of sales was approximately RMB176.1 million, RMB87.0 million, RMB112.5 million, RMB52.9 million and RMB70.5 million respectively. The raw material costs were the largest component and accounted for approximately 73.0%, 64.6%, 68.9%, 74.7% and 70.2% of our cost of sales for the respective periods. In particular, EPS made up the largest component of our raw material costs and accounted for 98.1%, 76.1%, 79.3%, 77.9% and 79.3% of total raw material costs for the financial years ended 31 December 2008, 2009 and 2010, and the two six months ended 30 June 2010 and 2011 respectively. For the Track Record Period, the fluctuation of our raw material costs, as a percentage of total cost of sales, was caused mainly by the changes in price and quantity of EPS we acquired and used for our products. The changes in direct labor costs and manufacturing overhead reflected among other things, our manufacturing activities, output of products and staff number. For illustration of the sensitivity of our gross profit to changes in costs of raw materials, on the assumption that revenue remains unchanged, every 1.0% increase in costs of raw materials would result in our gross profit being reduced by approximately 2.2% in 2008, 1.6% in 2009, 1.5% in 2010 and 1.7% in the first half 2011.

For the three financial years ended 31 December 2008, 2009 and 2010 and the two six months ended 30 June 2010 and 2011, the percentages of our cost of sales as represented by the sum of direct labour costs and staff costs (under manufacturing overhead) were approximately 4.9%, 8.4%, 8.1%, 8.8% and 8.7% respectively. Our Company utilized automated machines in order to minimize, to a certain extent, labour costs incurred directly by the manufacturing of our products. We purchased instead of manufactured on our own the ancillary parts that were required to be integrated with our products in order to lower the overall cost of our products. For the Track Record Period, our Company did not engage subcontractors for the manufacturing of its products. Processing charges represented expenses of other miscellaneous items incurred by the manufacturing of our products which included, among other things, repairment costs, packaging costs and insurance fees.

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Gross profit

The following table sets out the gross profit and gross profit margins for each of our product groups for the periods stated:

Gross profit	For the financial year ended 31 December						For the six months ended 30 June			
	2008		2009		2010		2010		2011	
	Gross profit (RMB'000)	Gross profit margins (%)	Gross profit (RMB'000)	Gross profit margins (%)	Gross profit (RMB'000)	Gross profit margins (%)	Gross profit (RMB'000)	Gross profit margins (%)	Gross profit (RMB'000)	Gross profit margins (%)
<i>Packaging products</i>										
Televisions	50,220	28.4	20,604	32.8	21,182	34.2	9,771	36.1	11,353	34.7
Cathode ray tube	46,560	28.9	6,823	31.9	3,718	38.1	1,758	29.8	801	27.6
Flat panel & plasma	3,660	22.8	13,781	33.3	17,464	33.4	8,013	37.8	10,552	35.4
Air conditioners	998	6.0	2,464	16.0	7,569	24.0	3,392	20.5	4,145	16.2
Washing machines	301	2.8	3,042	15.8	4,496	19.2	1,725	22.7	1,632	18.0
Refrigerators	3,513	29.6	4,290	29.9	7,886	28.1	3,658	22.5	3,608	22.2
Others	606	6.5	521	21.3	563	28.6	247	27.6	299	18.1
<i>Structural components</i>										
For air conditioners	2,748	30.1	3,962	51.5	11,897	62.0	5,631	62.9	9,060	58.8
Total	58,386	24.9	34,883	28.6	53,593	32.3	24,424	31.6	30,097	29.9

The following table sets out the gross profit margins for EPS and EPO products for the periods stated:

Gross profit margins (%)	For the financial year ended 31 December			For the six months ended 30 June	
	2008	2009	2010	2010	2011
EPS products	24.8	28.5	31.9	30.6	27.6
EPO products	44.8	29.5	35.6	40.6	44.2

For the three financial years ended 31 December 2008, 2009 and 2010 and the two six months ended 30 June 2010 and 2011, the Gross profit was approximately RMB58.4 million, RMB34.9 million, RMB53.6 million, RMB24.4 million and RMB30.1 million respectively, while the gross profit margin was approximately 24.9%, 28.6%, 32.3%, 31.6% and 29.9% respectively.

Our gross profit margin decreased slightly to approximately 29.9% for the first half 2011 from approximately 31.6% for the first half 2010. The increase in direct labour costs on the back of the increase in number of direct labour and increase in salary for them and the increase manufacturing overhead in particular, cost of utilities on the back of the increase in consumption of utility and rates of utility contributed, in general, to the decrease in the gross profit margins of our products in the first half 2011.

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The gross profit margin of packaging products for televisions was approximately 34.7% for the first half 2011, which did not fluctuate much from approximately 36.1% for the first half 2010. For the three years ended 31 December 2008, 2009 and 2010, our gross profit margin increased in line with the general increase in gross profit margins of our packaging products and structural components. The gross profit margins of packaging products for televisions increased from approximately 28.4% in 2008 to approximately 32.8% in 2009 and approximately 34.2% in 2010 as we manufactured and sold more packaging products made of EPO that offered comparatively higher margins than packaging products made of EPS. The manufacturing of EPO packaging products required additional procedures and planning and EPO packaging products were priced comparatively higher than EPS packaging products.

The gross profit margin of our EPO products decreased from approximately 44.8% in 2008 to approximately 29.5% in 2009 as our EPO products were priced at lower end of our price range amidst a challenging business environment in 2009.

The gross profit margin of packaging products for air conditioners was approximately 16.2% for the first half 2011, which did not fluctuate much from approximately 20.5% for the first half 2010. The gross profit margins of packaging products for air conditioners increased from approximately 6.0% in 2008 to approximately 16.0% in 2009 and approximately 24.0% in 2010. The increase in gross profit margins of packaging products for air conditioners from 2009 to 2010 was attributed mainly to better economies of scale on account of the increase in manufacturing output of packaging products for air conditioners in line with an increase in sales of such products to our customers. The increase in gross profit margin of packaging products for air conditioners from 2008 to 2009 was attributed mainly to the increase in sales of packaging products for air conditioners to particular customers at comparatively higher profit margin in 2009 than in 2008.

The gross profit margin of packaging products for washing machines was approximately 18.0% for the first half 2011 which did not fluctuate much from approximately 22.7% for the first half 2010. The gross profit margins of packaging products for washing machines increased from approximately 2.8% in 2008 to approximately 15.8% in 2009 and approximately 19.2% in 2010. The increase in gross profit margins of packaging products for washing machines from 2008 to 2010 was attributed mainly to the better economies of scale as we manufactured and sold more packaging products for washing machines during the year.

The gross profit margin of structural components for air conditioners was approximately 58.8% for the first half 2011, which did not fluctuate much from approximately 62.9% for the first half 2010. The gross profit margins of structural components for air conditioners increased from approximately 30.1% in 2008 to approximately 51.5% in 2009 and approximately 62.0% in 2010. The manufacturing of structural components required typically higher level of specifications and details and therefore the sales of which afforded higher profit margins. We sold structural components for air conditioners of approximately 369 tonnes in 2008, approximately 265 tonnes in 2009 and approximately 539 tonnes in 2010. The overall increase in manufacturing output and average selling prices of the structural components contributed to the increase in gross profit margin of the structural components during the three years ended 31 December 2008, 2009 and 2010. Further, Chongqing Gree, one of our major customers, had expanded their manufacturing base and therefore placed more purchase orders with

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us for the purchase of our structural components for air conditioners in 2010. In this connection, we had sold more structural components at price near the high end of the range of average selling price for structural components in 2010. The sale of structural components at price near the high end of the range of average selling price for structural components contributed to the increase in gross profit margin of the structural components.

For the three years ended 31 December 2008, 2009 and 2010, the overall increase in gross profit margins of our Group was also attributed to the decrease in the depreciation of property, plant and equipment after the disposal of certain manufacturing machineries damaged by the earthquake that hit Wenchuan Country, Sichuan Province, the PRC in 2008 and some of the manufacturing machineries were fully depreciated during the Track Record Period. In general, we continued our effort on improving efficiency of our manufacturing processes by way of cost control and enhancing our manufacturing machineries and equipment. For the Track Record Period, payments made to Sichuan Changhong Electric by Sichuan Jinghong for the purchase of power supply used by Sichuan Factory were approximately RMB12.0 million, RMB6.3 million, RMB4.4 million and RMB3.4 million respectively. The quantities of the power resources namely, electricity, water, steam and pressurized air purchased by Sichuan Jingong from Sichuan Changhong Electric decreased from 2008 to 2009 amidst a lackluster business performance and the general decrease in manufacturing output and revenue of our Group (including Sichuan Jinghong) during the period. In 2010, Sichuan Jinghong completed the enhancement of the power supply system in Sichuan Factory and in particular, the refurbishment of some steam pipes through which pressurized steam required for manufacturing of our products was transported. The refurbishment of steam pipes increased the efficiency of utility usage and lowered the consumption of steam in the manufacturing operations carried out in Sichuan Factory. In addition, Sichuan Jinghong installed machines for production of pressurized air for its manufacturing operation in 2010. The quantities of steam and pressurized air purchased from Sichuan Changhong Electric by Sichuan Jinghong decreased by approximately 44.2% and approximately 34.3% respectively from 2009 to 2010. Nonetheless, Sichuan Jinghong increased the purchase of electricity by approximately 103.8% from 2009 to 2010. The increase in payment of approximately RMB816,000 for the purchase of electricity was more than offset by the decrease in payment in aggregate of approximately RMB3.0 million for the purchase of steam and pressurized air from Sichuan Changhong Electric. The enhancement made to the power supply system in Sichuan Factory contributed to the decrease in payments for the purchase of power resources by Sichuan Jinghong to Sichuan Changhong Electric in 2010 compared to 2009. We had also exercised control on manufacturing overhead for the manufacturing of our products. The average annual rate of manufacturing overhead required for the manufacturing of our products decreased from approximately RMB4,226/tonne in 2008, to approximately RMB3,647/tonne in 2009 and approximately RMB3,272/tonne in 2010. In first half 2011, Sichuan Jinghong made payment of approximately RMB3.4 million to Sichuan Changhong Electric for purchase of the power resources as we sold more EPO products and the manufacturing of which required consumption of comparatively higher level of power resources than EPS products.

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Other income

Other income comprises mainly interest income on bank deposits, and others.

The following table sets out the breakdown of our other income for the periods stated:

	For the financial year ended			For the six months ended	
	31 December			30 June	
	2008	2009	2010	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest income on bank deposits	1,678	186	131	64	67
Others	185	288	207	49	234
	<u>1,863</u>	<u>474</u>	<u>338</u>	<u>113</u>	<u>301</u>
				<i>(Unaudited)</i>	

For the two six months ended 30 June 2010 and 2011, other income of our Company was approximately RMB113,000 and RMB301,000 respectively. The increase in other income was mainly due to the increase in sales of unused ancillary parts in the first half 2011.

For the three financial years ended 31 December 2008, 2009 and 2010, other income of our Company was approximately RMB1.9 million, RMB474,000 and RMB338,000 respectively. The decrease in other income was mainly due to the decrease in interest income on bank deposits.

Other gains and losses

Other gains and losses comprise mainly net gains or losses arising from disposal of property, plant and equipment, net gains or losses arising from the change in fair value of investment held-for-trading, net foreign exchange losses and impairment loss recognized on trade receivables.

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The following table sets out the breakdown of our other gains and losses for the periods stated:

	Financial year ended			Six months ended	
	31 December			30 June	
	2008	2009	2010	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Impairment loss recognized on trade receivables	(1)	-	-	-	-
Net (losses)/gains on disposal of property, plant and equipment	(2,869)	(60)	300	460	3
Net gains/(losses) arising on changes in fair value of held-for-trading investments	-	107	(746)	(3,242)	(1,241)
Net foreign exchange losses	-	-	(1)	-	-
	<u>(2,870)</u>	<u>47</u>	<u>(447)</u>	<u>(2,782)</u>	<u>(1,238)</u>

For the two six months ended 30 June 2010 and 2011, our Company recorded other losses of approximately RMB2.8 million and RMB1.2 million respectively. Our Company made investments in equity securities listed on the stock exchange in the PRC and recorded net losses arising on changes in fair value of held-for-trading investment of approximately RMB3.2 million in the first half 2010 and RMB1.2 million in the first half 2011.

For the three financial years ended 31 December 2008, 2009 and 2010, our Company recorded other losses of approximately RMB2.9 million, other gains of approximately RMB47,000 and other losses of approximately RMB447,000 respectively.

Our Company recorded losses arising from the disposal of property, plant and equipment of approximately RMB2.9 million on account of the disposal of manufacturing machineries and equipment at the Sichuan factory that were damaged by the earthquake that hit Wenchuan Country, Sichuan Province, the PRC in 2008. For the financial year ended 31 December 2008, Sichuan Factory contributed revenue and net profit of approximately RMB129.6 million and approximately RMB27.7 million respectively to our Group. Our Company made investments in equity securities listed on the stock exchanges in the PRC and recorded net gains of approximately RMB107,000 in 2009 and net losses of approximately RMB746,000 in 2010 and approximately RMB1.2 million in the first half 2011 arising from the change in fair value of the held-for-trading investments.

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Selling and distribution expenses

Our selling and distribution expenses comprise mainly salary expenses paid to our sales and marketing staff, transportation costs incurred in relation to delivery of products to our customers, and other expenses incurred in relation to our sales and distribution activities.

The following table sets out a breakdown of our selling and distribution expenses for the periods stated:

	For the financial year ended			For the six months ended	
	31 December			30 June	
	2008	2009	2010	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Salary expenses	2,144	1,898	2,693	1,081	1,733
Transportation costs incurred in relation to delivery of products to our customers	2,245	2,113	3,242	1,381	1,987
Others	371	316	325	164	215
Total	<u>4,760</u>	<u>4,327</u>	<u>6,260</u>	<u>2,626</u>	<u>3,935</u>

For the two six months ended 30 June 2010 and 2011, the selling and distribution expenses of our Company were approximately RMB2.6 million and RMB3.9 million respectively while as a percentage of our total revenue were approximately 3.4% and 3.9% respectively. The increase in the selling and distribution expenses in the first half 2011 was primarily due to increase in salary expenses for sales and marketing staff and transportation costs in relation to delivery of products to our customers.

For the three financial years ended 31 December 2008, 2009 and 2010, selling and distribution expenses of our Company were approximately RMB4.8 million, RMB4.3 million and RMB6.3 million respectively, while as a percentage of total revenue were approximately 2.0%, 3.6% and 3.8% respectively. The increase in selling and distribution expenses in 2010 was primarily due to increase in salary expenses for sales and marketing staff and transportation costs in relation to delivery of products to our customers.

Administrative expenses

Our administrative expenses comprise, among other things salary and related expenses paid to our management and personnel, maintenance of our office, transportation expenses, depreciation of fixed assets and amortization of intangible assets, audit and professional fees and other expenses incurred in relation to our operations.

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The following table sets out a breakdown of our administrative expenses for the periods stated:

	For the financial year ended 31 December			For the six months ended 30 June	
	2008	2009	2010	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Salary and related expenses	2,166	2,482	2,991	1,704	1,471
Traveling and entertainment expenses	1,216	947	1,061	549	585
Depreciation and amortization	434	392	341	170	235
Office maintenance expenses	361	280	344	154	302
Transportation expenses	137	151	235	85	119
Audit and other professional fees	89	223	318	24	32
Land use fees	341	216	216	108	108
Tax	272	203	229	115	117
Others	497	386	385	255	391
	<u>5,513</u>	<u>5,280</u>	<u>6,120</u>	<u>3,164</u>	<u>3,360</u>
Total	<u>5,513</u>	<u>5,280</u>	<u>6,120</u>	<u>3,164</u>	<u>3,360</u>

Administrative expenses increased from approximately RMB3.2 million in the first half of 2010 to approximately RMB3.4 million in the first half of 2011. Our average number of staff increased from around 597 employees to around 607 employees in the respective periods. The increase in administrative expenses reflected, among other things, the increase in office maintenance expenses, traveling and entertainment expenses, transportation expenses and other expenses on the back of the increase in the business activities in the first half 2011.

Administrative expenses decreased from approximately RMB5.5 million in 2008 to RMB5.3 million in 2009 and increased to RMB6.1 million in 2010. The increase in the average number of our staff increased from 529 employees in 2009 to 597 employees in 2010 was reflected in the increase in salary and related expenses. In general, the traveling and entertainment expenses, transportation and other expenses increased in tandem with the increase in our business activities and expansion in 2010.

Other operating expenses

Other operating expenses comprise mainly compensations paid to customers in respect of defective products and others.

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The following table sets out the breakdown of our other operating expenses for the periods stated:

	For the financial year ended			For the six months ended	
	31 December			30 June	
	2008	2009	2010	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Compensations paid in respect of defective products	251	188	628	28	46
Others	73	75	87	306	9
Total	324	263	715	334	55

For the three financial years ended 31 December 2008, 2009 and 2010 and the two six months ended 30 June 2010 and 2011, other operating expenses of our Company were approximately RMB324,000, RMB263,000, RMB715,000, RMB334,000 and RMB55,000 respectively.

Finance costs

Finance costs represent mainly interest expenses incurred in relation to bank borrowings and finance cost arising on early redemption of note receivables.

The following table sets out the breakdown of our finance costs for the periods stated:

	For the financial year ended			For the six months ended	
	31 December			30 June	
	2008	2009	2010	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Interest on bank borrowings wholly repayable within five years	876	471	407	125	111
Finance costs arising on early redemption of note receivables	646	157	294	171	321
	1,522	628	701	296	432

For the three financial years ended 31 December 2008, 2009 and 2010 and the two six months ended 30 June 2010 and 2011, finance costs of our Company were approximately RMB1.5 million, RMB628,000, RMB701,000, RMB296,000 and RMB432,000 respectively. Our Company received proceeds from bank borrowings of approximately RMB13.0 million in 2008 and approximately RMB12.0

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million in 2010. The bank borrowings were repayable within one year, fully secured by assets of our Company namely, land, buildings and bank deposits and attached interest charge ranged from 5.31% to 5.58% per annum. The changes in interest on bank borrowings reflected mainly the interest on the outstanding bank loans paid by our Company for the respective periods stated.

Income tax expenses

Income tax expenses represent the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the relevant period. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

The following table sets out the breakdown of our income tax expenses for the periods stated:

	For the financial year ended			For the six months ended	
	31 December			30 June	
	2008	2009	2010	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>				
Current tax:					
PRC Enterprise Income Tax					
– Sichuan Jinghong	3,057	2,808	3,562	1,924	2,871
– Chongqing Guangjing	21	–	768	455	1,015
– Chuzhou Chuangce	4,084	1,474	2,060	1,168	549
(Over)/under-provision in prior year:					
PRC Enterprise Income Tax					
– Sichuan Jinghong ¹	–	(3,058)	(2,807)	–	(3,562)
– Chongqing Guangjing	(82)	(36)	–	–	18
– Chuzhou Chuangce	–	23	21	20	–
Deferred tax					
– Withholding tax on dividend distributed by subsidiaries in the PRC	–	–	–	–	807
– Others	161	99	359	(541)	(611)
Total income tax recognized in profit and loss	<u>7,241</u>	<u>1,310</u>	<u>3,963</u>	<u>3,026</u>	<u>1,087</u>

Note 1: The amounts comprise the refund of PRC Enterprise Income tax after the approval of preferential tax rates from the relevant tax authorities after the end of each of Track Record Period.

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The applicable tax rates for the major subsidiaries throughout the Track Record Periods are as follows:

	For the financial year ended			For the six months ended	
	31 December			30 June	
	2008	2009	2010	2010	2011
Sichuan Jinghong	–	–	–	–	25%
Chongqing Guangjing	7.5%	7.5%	15%	15%	15%
Chuzhou Chuangce	25%	25%	25%	25%	25%

Our Company is incorporated as an exempted company with limited liability in the Cayman Islands and is not subject to the profits tax in the Cayman Islands. Our income tax expenses comprised mainly income taxes payable by our subsidiaries in the PRC under relevant PRC income tax laws and regulations. We have made all the required tax filings and paid all outstanding tax liabilities with the relevant tax authorities. As of the Latest Practicable Date, our Directors to their best of knowledge after making reasonable enquiries, are not aware of any dispute or potential dispute with the tax authorities.

For the three financial years ended 31 December 2008, 2009 and 2010 and the two six months ended 30 June 2010 and 2011, income tax expenses of our Company were approximately RMB7.2 million, RMB1.3 million, RMB4.0 million, RMB3.0 million and RMB1.1 million respectively. For three years ended 31 December 2008, 2009 and 2010, our subsidiaries enjoyed tax relief, as explained below, and Sichuan Jinghong contributed the most to such tax relief as its applicable tax rate was nil for the periods.

On 16 March 2007, the National People’s Congress promulgated the Law of the PRC on Enterprise Income Tax (the “New EIT Law”) by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New EIT Law. Under the New EIT Law and Implementation Regulation, the statutory EIT rate of our Group’s subsidiary in the PRC has been reduced to 25% from 1 January 2008 onwards.

Sichuan Jinghong

Notwithstanding the above, under the old EIT system in the PRC, Sichuan Jinghong obtained a written approval from the local tax authorities on 23 May 2007 and was entitled to exemptions from the EIT for two years commencing from its first profit-making year and thereafter entitled to a 50% relief from EIT for the next three years (the “Manufacturing Income Tax Holidays”). According to Guofa [2007] No. 39, the PRC enterprises which have started to enjoy the Manufacturing Income Tax Holidays before the effective date of the New EIT Law can continue to enjoy the remaining period of the Manufacturing Income Tax Holidays. For those PRC enterprises whose Manufacturing Income Tax Holidays has not yet started before the effective date of the New EIT Law, they are deemed to have started to enjoy them from 1 January 2008.

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Taking into account the tax position of Sichuan Jinghong in the PRC, the first profit-making year is deemed to have started from the year ended 31 December 2006 and thus Sichuan Jinghong calculated the EIT at 100% EIT exemption for the fiscal years ended 31 December 2006 and 2007, and at 50% EIT reduction and thus an effective rate of 12.5% for the fiscal years ended 31 December 2008, 2009 and 2010.

In addition, pursuant to Circular of the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation on Relevant Tax Policies for Supporting the Post-Wenchuan Earthquake Rehabilitation and Reconstruction (Cai Shui [2008] No. 104), issued on 30 July 2008 and a written approval obtained from the competent local tax authorities on 23 December 2008, effective on 1 January 2008, Sichuan Jinghong is entitled to EIT exemption and therefore exempt from tax payment for the fiscal years ended 31 December 2008, 2009 and 2010.

The tax concessions applicable to Sichuan Jinghong had expired in 2010 and it would be subject to the statutory EIT rate of 25% in the PRC from 2011 onwards.

Chongqing Guangjing

Pursuant to detailed measures of the New EIT Law in respect of West China Development Champion and a written approval obtained from the competent local tax authorities on 27 January 2006 and 11 May 2006, Chongqing Guangjing is subject to EIT rate at 7.5% for the fiscal years ended 31 December 2008 and 2009 and EIT rate of 15% for the fiscal year ended 31 December 2010 and the six months ended 30 June 2011.

Notwithstanding the above, under the old EIT system in the PRC, Chongqing Guangjing obtained a written approval from the local tax authorities on 27 January 2006 and was entitled to enjoy the Manufacturing Income Tax Holidays. According to Guofa [2007] No. 39, the PRC enterprises which have started to enjoy the Manufacturing Income Tax Holidays before the effective date of the New EIT Law can continue to enjoy the remaining period of the Manufacturing Income Tax Holidays. For those PRC enterprises whose Manufacturing Income Tax Holidays has not yet started before the effective date of the New EIT Law, they are deemed to have started to enjoy them from 1 January 2008.

Taking into account the tax position of Chongqing Guangjing in the PRC, the first profit-making year is deemed to have started from the year ended 31 December 2005 and thus Chongqing Guangjing calculated the EIT at 100% EIT exemption for the fiscal years ended 31 December 2005 and 2006, and at 50% EIT reduction and thus an effective rate of 7.5% for the fiscal years ended 31 December 2007, 2008 and 2009 and an effective rate of 15% for the fiscal year ended 31 December 2010 and the six months ended 30 June 2010 and 2011.

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Chuzhou Chuangce

Taking into account the tax position of Chuzhou Chuangce in the PRC, Chuzhou Chuangce calculated at statutory EIT and was subject to EIT at the effective rate of 25% for the fiscal years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011.

Withholding Tax

The New EIT Law provides that qualified dividend income between two “resident enterprises” that have a direct investment relationship is exempted from income tax. Otherwise, such dividends will be subject to a 5% to 10% withholding tax under the tax treaty or the domestic law. We will ensure the compliance of all relevant dividend withholding tax regulations in the PRC following the repeal of the “Circular on the Questions Concerning Tax on the Profits Earned by Enterprises with Foreign Investment, Foreign Enterprises and Individual Foreigners from the Transfer of Stocks (Stock Rights) and on Dividend Income” (Guo Shui Fa [1993] No. 45) in January 2011 and the publication of the letter “Tax arrangements on dividends paid to Hong Kong residents by Mainland companies” by the Stock Exchange on 4 July 2011. Our subsidiaries in the PRC will, in accordance with the relevant dividend withholding tax regulations in place from time to time in the PRC, withhold such appropriate amount of dividend in advance of the distribution of dividend for the purpose of compliance with the relevant tax regulations in the PRC.

Prior to the Corporate Reorganization, Conca Investments, an investment holding company controlled by Mr. Chao, the then equity holder of Chuzhou Chuangce, Chongqing Guangjing and Sichuan Jinghong, was subject to withholding tax on dividends received from Chuzhou Chuangce, Chongqing Guangjing and Sichuan Jinghong and for administrative purpose, such withholding tax was paid and settled by the subsidiaries. For the Track Record Period, the subsidiaries paid dividends net of withholding tax in aggregate of approximately RMB94,364,000 to Conca Investments and withholding tax on such dividends in aggregate of approximately RMB4,967,000 to the relevant PRC authority before the end of each of the Track Record Period. Our PRC Legal Advisers are of the view that the declaration and payment of dividends complies with the relevant PRC laws and regulations and accordingly, our Group will not be subject to dividend withholding tax after such tax payment was fully settled.

Investment in listed equity securities

Our Group made investment in equity securities listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange for the two financial years ended 31 December 2009 and 2010. The investment was made with an intention of applying our surplus cash resources namely, cash resources not immediately required for our operations to make investments and seek investment return for the benefit of our Group.

Mr. Chao considered, among other things, the working capital requirement of our operations and in September 2009 decided to apply surplus cash resources not immediately required for our operations to invest in listed equity securities namely A shares listed on the Shanghai Stock Exchange and shares listed on the small and medium enterprise board and ChiNext of the Shenzhen Stock Exchange. Mr.

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Chao considered that investment in the listed equity securities in the PRC should offer, on average, better return on our surplus cash resources than return on bank deposits namely interest on our cash resources deposited with banks in the PRC for a term of up to 1 year that typically ranged from 0.36% to 2.75%. In addition, Mr. Chao was particular confident about the continued economic development of the PRC and was of the view that the financial uncertainty arising from the global financial tsunami was to be overcome and the lackluster performance of the stock markets in the PRC in 2009 offered an investment opportunity to start investing in the listed equity securities at relatively low valuations.

Mr. Chao closely monitored the performances of investments in the listed equity securities. The maximum aggregate amount of our investment in the listed equity securities did not exceed RMB29.0 million at any time during the two financial years ended 2009 and 2010. Mr. Chao is not a qualified professional investment adviser or professional investor. He made purchases and sales of the investments based on, among other things, his confidence on the continued economic development of the PRC, in a long run, the investment advices and recommendations from stock brokers, news papers and investment journals. The investment in listed equity securities was not part of our principal business activity and as such, our Company had not set a clear investment objective in respect of the investment.

Our investment in listed equity securities was classified as held-for-trading investments in our consolidated statements of financial position as at 31 December 2009 and 2010.

We set out below the relevant financial information on the investment as extracted from the statements of financial position set out in Appendix I to this prospectus:

	As of 31 December		As of
	2009	2010	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Investment in listed equity securities (A)	Nil	9,811	Nil
Total assets (B)	<u>185,338</u>	<u>194,468</u>	<u>204,270</u>
(A)/(B)	<u>not applicable</u>	<u>0.05</u>	<u>not applicable</u>

For the Track Record Period, our Group maintained adequate working capital and cash position. Investment in the listed equity securities was funded by surplus cash not immediately required for our operations and no bank loans were utilized for this purpose. The net gains/(losses) arising on change in fair value of held-for-trading investments for the two financial years ended 31 December 2009 and 2010 and the six months ended 30 June 2011 in the listed equity securities were disclosed under note 7 to the financial information set out in Appendix I to this prospectus.

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We set out below the summary of the investment in the listed equity securities made by our Company during the Track Record Period:

	Financial year ended		Six months ended
	31 December		30 June
	2009	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Extracted from the consolidated statements of comprehensive income			
Net gains/(losses) arising on changes in fair value of held-for-trading investments	107	(746)	(1,241)
Extracted from the consolidated statements of cash flows			
Net losses arising on change in fair value of held-for-trading investments	Nil	(746)	(1,241)
Increase/(decrease) in held-for-trading investments	Nil	10,557	(8,570)
Profit/(Loss) and movements			
Realized Profit/(Loss)	107	(1,050)	(1,241)
Unrealized Profit	-	304	-
	107	(746)	(1,241)
Opening balance	-	-	9,811
Gains or losses recognized in:			
– Profit or loss (Realized)	107	(1,050)	(1,292)
– Profit or loss (Unrealized)	-	304	-
Purchase amounts	188	70,661	14,734
Sale amounts	(295)	(60,104)	(23,253)
Closing balance	-	9,811	-

Given that the maximum amount of investment in the listed equity securities did not exceed RMB29.0 million, the maximum loss arising from the investment would be limited to approximately RMB29.0 million (save transaction costs namely brokerage fees and stamp duty costs) irrespective of the number of executions of purchases and sales of investment in listed equity securities and the fluctuations in value of the investment.

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Our Group recorded net realized gain from change in fair value of held-for-trading investments (inclusive of transaction costs) made in listed equity securities of approximately RMB107,000 for the financial year 2009 and net losses (inclusive of transaction costs) of approximately RMB746,000 for the financial year 2010 and net losses (inclusive of transaction costs) of approximately RMB1.2 million for the first half 2011. Given that securities trading and investment is not our principal business and in view of the preparation for the Listing, our Company disposed of all the investment in the listed equity securities by January 2011 and recorded net realized loss from disposal of investment (inclusive of transaction costs) of approximately RMB1.2 million.

We set out below the summary of the number of purchases and sales of investment in listed equity securities for the two financial years ended 31 December 2009 and 2010 and the six months ended 30 June 2011:

	For the financial year ended 31 December						For the six months ended 30 June					
	2009			2010			2011					
	Purchase	No of	No of	No of	No of	No of	No of	No of	No of	No of	No of	
	RMB'000	trades	Sale	trades	Purchase	trades	Sale	trades	Purchase	trades	Sale	trades
			RMB'000		RMB'000		RMB'000		RMB'000		RMB'000	
January	-	-	-	-	198	5	36	2	14,734	2	23,253	9
February	-	-	-	-	-	-	171	3	-	-	-	-
March	-	-	-	-	108	6	115	4	-	-	-	-
April	-	-	-	-	33,315	18	8,335	7	-	-	-	-
May	-	-	-	-	18,423	8	16,250	7	-	-	-	-
June	-	-	-	-	-	-	11,936	6	-	-	-	-
July	-	-	-	-	76	4	2,448	7	N/A	N/A	N/A	N/A
August	-	-	-	-	38	3	2,716	5	N/A	N/A	N/A	N/A
September	49	4	-	-	40	2	345	3	N/A	N/A	N/A	N/A
October	61	3	190	7	3,746	3	-	-	N/A	N/A	N/A	N/A
November	43	2	50	2	13,384	4	12,086	5	N/A	N/A	N/A	N/A
December	35	3	55	3	1,333	3	5,666	3	N/A	N/A	N/A	N/A
Total	188	12	295	12	70,661	56	60,104	52	14,734	2	23,253	9

Note: As our Company disposed of all the investment in the listed equity securities by January 2011, no transaction of investment was recorded from February 2011 up to the end of June 2011, being the latest date to which our consolidated financial statements were drawn up for the purpose of this prospectus.

The investment in listed equity securities was a temporary activity and not a principal business activity of our Group and lasted for around 17 months only. The maximum number of purchases was made in April 2010 on the back of a positive investment sentiment in the stock markets at the time. There were 11 months during which we made fewer than ten trades per month.

Our Group does not intend to carry out securities trading activity in the near future. In the event that our Group decided to carry out securities trading activity in the future, it is intended that such activity will have to comply with our internal control and applicable requirements under the Listing Rules and be approved in advance by the board of Directors of our Company in a duly convened board meeting. The Board will ensure that such activity will be carried out in the interest of our Company

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and shareholders as a whole and in particular, will ensure compliance with our internal controls namely, that (i) the securities trading activity will not be carried out as a separate principal line of our business; (ii) the securities trading activity will be carried out for the purpose of seeking better investment return for the benefit of our Company; (iii) the securities trading activity will be funded by surplus cash resources not immediately required for our operations and not by proceeds of bank loans provided that the liquidity and working capital position of Group will not be adversely affected by such activity; (iv) a maximum investment amount will be set to not more than 50% of the surplus cash resources not immediately required for our operations so as to control and limit the potential loss arising from such activity and appropriate disclosure will be made in our financial reports; (v) a designated team of our staff including our senior management members and financial controller who holds a professional accountancy qualification and is familiar with the financial status of our Company (but have no prior professional investment trading and management experiences) will be appointed and if necessary external investment advisers duly qualified and accredited with financial institutions will be consulted in connection with the securities trading activity and the formulation of key investment objectives namely, the maximum investment amount designated for such activity, the expected investment return and level of risk, investment time horizon, the selection criteria of investees, the buying and selling strategies and the stop loss policy to minimize the potential investment loss; (vi) our financial controller will take initiative in the formulation of treasury policy as to the appropriate use of surplus cash resources from time to time with an intention of generating return on surplus cash resources by way of, among other things, applying such cash resources for interest earning deposit and or other interest earning short-term money market instruments; and (vii) our financial controller will report to the board of Directors, on a periodic basis, the performance of the investment and, if necessary, advise the appropriate actions to be taken in respect of the disposition of the investment.

Listing expenses

Our financial performance for the financial year ending 31 December 2011 will be affected by the expenses incurred in relation to the Listing and the nature of which is non-recurrent. The Listing expenses are estimated to be approximately HK\$17.5 million (based on the Offer Price of HK\$1.15 per Offer Share, being the midpoint of the Offer Price range), of which approximately HK\$9.5 million is directly attributable to the issue of new Shares to the public and is to be accounted for as a deduction from equity and approximately HK\$8.0 million are to be charged to profit or loss of our Group for the financial year ending 31 December 2011. No Listing expenses were expensed in profit and loss of our Group during the Track Record Period. It is noted that the Listing expenses above are a current estimate for reference only and the actual amount to be recognised in the financial statements of our Group for the financial year ending 31 December 2011 is subject to adjustment based on the audit and the changes in variables and assumptions.

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RESULTS OF OPERATIONS

Two six months ended 30 June 2010 (unaudited) and 2011

Revenue

Revenue increased by approximately RMB23.3 million or 30.1% from approximately RMB77.3 million in the first half 2010 to approximately RMB100.6 million in the first half 2011. We recorded an increase in revenue derived from the sale of many of our products in the first half of 2011. In particular, we recorded an increase in revenue derived from the sale of packaging products for air conditioners of approximately RMB9.0 million or 54.2%, for flat panel and plasma televisions of approximately RMB8.6 million or 40.6% and for washing machines of approximately RMB1.5 million or 19.2% in the first half of 2011 as compared to the first half of 2010. Further, revenue derived from the sale of structural components for air-conditioners increased by approximately RMB6.4 million or 71.9% over the period.

Revenue derived from the sale of packaging products for cathode ray tube televisions decreased by approximately RMB3.0 million or 50.8% to approximately RMB2.9 million in the first half of 2011 from approximately RMB5.9 million in the first half of 2010 as our customers continued to shift their focus away from cathode ray tube televisions to flat panel and plasma televisions.

In the first half 2011, revenue derived from the sale of packaging products and structural components for air-conditioners increased as Chongqing Gree, one of our major customers, expanded further their manufacturing base in Chongqing City near where are Chongqing Factory is located, and as such, placed purchase orders for more of our packaging products and structural components. Further, Chongqing Haier, one of our major customers, increased their production of air-conditioners and as such, placed purchase orders for more of our packaging products and structural components for air-conditioners in the first half 2011 as compared to the first half 2010.

Our customers continued to focus on the manufacturing of flat panel and plasma televisions at the expense of cathode ray tube televisions and as such purchased more packaging products for flat panel and plasma and less for cathode ray tube televisions in the first half 2011 as compared to the first half 2010.

Chongqing Haier, one of our major customers, expanded manufacturing facilities for washing machines in late 2010 and as such, purchased comparatively more packaging products for washing machines in the first half 2011 as compared to the first half 2010.

The average purchase cost or raw materials used in the manufacturing of our products increased (explained below) in the first half 2011 when compared to the first half 2010. Our pricing policy allowed us to pass cost of raw materials used in the manufacturing of EPS products to customers and therefore the average increase in purchase cost of raw materials in general, contributed to the increase in revenue in the first half 2011.

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Cost of sales

Cost of sales increased by approximately RMB17.6 million or 33.3% from approximately RMB52.9 million in the first half 2010 to approximately RMB70.5 million in the first half 2011. The increase in cost of sales reflected mainly the increase in purchase cost of raw materials used and to a lesser extent, manufacturing overhead incurred in the manufacturing of our products. We utilized larger quantity of EPS and EPO in the first half 2011 as compared to the first half 2010. We utilized, in aggregate, of approximately 4,345 tonnes of EPS at an average cost of RMB9,033/tonne and 231 tonnes of EPO at an average cost of approximately RMB31,401/tonne in the first half 2011 compared to approximately 3,677 tonnes of EPS at an average cost of RMB8,384/tonne and 125 tonnes of EPO at an average cost of RMB45,617/tonne in the first half 2010.

Manufacturing overhead increased by approximately RMB6.7 million or 75.3% to approximately RMB15.6 million in the first half 2011 from approximately RMB8.9 million in the first half 2010. The increase in manufacturing overhead reflected mainly the increase in the cost of utilities incurred in connection with our increasing manufacturing activity and the increasing utility rates such as electricity rate in the first half 2011.

Gross profit

Gross profit increased by approximately RMB5.7 million or 23.4% from approximately RMB24.4 million in the first half of 2010 to approximately RMB30.1 million in the first half 2011. Gross profit margin remained stable at approximately 29.9% in the first half 2011 compared to approximately 31.6% in the first half 2010.

Other income

Other income increased by approximately RMB188,000 or 166.4% from approximately RMB113,000 in the first half of 2010 to approximately RMB301,000 in the first half 2011. In particular, the sales of unused ancillary parts increased from approximately RMB49,000 in the first half of 2010 to approximately RMB234,000 in the first half of 2011.

Other gains and losses

Other gains and losses decreased by approximately RMB1.6 million or 57.1% from approximately RMB2.8 million in the first half of 2010 to approximately RMB1.2 million in the first half of 2011 mainly as a result of the decrease in net losses arising on changes in fair values of held-for-trading investments in equity securities listed on the stock exchanges in the PRC. The investment was made with an intention of applying our surplus cash resources to make investment and seek investment return for the benefit of our Group. Our Group had disposed of all the investments in the listed equity securities by January 2011.

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Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB1.3 million or 50% from approximately RMB2.6 million in the first half of 2010 to approximately RMB3.9 million in the first half of 2011 as we conducted more selling and distribution activities on the back of the increase in our revenue. The number of our staff responsible for sales and marketing decreased from around 142 staff to around 127 staff for the respective periods. Transportation expenses increased from approximately RMB1.4 million to approximately RMB2.0 million while remuneration for our sales and marketing staff increased from approximately RMB1.1 million to approximately RMB1.7 million for the respective periods.

Administrative expenses

Administrative expenses increased by approximately RMB200,000 or 6.3% from approximately RMB3.2 million in the first half of 2010 to approximately RMB3.4 million in the first half of 2011. The increase in administrative expenses reflected, among other things, the increase in office maintenance expenses, traveling and entertainment expenses transportation expenses on the back of the increase in the business activities in the first half 2011.

Other operating expenses

Other operating expenses decreased by approximately RMB279,000 or 83.5% from approximately RMB334,000 in the first half of 2010 to approximately RMB55,000 in the first half of 2011. The payment of compensations in respect of defective or returned EPS products rendered as such by damages made to them in transit was approximately RMB46,000 in the first half 2011.

Finance costs

Finance costs increased by approximately RMB136,000 or 46% from approximately RMB296,000 in the first half of 2010 to approximately RMB432,000 in the first half of 2011. Of the finance costs, interest on bank borrowings decreased from approximately RMB125,000 to approximately RMB111,000 while finance costs arising on early redemption of note receivables increased from approximately RMB171,000 to approximately RMB321,000 in the respective periods.

Income tax expenses

Income tax expenses decreased by approximately RMB1.9 million from approximately RMB3.0 million in the first half of 2010 to approximately RMB1.1 million in the first half of 2011 given the refund of PRC EIT after the approval of preferential tax rates from the relevant tax authorities after the end of the reporting period.

Net profit

Profit attributable to owners of the Company (“net profit”) increased by approximately RMB8.0 million or 65% from approximately RMB12.3 million in the first half of 2010 to approximately RMB20.3 million in the first half of 2011. Net profit margin was approximately 15.9% in the first half of 2010 and approximately 20.2% in the first half of 2011.

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Two financial years ended 2010 and 2009

Revenue

Revenue increased by approximately RMB44.2 million or approximately 36.3%, from approximately RMB121.9 million in 2009 to approximately RMB166.1 million in 2010. The increase was primarily due to an overall increase in purchase orders placed to us by our customers as the PRC economy together with the consumer electrical appliance industry in the PRC continued to recover from the global financial tsunami.

In 2010 our customers continued to focus on the manufacturing of flat panel and plasma televisions which were typically smaller in size, lighter in weight and require lesser quantity of packaging materials for protection when compared to the traditional cathode ray tube televisions. Revenue derived from the sales of packaging products for televisions decreased to approximately RMB62.0 million in 2010 from approximately RMB62.8 million in 2009. Despite the decrease in revenue from the sales of packaging products for televisions, we recorded increase in revenue from the sales of packaging products for air conditioners, washing machines and refrigerators. In particular, revenue derived from the sales of packaging products for air conditioners increased by approximately RMB16.1 million or 104.5% from approximately RMB15.4 million in 2009 to approximately RMB31.5 million in 2010. Further, revenue derived from the sales of structural components for air conditioners increased by approximately RMB11.5 million or 149.4% from approximately RMB7.7 million in 2009 to approximately RMB19.2 million in 2010. Chongqing Gree, one of our major customers, had made investment to expand their manufacturing base in Chongqing City near where our Chongqing Factory is located. We received comparatively more purchase orders from and sold more packaging products and structural components to Chongqing Gree for their air conditioners in 2010 than in 2009. The structural components were used inside air conditioners. For the two financial years ended 31 December 2009 and 2010, sales of our products for air conditioners accounted for approximately 18.9% and 30.5% of our revenue respectively.

We recorded increase in revenue derived from sales of packaging products for washing machines and refrigerators in 2010 when compared to 2009. Revenue derived from the sales of packaging products for washing machines increased by approximately RMB4.2 million or 21.9% to approximately RMB23.4 million in 2010 from approximately RMB19.2 million in 2009. Revenue derived from the sales of packaging products for refrigerators increased by approximately RMB13.7 million or 95.8% to approximately RMB28.0 million in 2010 from approximately RMB14.3 million in 2009.

The average annual purchase cost of raw materials used in the manufacturing of our products increased (explained below) in 2010 when compared to 2009. Our pricing policy allowed us to pass cost of raw materials used in the manufacturing of EPS products to customers and therefore the average increase in purchase cost of raw materials, in general, contributed to the increase in revenue in 2010.

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Cost of sales

Cost of sales increased by approximately RMB25.5 million or approximately 29.3% from approximately RMB87.0 million in 2009 to approximately RMB112.5 million in 2010. The increase in cost of sales reflected mainly the increase in purchase cost of raw materials used in the manufacturing of our products. We purchased larger quantity of EPS at higher average annual cost in 2010 than in 2009. We made purchases, in aggregate, of approximately 6,759 tonnes of EPS at an average annual cost of approximately RMB9,272/tonne in 2010 compared to 5,344 tonnes of EPS at an average annual cost of approximately RMB7,688/tonne in 2009.

In 2010, flat panel and plasma televisions continued to be the popular types of televisions made by our customers and fewer quantity of packaging products and in turn raw materials were required for the manufacturing of them when compared to the traditional cathode ray tube televisions that were typically larger in size and heavier in weight. Nonetheless, more raw materials were purchased and used by our Company in the manufacturing of products for air conditioners, washing machines and refrigerators.

Gross profit

Gross profit increased by approximately RMB18.7 million or approximately 53.6%, from approximately RMB34.9 million for the financial year 2009 to approximately RMB53.6 million for the financial year 2010. Gross profit margin increased from 28.6% in 2009 to 32.3% in 2010.

Other income

Other income decreased by approximately RMB136,000 or approximately 28.7%, from approximately RMB474,000 for the financial year 2009 to approximately RMB338,000 for the financial year 2010. Interest income on bank deposits decreased from approximately RMB186,000 in 2009 to approximately RMB131,000 in 2010.

Other gains and losses

Our Company recorded other gains of approximately RMB47,000 for the financial year 2009 and other losses of approximately RMB447,000 for the financial year 2010. Our Company made investment in equity securities listed on the stock exchanges in the PRC in 2009 and 2010. The investment was made with an intention of applying our surplus cash resources namely, cash resources not immediately required for our operations to make investments and seek investment return for the benefit of our Company. The investments were recorded as net gains/(losses) arising on change in fair value of held-for-trading investments and in this connection, net gains of approximately RMB107,000 were recorded in 2009 and net losses of approximately RMB746,000 in 2010.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB2.0 million or approximately 46.5%, from approximately RMB4.3 million for the financial year 2009 to approximately RMB6.3 million for the financial year 2010. Selling and distribution expenses comprised primarily transportation

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expenses incurred mainly for the delivery of products to our customers and remuneration for our sales and marketing staff. Our staff conducted comparative more selling and distribution activities in response to the increase in purchase orders placed by our customers and as such, incurred more selling and distribution expenses in 2010 than in 2009. The number of our staff responsible for sales and marketing increased from 112 staff to 137 staff. Transportation expenses increased from RMB2.1 million in year 2009 to RMB3.2 million in 2010 while remuneration for our sales and marketing staff increased from RMB1.9 million to RMB2.7 million for the respective periods.

Administrative expenses

Administrative expenses increased by approximately RMB800,000 or 15.1% from approximately RMB5.3 million in 2009 to approximately RMB6.1 million in 2010. Salary and related expenses for staff increased by approximately RMB509,000 or 20.5% from approximately RMB2.5 million in 2009 to approximately RMB3.0 million in 2010 on the back of the increase of the number of staff from 529 to 597 staff over the respective periods. Traveling and entertainment expenses increased by approximately RMB153,000 or approximately 16.2% from approximately RMB947,000 in 2009 to approximately RMB1.1 million in 2010 on the back of the increase in business activities in 2010.

Other operating expenses

Other operating expenses increased from approximately RMB263,000 in 2009 to approximately RMB715,000 in 2010 mainly as a result of the increase in payment of compensations in respect of defective or returned EPS products. We were required to arrange for transportation of our products to destinations designated by our customers and some of such products were damaged and rendered defective during transportation and as such we made compensations to the customers affected in this regard.

Finance costs

Finance costs increased by approximately RMB73,000 or approximately 11.6% from approximately RMB628,000 in 2009 to approximately RMB701,000 in 2010. Finance costs comprised primarily the interest and related expenses incurred in relation to bank loans and finance costs arising on early redemption on note receivables. Our Company repaid a bank loan of approximately RMB8.0 million and took out another bank loan of approximately RMB12.0 million in 2010. The bank loan was repayable within one year and secured by buildings and bank deposits of our Group. For the purpose of our business activities, our Company paid interest and related expenses incurred in relation to bank loans of approximately RMB407,000 and finance costs arising on early redemption on note receivables of approximately RMB294,000 in 2010.

Income tax expenses

Income tax expenses increased by approximately RMB2.7 million from approximately RMB1.3 million in 2009 to approximately RMB4.0 million in 2010.

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Net profit

Profit attributable to owners of the Company (“net profit”) increased by approximately RMB12.1 million or approximately 51.3% from approximately RMB23.6 million in 2009 to approximately RMB35.7 million in 2010. Net profit margin was approximately 19.4% in 2009 and approximately 21.5% in 2010.

Two financial years ended 2009 and 2008

Revenue

Revenue decreased by approximately RMB112.6 million or approximately 48.0%, from approximately RMB234.5 million in 2008 to approximately RMB121.9 million in 2009. The decrease was primarily due to an overall decrease in purchase orders placed by our customers and in particular, the decrease in the sales of packaging products for cathode ray tube televisions as some of our customers had shifted focus away from the production of cathode ray tube televisions to flat panel & plasma televisions. In addition, some of our customers reduced production of traditional cathode ray tube televisions in favour of the production of flat panel and plasma televisions, which in comparison required lesser amount of packaging products given that they were typically more compact in size and lighter in weight. Revenue derived from the sales of packaging products for cathode ray tube televisions reduced by approximately RMB139.5 or 86.7% to RMB21.4 million in 2009 from RMB160.9 million in 2008. The decrease in revenue was offset, to an extent, by the revenue derived from sales of packaging products for flat panel and plasma televisions that increased by RMB25.4 or 158.8% to RMB41.4 million in 2009 from RMB16.0 million in 2008. Chongqing Haier increased purchase of our products for their washing machines while Sichuan Changhong Electric increased purchase of our products for their refrigerators in 2009 despite the impact from the global financial tsunami. Revenue derived from the sales of packaging products for washing machines increased from approximately RMB10.6 million in 2008 to approximately RMB19.2 million in 2009, while refrigerators increased from approximately RMB11.9 million in 2008 to approximately RMB14.3 million in 2009. For the two financial years ended 2008 and 2009, the quantities of our packaging products and structural components sold were 11,920 tonnes and 6,633 tonnes respectively.

Our pricing policy allowed the cost of our raw materials used in the manufacturing of EPS products to be passed to our customers. The pricing of our products reflected, to an extent, the market prices of raw materials used in the manufacturing of our products. The costs of EPS accounted for approximately 98.1% and 76.1% of the costs of raw materials of our Company for financial years 2008 and 2009 respectively. The average annual purchase cost of EPS decreased from approximately RMB10,621/tonne for the financial year 2008 to approximately RMB7,688/tonne for the financial year 2009. Given our pricing policy, the decrease in the average purchase costs of EPS contributed to the decrease in our revenue for the financial year 2009.

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Cost of sales

Cost of sales decreased by approximately RMB89.1 million or approximately 50.6%, from approximately RMB176.1 million in 2008 to approximately RMB87.0 million in 2009. Cost of sales comprised mainly the purchase costs of EPS used in the manufacturing of our products. The decrease in cost of sales reflected mainly the decrease in purchase cost of raw materials used in the manufacturing of our products. In 2009, the quantity of raw materials required for the manufacturing of our products decreased in tandem with the decrease in purchase orders for our products placed by our customers. Some of our customers put focus on the manufacturing of flat panel and plasma televisions. The new types of television were typically more compact in size and lighter in weight when compared to traditional cathode ray tube televisions and as such, required lesser quantity of packaging materials. In view of the above, the costs incurred by purchases of raw materials for manufacturing of our products decreased by RMB72.3 million or 56.3% to RMB56.2 million in 2009 from approximately RMB128.5 million in 2008.

Further, the decrease in the average annual purchase costs of core raw material namely EPS contributed to the decrease in cost of sales in 2009.

Gross profit

Gross profit decreased by approximately RMB23.5 million or approximately 40.2%, from approximately RMB58.4 million in 2008 to approximately RMB34.9 million in 2009. Gross profit margin increased from 24.9% in 2008 to 28.6% in 2009.

Other income

Other income decreased by approximately RMB1.4 million or approximately 75.1%, from approximately RMB1.9 million in 2008 to approximately RMB474,000 in 2009. The decrease in other income mainly caused by the decrease in interest income on bank deposits as cash and bank balances decreased from approximately RMB59.4 million as at 31 December 2008 to approximately RMB30.4 million as at 31 December 2009.

Other gains and losses

Our Company recorded other losses of approximately RMB2.9 million in 2008 and other income of approximately RMB47,000 in 2009. Net loss on disposal of property, plant and equipment of approximately RMB2.9 million was recorded on account of the disposal of manufacturing machineries and equipment at the Sichuan factory that were damaged by the earthquake that hit Wenchuan County, Sichuan Province, the PRC in 2008. Our Company recorded net gains arising on change in fair value of held-for-trading investments of approximately RMB107,000 in 2009.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately RMB500,000 or approximately 10.4%, from approximately RMB4.8 million in 2008 to approximately RMB4.3 million in 2009. Selling and distribution expenses comprised primarily transportation expenses incurred mainly for

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the delivery of products to our customers and remuneration for our sales and marketing staff. In 2009, the decrease in selling and distribution expenses reflected the decrease in purchase orders for our products placed by our customers. The number of our staff responsible for sales and marketing decreased from 115 staff to 112 staff. Transportation expenses decreased from RMB2.2 million in 2008 to RMB2.1 million in 2009 while remuneration for our sales and marketing staff decreased from RMB2.1 million to RMB1.9 million for the corresponding periods.

Administrative expenses

Administrative expenses decreased by approximately RMB200,000 or approximately 3.6% from approximately RMB5.5 million in 2008 to approximately RMB5.3 million in 2009. Salary and related expenses for staff increased to approximately RMB2.4 million in 2009 from approximately RMB2.2 million in 2008 as the number of our staff decreased to 529 staff from 543 staff for the corresponding periods.

Other operating expenses

Other operating expenses decreased by approximately RMB61,000 or approximately 18.8% from approximately RMB324,000 for the financial year 2008 to approximately RMB263,000 for the financial year 2009. Compensations paid by our Company in respect of defective products decreased from approximately RMB251,000 in 2008 to approximately RMB188,000 in 2009.

Finance costs

Finance costs decreased by approximately RMB872,000 or approximately 58.1% from approximately RMB1.5 million in 2008 to approximately RMB628,000 in 2009. Finance costs comprised primarily the interest and related expenses incurred in relation to bank loans and finance costs arising on early redemption on note receivables. The decrease in interest and related expenses reflected the repayment of outstanding bank loans and the decrease in outstanding balance of interest bearing bank loans in 2009.

Income tax expenses

Income tax expenses decreased by approximately RMB5.9 million from approximately RMB7.2 million in 2008 to approximately RMB1.3 million in 2009.

Net profit

Profit attributable to owners of the Company (“net profit”) decreased by approximately RMB7.7 million or approximately 24.6% from approximately RMB31.3 million for the financial year 2008 to approximately RMB23.6 million for the financial year 2009. Net profit margin increased from 13.3% for the financial year 2008 to 19.4% for the financial year 2009.

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ANALYSIS OF FINANCIAL POSITION

Set out below are selected information from the statements of financial position of our Group as of 31 December 2008, 2009 and 2010 and 30 June 2011 extracted from the accountants' report set out in Appendix I to this prospectus and the analysis of the financial position below should be read in conjunction with the entire financial statements included in the accountants' report, including the notes thereto.

	As at 31 December 2008 <i>RMB'000</i>	As at 31 December 2009 <i>RMB'000</i>	As at 31 December 2010 <i>RMB'000</i>	As at 30 June 2011 <i>RMB'000</i>
Non-current assets				
Property, plant and equipment	46,186	43,548	41,052	40,910
Prepaid lease payments	3,053	3,029	2,954	2,918
Deferred tax assets	–	–	59	72
	<u>49,239</u>	<u>46,577</u>	<u>44,065</u>	<u>43,900</u>
Current assets				
Inventories	9,278	8,797	11,178	11,393
Prepaid lease payments	70	71	71	71
Held-for-trading investments	–	–	9,811	–
Trade and other receivables	73,158	73,032	84,777	122,390
Amounts due from related companies	25,004	25,647	388	–
Current tax assets	–	–	1,405	3,076
Pledged bank deposits	–	846	333	–
Cash and bank balances	59,418	30,368	42,440	23,440
	<u>166,928</u>	<u>138,761</u>	<u>150,403</u>	<u>160,370</u>
Current liabilities				
Trade and other payables	40,550	36,858	32,178	46,849
Amounts due to directors	–	715	–	52
Amounts due to related companies	–	22	–	–
Amount due to immediate holding company	–	–	–	8,923
Current tax liabilities	4,180	1,662	–	–
Bank borrowings	8,000	–	4,000	4,000
	<u>52,730</u>	<u>39,257</u>	<u>36,178</u>	<u>59,824</u>
Net current assets	<u>114,198</u>	<u>99,504</u>	<u>114,225</u>	<u>100,546</u>
Total assets less current liabilities	<u>163,437</u>	<u>146,081</u>	<u>158,290</u>	<u>144,446</u>
Non-current liabilities				
Deferred tax liabilities	161	260	678	887
Net assets	<u>163,276</u>	<u>145,821</u>	<u>157,612</u>	<u>143,559</u>
Capital and reserves				
Share capital	92,603	92,603	92,603	–
Reserves	70,673	53,218	65,009	143,559
Total equity attributable to owners of the Company	163,276	145,821	157,612	143,559
Non-controlling interests	–	–	–	–
Total equity	<u>163,276</u>	<u>145,821</u>	<u>157,612</u>	<u>143,559</u>

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Property, plant and equipment

Property, plant and equipment comprised buildings, plants and machinery, office equipment, motor vehicles and construction-in-progress. As of 31 December 2008, 2009 and 2010 and 30 June 2011, property, plant and equipment amounted to approximately RMB46.2 million, RMB43.5 million, RMB41.1 million and RMB40.9 million, respectively. The decreases in property, plant and equipment were caused mainly by the disposal of, among other things, equipment and machineries and depreciation of property, plant and equipment utilized in the course of our business.

Inventories

Our inventories comprise raw materials, work-in-progress, finished goods and packaging materials and consumables.

The following table sets forth a summary of our inventory balances at the end of each reporting period stated.

	As at 31 December 2008 RMB'000	As at 31 December 2009 RMB'000	As at 31 December 2010 RMB'000	As at 30 June 2011 RMB'000
Raw materials	1,830	2,348	4,069	3,736
Work-in-progress	44	124	116	188
Finished goods	6,449	5,129	5,186	5,842
Packaging materials and consumables	955	1,196	1,807	1,627
	<u>9,278</u>	<u>8,797</u>	<u>11,178</u>	<u>11,393</u>

The following table sets out the turnover days of our inventory, being the ratio of inventory to average daily cost of sales, for the periods stated:

	For the financial year ended 31 December			For the six months ended 30 June
	2008	2009	2010	2011
Inventory turnover days	<u>19.2</u>	<u>36.9</u>	<u>36.3</u>	<u>29.6</u>

Our inventories balance was approximately RMB9.3 million as of 31 December 2008, approximately RMB8.8 million as of 31 December 2009, approximately RMB11.2 million as of 31 December 2010 and approximately RMB11.4 million as of 30 June 2011.

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Our inventories balance remained stable at approximately RMB11.4 million as of 30 June 2011 as compared to approximately RMB11.2 million as of 31 December 2010. Our inventories balance increased by approximately RMB2.4 million or approximately 27.3% from approximately RMB8.8 million as of 31 December 2009 to approximately RMB11.2 million as of 31 December 2010 mainly as a result of the increases in raw materials balance and packaging materials and consumables balance as we made more purchases of which on account of the general increase in purchase orders placed by our customers. The raw materials balance increased by approximately RMB1.8 million or approximately 78.3% to approximately RMB4.1 million as of 31 December 2010 from approximately RMB2.3 million as of 31 December 2009. Packaging materials and consumables increased by RMB600,000 or approximately 50.0% to approximately RMB1.8 million as of 31 December 2010 from approximately RMB1.2 million as of 31 December 2009. Our customers continued to acquire more packaging products for their flat panel and plasma televisions which require lesser quantity of packaging products when compared to traditional cathode ray tube televisions, the increase in finished goods balances was subdued. Finished goods balance increased by approximately RMB100,000 or approximately 2.0% to approximately RMB5.2 million as of 31 December 2010 from approximately RMB5.1 million as of 31 December 2009.

Of the raw materials and work in progress outstanding as at 30 June 2011, approximately 99.7% of such raw materials and 84.6% of such work in progress were utilized by 30 September 2011.

Of the finished goods outstanding as at 30 June 2011, approximately RMB4.4 million or 76.1% of such finished goods were sold by 30 September 2011.

For the financial years 2008, 2009 and 2010 and the six months ended 30 June 2011, our inventory turnover days were around 19.2 days, 36.9 days, 36.3 days and 29.6 days respectively. The inventory turnover days decreased to around 29.6 days for the six months ended 30 June 2011 from around 36.3 days in 2010. The rate of increase in cost of sales was faster than the rate of increase in inventories balance as was cleared our inventories faster in the first half 2011. The inventory turnover days decreased from 36.9 days in 2009 to 36.3 days in 2010. We made more purchases of raw materials and packaging materials and consumables on account of the increase in purchase orders placed by our customers as the PRC economy continued to recover from the global financial tsunami. The inventories balances increased as a result in 2010. Nonetheless, the average daily cost of sales increased at a comparatively faster rate than the increase in the inventories balance as we were able to clear our inventories faster in 2010 than in 2009. For the financial year 2009, the increase in inventory turnover days was mainly attributable to the decrease in purchase orders placed to us by our customers and the increase in time required to clear our inventories. Given the decrease in customer purchase orders in the 2009, the finished goods balance and together with the inventories balance decreased.

We review our inventory ageing list on a regular basis for those aged inventories for the Track Record Period. The comparison of carrying value of the aged inventory items with the respective net realizable value was made so as to ascertain whether allowance is required to be made for any obsolete and slow-moving items. For the financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, provision for inventories impairment were nil, nil and approximately RMB322,000 and RMB76,000 respectively. For the six months ended 30 June 2011, and the financial year ended 31 December 2010, excess packaging products for packaging a particular product of a

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customer were manufactured in anticipation of further demand from the customer and as the product became obsolete and no longer being produced by the customer, the anticipated purchase order for these excess packaging products was not fulfilled by the customer and thus, we made inventories provision of approximately RMB76,000 and RMB322,000 in respect of such specific packaging products for the respective periods.

Trade and other receivables

Our trade receivables represent mainly receivables from the sales of our packaging products and structural components. Our other receivables represent mainly note receivables, deposits in advance, prepayments, and other deposits and receivables.

We generally give our customers 30 to 180 days' credit upon the issuance of invoice, although credit terms may vary based on, amongst other things, our historical relationships with, payment records and assessment of creditworthiness of, each customer. We continuously monitor the status of the outstanding trade receivables due to us from our customers. Given that our major customers are renowned consumer electrical appliance manufacturers in the PRC, we consider credit risks arising from our trade receivables, if any, to be manageable.

The following table sets out the ageing analysis of our trade receivables (net of allowances for doubtful debts) as at the end of each reporting period stated:

	As at 31 December 2008 RMB'000	As at 31 December 2009 RMB'000	As at 31 December 2010 RMB'000	As at 30 June 2011 RMB'000
Within 90 days	51,759	49,485	51,303	71,085
91–180 days	513	6,254	4,563	7,611
181–365 days	47	62	56	4,679
Over 365 days	<u>53</u>	<u>547</u>	<u>381</u>	<u>234</u>
Total	<u><u>52,372</u></u>	<u><u>56,348</u></u>	<u><u>56,303</u></u>	<u><u>83,609</u></u>

The following table sets out the turnover days of our trade receivables (net of allowances for doubtful debts), being ratio of trade receivables to the average daily sales, for the periods stated:

	For the financial year ended 31 December			For the six months ended 30 June
	2008	2009	2010	2011
Trade receivable turnover days	<u><u>81.5</u></u>	<u><u>168.7</u></u>	<u><u>123.7</u></u>	<u><u>152.2</u></u>

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Age of receivables that are past due but not impaired

	As at 31 December 2008 <i>RMB'000</i>	As at 31 December 2009 <i>RMB'000</i>	As at 31 December 2010 <i>RMB'000</i>	As at 30 June 2011 <i>RMB'000</i>
Within 90 days	4,953	7,523	4,655	6,503
91-180 days	47	195	–	–
181-365 days	–	251	56	–
Over 365 days	53	163	381	234
Total	<u>5,053</u>	<u>8,132</u>	<u>5,092</u>	<u>6,737</u>

Our trade receivables (net of allowances for doubtful debts) were approximately RMB52.4 million as of 31 December 2008, approximately RMB56.3 million as of 31 December 2009, approximately RMB56.3 million as of 31 December 2010 and approximately RMB83.6 million as of 30 June 2011.

The increase in our trade receivables with balances outstanding within 90 days from approximately RMB51.3 million as of 31 December 2010 to approximately RMB71.1 million as of 30 June 2011 reflected mainly the increase in the sales of our products in the second quarter 2011 to Chongqing Gree and Chongqing Haier, two of our major customers, as they expanded their manufacturing bases and placed more purchase order to us for our products. The increase in our trade receivables with balances outstanding within 90 days from approximately RMB49.5 million as of end of 2009 to approximately RMB51.3 million as of end of 2010 reflected, in general, the increase in revenue as our customers placed more purchase orders to us for our products in 2010 than 2009. The decrease in our trade receivables with balances outstanding within 90 days decreased from approximately RMB51.8 million as of end of 2008 to approximately RMB49.5 million as of end of 2009 reflected, in general, the decrease in revenue as our customers placed fewer purchase orders to us for our products in 2009 than in 2008.

The increase in our trade receivables with balances outstanding over 90 days from approximately RMB5.0 million as of 31 December 2010 to approximately RMB12.5 million as of 30 June 2011 reflected mainly the trade receivables arising from the sale of our products to Sichuan Changhong Electric, one of our top five customers, with credit period of 120 days, and trade receivables that became past due as of 30 June 2011. Our trade receivables with balances outstanding over 90 days increased from approximately RMB613,000 in 2008 to approximately RMB6.9 million in 2009. The increase in the outstanding trade receivable balances reflected, among other things, the debtors had taken longer time to settle our trade receivables and the increase in the credit period offered to Sichuan Changhong Electric, one of our top five customers, from 90 days in 2008 to 120 days in 2009 (and has since become the latest credit period offered to the customer) for settlement of the payments for the purchase of our products. The credit period was extended at the request of Sichuan Changhong Electric given the difficult economic environment in 2009.

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Our note receivables were approximately RMB20.3 million as of 31 December 2008, approximately RMB15.8 million as of 31 December 2009 and approximately RMB27.3 million as of 31 December 2010. The increase in our note receivables as of end of 2010 when compared that as of end of 2009 reflected, in general, the increase in revenue as our customers placed more purchase orders to us for our products and the increase in settlement of such purchases by note in 2010. The decrease in our note receivables as of end of 2008 when compared that as of end of 2009 reflected, in general, the decrease in revenue as our customers placed fewer purchase orders to us for our products and the decrease in settlement of such purchases by note in 2009.

Majority of our trade receivables at the end of the relevant reporting periods were due within 180 days. Of our trade receivables (net of allowances for doubtful debts) outstanding as of 31 December 2008, 2009 and 2010 and 30 June 2011, approximately 99.8%, 98.9% and 99.2% and 94.1% of which respectively were due within 180 days. Of the trade receivables outstanding as at 30 June 2011, approximately RMB72.5 million or 86.7% of which was settled by 30 September 2011.

For the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, trade receivable turnover days were around 81.5 days, 168.7 days, 123.7 days and 152.2 days respectively. The increase in trade receivable turnover days from 2010 to the first half 2011 reflected, in general, the lower rate of increase in revenue as compared to the rate of increase in the balances of trade receivables given the increase in the sales of our products in the second quarter in 2011, the increase in our trade receivables with balances over 90 days and the balances of trade receivables that became past due. The decrease in trade receivable turnover days from 2009 to 2010 reflected, in general, the higher rate of increase in revenue as compared to the relatively little change in the balances of trade receivables as our customers placed more purchase orders to us for our products and, in general, settled the balances of trade receivables promptly in 2010. The increase in trade receivable turnover days from 2008 to 2009 reflected, among other things, the increase in the credit period offered to Sichuan Changhong Electric, one of our top five customers, from 90 days in 2008 to 120 days in 2009 (and has since become the latest credit period offered to the customer) for settlement of the payments for the purchase of our products, the increase in days, in general, required by other customers to settle the outstanding trade receivables and the decrease in revenue as our customers placed fewer purchase orders to us for our products in 2009. As at 30 June 2011, trade receivables of approximately RMB29.8 million were due from Sichuan Changhong Electric of which approximately RMB4.8 million was past due within 90 days and was settled by 31 July 2011.

Of the trade receivables that were past due and outstanding of approximately RMB6.7 million as at 30 June 2011, approximately RMB6.5 million or 97.0% of the balances were settled in cash and note by 30 September 2011 of the remaining trade receivables, approximately RMB234,000 were past due and outstanding by over 365 days. We considered provision in respect of the past due and outstanding trade receivables was not necessary, at this stage, given that our Company had received repayments of the outstanding trade receivables and our expectation of further repayment in the outstanding trade receivables by the first half of 2012; and the balance of the remaining trade receivables that were past due and outstanding was immaterial in comparison to the total assets value and net worth of our Company as at 30 June 2011. Having considered, among other things, the discussions with

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and confirmations from our Directors and members of senior management of our Company and the factors disclosed above, our Sponsor and reporting accountants concur with our Directors' view that provision for the above past due and outstanding trade receivables, at this stage, was not necessary. Please refer to the section headed "Financial information – Critical accounting policies – Estimated impairment of trade and other receivables" for details of our policy in respect of impairment of trade and other receivables.

Trade and other payables

Our trade payables represent amounts payable for purchases of raw materials and ancillary parts from various suppliers. Our suppliers typically offer us credit terms up to 90 days from the time when the supplies are received by us from the suppliers. Other payables represent mainly receipts in advance, note payables, accruals, other tax payable and others.

The following table sets out the ageing analysis of our trade payables as at the end of each reporting period stated:

	As at 31 December 2008 RMB'000	As at 31 December 2009 RMB'000	As at 31 December 2010 RMB'000	As at 30 June 2011 RMB'000
Within 90 days	33,514	25,407	23,864	30,887
91–180 days	2,475	2,080	2,030	2,940
181–365 days	108	78	94	1,569
Over 365 days	221	5,645	171	115
	<u>36,318</u>	<u>33,210</u>	<u>26,159</u>	<u>35,511</u>

The following table sets out the turnover days of our trade payables, being ratio of trade payables to average daily cost of sales, for the periods stated:

	For the financial year ended 31 December			For the six months ended 30 June
	2008	2009	2010	2011
Trade payable turnover days	<u>75.3</u>	<u>139.3</u>	<u>84.9</u>	<u>92.2</u>

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Our trade payables increased by approximately RMB9.3 million or 35.5% to approximately RMB35.5 million as of 30 June 2011 from approximately RMB26.2 million as of 31 December 2010 mainly as a result of our business activities conducted in the first half 2011. Our trade payables decreased by approximately RMB7.0 million or approximately 21.1% to approximately RMB26.2 million as of 31 December 2010 from approximately RMB33.2 million as of 31 December 2009. The decrease in trade payables was attributed mainly to our effort to expedite the settlement of outstanding payments due to our suppliers of raw materials and other supplies.

Our trade payables decreased by approximately RMB3.1 million or approximately 8.5% to approximately RMB33.2 million as of 31 December 2009 from approximately RMB36.3 million as of 31 December 2008. The decrease in trade payables was attributed mainly to the decrease in purchases of raw materials and other supplies amidst the decrease in business activities conducted in 2009. Of the trade payables outstanding as at 30 June 2011, approximately RMB33.8 million or 95.2% of which was settled by 30 September 2011.

For the three financial years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, trade payable turnover days were around 75.3 days, 139.3 days, 84.9 days and 92.2 days respectively. Our Group had taken comparatively longer time to settle outstanding payment due to our suppliers and resulted in the insignificant increase in trade payable turnover days from 84.9 days to 92.2 days. The decrease in trade receivable turnover days from 2009 to 2010 reflected, in general, our effort to expedite the settlement of outstanding payments due to our suppliers of raw materials and other supplies. The increase in trade payable turnover days from 2008 to 2009 reflected, in general, the increase in time taken by our Group to settle outstanding payments due to our suppliers amidst the lackluster business environment in the PRC, in 2009.

LIQUIDITY AND CAPITAL RESOURCES

Financial resources

We have funded our operations and capital requirements mainly from cash generated from our operations, trade credit from our suppliers and short-term bank borrowings. Our resources have been applied mainly for our increased working capital requirements, capital expenditures on purchases of manufacturing equipment and facilities.

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The following table sets out a summary of our consolidated statements of cash flows information for the periods stated. The summary of consolidated statements of cash flows information is extracted from the accountants' report included in Appendix I to this prospectus and should be read in conjunction with the entire financial statements included therein, including the notes thereto.

	For the financial year ended			For the six months ended	
	31 December			30 June	
	2008	2009	2010	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Net cash generated by/(used in) operating activities	64,323	24,915	11,035	(9,728)	9,081
Net cash (used in)/generated by investing activities	(28,549)	(5,180)	22,115	(326)	(2,604)
Net cash (used in)/generated by financing activities	(36,209)	(48,785)	(21,078)	9,650	(25,482)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net (decrease)/increase in cash and cash equivalents	(435)	(29,050)	12,072	(404)	(19,005)
Cash and cash equivalents at the beginning of year/period	59,853	59,418	30,368	30,368	42,440
Effect of foreign exchange rate changes, net	—	—	—	—	5
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents at the end of year/period represented by:					
Cash and bank balances	<u>59,418</u>	<u>30,368</u>	<u>42,440</u>	<u>29,964</u>	<u>23,440</u>

Operating Activities

In general, we recorded net cash generated by operating activities of approximately RMB64.3 million in 2008, approximately RMB24.9 million in 2009 and approximately RMB11.0 million in 2010 and net cash used in operating activities of approximately RMB9.7 million in the first half 2010, and net cash generated by operating activities of approximately RMB9.1 million in the first half 2011. The decrease in net cash generated by operating activities from 2008 to 2009 was attributed mainly to the decrease in profit before tax in 2009. The decrease in net cash generated by operating activities from 2009 to 2010 was attributed mainly to increase in held-for-trading investments and increase in trade and other receivables in 2010. The net cash used in operating activities for the first half 2010 reflected mainly the increase in held-for-trading investment and the decrease in trade and other payables. The net cash generated by operating activities for the first half 2011 reflected mainly the profit before tax, the decrease in held-for-trading investments and the increase in trade and other payables in the period.

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Net cash generated by operating activities for the first half 2011 was approximately RMB9.1 million, which was mainly contributed by profit before tax of approximately RMB21.4 million, the increase in trade and other payables of approximately RMB14.7 million and the decrease in held-for-trading investments of approximately RMB8.6 million, and offset to an extent by the increase in trade and other receivables of approximately RMB37.6 million and income tax paid of approximately RMB2.6 million. We recorded a decrease in held-for-trading investments as such investments were disposed of by January 2011. The increase in trade and other payables reflected mainly the increase in our business activities conducted during the period. The increase in trade and other receivables reflected mainly the sales of our products on credit and the subsequent increase in outstanding balances of trade and other receivables.

Net cash generated by operating activities for the financial year ended 31 December 2010 was approximately RMB11.0 million, which was mainly contributed by profit before tax of approximately RMB39.7 million and adjusted largely by depreciation of property, plant and equipment of approximately RMB6.5 million, and offset to an extent by decrease in trade and other payables of approximately RMB4.7 million, increase in trade and other receivables of approximately RMB11.7 million, increase in held-for-trading investments of approximately RMB10.6 million and income tax paid of approximately RMB6.7 million. Trade and other payables decreased mainly as a result of our effort to expedite the settlement of outstanding payments due to our suppliers of raw materials and other supplies. Trade and other receivables increased on the back of the increase in balances of trade receivables outstanding within 90 days as of end of 2010 compared to balances as of end of 2009, and the increase in the balances of note receivables as of end of 2010 compared to the balances as of end of 2009. The increase in business activities as our customers placed more purchase orders to us for our products and the increase in settlement of such purchases by note contributed to the increase in the balances of the above receivables in 2010 compared to 2009.

Our Group invested approximately RMB10.6 million in the equity securities listed on the stock exchanges in the PRC in 2010 for the purpose of capturing investment return on the investments. It was decided for the benefits of our Group to apply surplus cash resources, namely cash resources not required immediately for our business operations with an intention of capturing return on surplus cash resources that was comparatively higher than that offered by interest income namely, interest on bank deposits. In general, we increased held-for-trading investments of approximately RMB10.6 million and increased trade and other receivables of approximately RMB11.7 million, which tied up our cash resources and contributed to the decrease in net cash generated by operating activities despite the increase in revenue and profit after tax in 2010 compared to 2009.

Net cash used in operating activities for the first half 2010 was approximately RMB9.7 million, which was mainly contributed by the increase in held-for-trading investments of approximately RMB15.1 million, the decrease in trade and other payables of approximately RMB9.1 million and the increase in trade and other receivables of approximately RMB4.5 million. We utilized our surplus cash resources to make investments in equity securities listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange which resulted in the increase in held-for-trading investments. The decrease in trade and other payables reflected mainly our settlement of outstanding balances due to our counter parties. The increase in trade and other receivables reflected mainly the sales of our products to our customers on credit and the subsequent increase in outstanding balances of trade and other receivables.

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Net cash generated by operating activities for the financial year ended 31 December 2009 was approximately RMB24.9 million, which was mainly contributed by profit before tax of approximately RMB24.9 million and adjusted largely by depreciation of property, plant and equipment of approximately RMB6.2 million, and offset to an extent by decrease in trade and other payables of approximately RMB3.7 million and income tax paid of approximately RMB3.7 million. Trade and other payables decreased mainly as a result of the decrease in purchases of raw materials and other supplies amidst the decrease in business activities conducted in 2009.

Net cash generated by operating activities for the financial year ended 31 December 2008 was approximately RMB64.3 million, which was mainly contributed by profit before tax of approximately RMB45.3 million and adjusted largely by the decrease in inventories of approximately RMB35.6 million and the depreciation of property, plant and equipment of approximately RMB7.8 million, and offset to an extent by the increase in trade and other receivables of approximately RMB20.8 million, income tax paid of approximately RMB3.8 million and the decrease in trade and other payables of approximately RMB3.6 million. Trade and other receivables increased as we conducted more business activities and generated more revenue in 2008. Inventories decreased as we received purchase orders from customers and delivered the inventories to our customers. Trade and other payables decreased mainly as a result of our effort to settle outstanding payments due to our suppliers of raw materials and other supplies.

Investing activities

Net cash used in investing activities for the first half 2011 was approximately RMB2.6 million. We expended approximately RMB3.5 million for the acquisition of among other things, machineries and moulds for the manufacturing of our products.

Net cash generated by investing activities for the financial year ended 31 December 2010 was approximately RMB22.1 million. Our Group received amounts of approximately RMB25.3 million from related companies, which amounts were advanced previously to the related companies, controlled by Mr. Chao and were unsecured, interest-free and had no fixed term of repayment. All the amounts due from the related companies were fully settled prior to the Listing. As at the Latest Practicable Date, there was no amount due from any of the related companies. We expended approximately RMB4.3 million for the acquisition of, among other things, machineries and moulds for the manufacturing of our products.

Net cash used in investing activities for the first half 2010 was approximately RMB326,000. We expended approximately RMB1.9 million for the acquisition of, among other things, machineries and moulds for the manufacturing of our products.

Net cash used in investing activities for the financial year ended 31 December 2009 was approximately RMB5.2 million. We expended approximately RMB3.7 million for the acquisition of, among other things, machineries and moulds for the manufacturing of our products.

Net cash used in investing activities for the financial year ended 31 December 2008 was approximately RMB28.5 million. We expended approximately RMB4.0 million for the acquisition of, among other things, machineries and moulds for the manufacturing of our products.

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Our Group advanced amounts of approximately RMB24.5 million to related companies controlled by Mr. Chao on an unsecured and interest-free basis, and which amounts were repayable upon demand. All the amounts due from the related companies were fully settled prior to the Listing.

Financing activities

Net cash used in financing activities was approximately RMB25.5 million for the first half 2011. The net cash used in financing activities reflected mainly the distribution of dividend of approximately RMB34.3 million to the then shareholder and offset to an extent by the increase in amount due to immediate holding company of approximately RMB8.9 million incurred in connection with, among other things, the preparation for the Listing. The amount owed by our Company was waived by the immediate holding company and there was no outstanding amount due to the immediate holding company as of the Latest Practicable Date.

Net cash used in financing activities for the financial year ended 31 December 2010 was approximately RMB21.1 million. Our Group repaid amounts of approximately RMB22,000 and approximately RMB715,000 to the related companies controlled by Mr. Chao and Mr. Chao and such amounts were advanced to our Group previously on an unsecured and interest-free basis and were repayable upon demand. All the amounts due to the related companies and Mr. Chao were fully settled prior to the Listing. Our PRC subsidiaries paid dividends of approximately RMB23.9 million to its then shareholder in 2010. As at the Latest Practicable Date, there was no amount due to any of the related companies or any of our Directors.

Our Group repaid a bank loan of approximately RMB8.0 million and took out a bank loan and received net proceeds of approximately RMB12.0 million. The bank loan extended to our Group in 2010 was payable within one year, secured by buildings and bank deposits of our Group and attracted an interest charge ranged from 5.31% to 5.58% per annum.

Net cash generated by financing activities was approximately RMB9.7 million for the first half 2010. Our Group obtained a bank loan and received net proceeds RMB8.0 million. Our Group also received amounts of approximately RMB2.5 million from related companies on an unsecured and interest-free basis and which amounts were repayable upon demand. Our Group repaid amounts of approximately RMB715,000 to Mr. Chao and such amounts were advanced to our Group previously on an unsecured and interest-free basis and were repayable upon demand.

Net cash used in financing activities for the financial year ended 31 December 2009 was approximately RMB48.8 million. Our Group received amounts of approximately RMB715,000 from Mr. Chao on an unsecured and interest-free basis, and which amounts were repayable upon demand. Our Group repaid bank loans in aggregate of approximately RMB10.0 million and took out a bank loan of RMB2.0 million in 2009. Our PRC subsidiaries paid dividends of approximately RMB41.1 million to its then shareholder in 2009.

Net cash used in financing activities for the financial year ended 31 December 2008 was approximately RMB36.2 million. Our Group repaid amounts of approximately RMB22.1 million to the related companies and such amounts were advanced to our Group previously on an unsecured and interest-free basis, and which amounts were repayable upon demand. Our Group repaid bank loans

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in aggregate of approximately RMB18.0 million and took out bank loans and received net proceeds in aggregate of approximately RMB13.0 million in 2008. Our PRC subsidiaries paid dividends of approximately RMB8.3 million to its then shareholder in 2008.

Net current assets

As of 30 June 2011, net current assets were approximately RMB100.5 million.

As of 30 June 2011, our Group's total current assets were approximately RMB160.4 million comprising mainly trade and other receivables of approximately RMB122.4 million, cash and bank balances of approximately RMB23.4 million, inventories of approximately RMB11.4 million, and current tax assets of approximately RMB3.1 million,

As of 30 June 2011, our Group's current liabilities were approximately RMB59.8 million, comprising mainly trade and other payables of approximately RMB46.8 million, amount due to immediate holding company of approximately RMB8.9 million and bank borrowings of approximately RMB4.0 million.

Working capital

We have in the past funded our operations and working capital requirements mainly from cash generated from our operations, trade credit from our suppliers and short-term bank borrowings. We expect in the future to fund our operations and capital requirements from a combination of sources including cash flow generated internally, trade credit from our suppliers, bank loans and proceeds from the Share Offer. We intend to undertake an annual business plan and budget review so as to manage our cash flow requirements, capital requirements, capital structure and indebtedness of our Group as and when appropriate to ensure there are sufficient resources for our business operations.

Our Directors are of the view that after considering cash flow generated internally, its currently available banking facilities and the estimated net proceeds of the Share Offer, our Company has sufficient working capital at least for the period ending 12 months from the date of this prospectus.

Commitments and contingent liabilities

Save as disclosed above, our Directors confirmed that there has not been any material change in respect of the commitments or contingent liabilities since 30 June 2011.

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Dividend policy

For the Track Record Period, our subsidiaries declared and paid to their then shareholder dividends of approximately RMB8.3 million, approximately RMB41.1 million, approximately RMB23.9 million and approximately RMB34.3 million respectively.

We currently do not have a fixed dividend policy. The dividend we declared and paid in the past should not be used as a reference for our future dividend payment. The declaration, payment and amount of dividends in the future will be subject to the discretion of the Board and will depend on our results of operations, cash flows, financial conditions, statutory and regulatory restrictions on the payment of dividends by us or our operating subsidiaries in the PRC, future prospects and other factors that our Directors may consider relevant from time to time. If any dividends are declared and paid by us, holders of our Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The declaration, payment, and amount of dividends will be subject to the discretion of our Directors.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

Directors' opinion of the net current asset position

Our Directors are of the view that, after taking into account the financial resources available for our Group, including internally generated funds, the available banking facilities and the net proceeds of the Share Offer, our Group has sufficient net current assets to satisfy its present requirements.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands on 4 January 2011. As at 30 June 2011, no distributable reserves were available in cash for distribution to our Shareholders.

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INDEBTEDNESS

Bank borrowings

The following table sets forth our Group's current assets and liabilities as of the date indicated:

	As at 30 September 2011 <i>RMB'000</i> <i>(unaudited)</i>
Current assets	
Inventories	13,284
Prepaid lease payments	71
Trade and other receivables	125,243
Current tax assets	4,238
Cash and bank balances	<u>38,444</u>
	<u>181,280</u>
Current liabilities	
Trade and other payables	56,847
Amount due to immediate holding company	8,923
Bank borrowings	<u>7,084</u>
	<u>72,854</u>
Net current assets	<u><u>108,426</u></u>

As of the close of business on 30 September 2011, being the latest date practicable for the purpose of this indebtedness statement, our Group had outstanding bank loans of approximately RMB7.1 million. The bank loans were secured by a charge over certain buildings prepaid lease payments, pledged bank deposits and other assets. As at 30 September 2011, our Group had a total available banking facilities of approximately RMB11.1 million and the unutilized balance of which was approximately RMB4.0 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, our Group did not have any outstanding bank borrowings, bank overdrafts, mortgages, charges, debentures, loan capital, debt securities or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities as at 30 September 2011.

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Our Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of our Group since 30 September 2011.

OFF-BALANCE SHEET ARRANGEMENTS

As of 30 June 2011, we did not have any material off-balance sheet arrangements.

PROPERTY INTERESTS

Details relating to our property interests are set out in Appendix III to this prospectus. Asset Appraisal Limited, an independent property valuation firm, has valued the properties owned and leased by us as of 30 September 2011. The text of their letters, summaries of values and valuation certificates are set out in Appendix III to this prospectus.

A reconciliation of the net book value of our Group's property interests as of 30 June 2011 to their fair value as stated in Appendix III to this prospectus as of 30 September 2011 is as follows:

	<i>RMB'000</i>
Valuation of property interests of our Group as of 30 September 2011 as set out in Appendix III to this prospectus	<u>22,800</u>
Net book value of property interests of our Group as of 30 June 2011:	
– Buildings included in property, plant and equipment	15,334
– Prepaid land lease payments	<u>2,989</u>
	18,323
Less: Depreciation during the period between 1 July 2011 and 30 September 2011	(252)
Amortization during the period between 1 July 2011 and 30 September 2011	<u>(18)</u>
Net book value as of 30 September 2011 (unaudited)	<u>18,053</u>
Revaluation surplus (<i>Note</i>)	<u><u>4,747</u></u>

Note: The revaluation surplus will not be recorded in our consolidated financial statements as our property interests are stated at cost less accumulated depreciation and accumulated amortization.

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UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets is prepared in accordance with rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the Share Offer on the adjusted net tangible assets of our Group as of 30 June 2011, as if it had taken place on such date.

The unaudited pro forma adjusted net tangible assets has been prepared for illustrative purpose only and as such, it may not give a true picture of the net tangible assets of our Group attributable to the owners of the Company following the Share Offer. It is prepared based on the audited consolidated net assets of our Group attributable to the owners of the Company as of 30 June 2011 as shown in the accountants' report as set out in Appendix I to this prospectus and adjusted as below.

	Audited consolidated net tangible assets attributable to owners of the Company as at 30 June 2011 <i>RMB'000</i> <i>(Note 1)</i>	Add: Estimated net proceeds from the Share Offer <i>RMB'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted net tangible assets <i>RMB'000</i>	Unaudited pro forma adjusted net tangible assets per Share	
				<i>RMB</i>	<i>HK\$</i>
				<i>(Note 3)</i>	<i>(Note 6)</i>
Based on the Offer Price of HK\$1.0 per Offer Share	<u>143,559</u>	<u>26,991</u>	<u>170,550</u>	<u>0.85</u>	<u>1.02</u>
Based on the Offer Price of HK\$1.3 per Offer Share	<u>143,559</u>	<u>39,449</u>	<u>183,008</u>	<u>0.92</u>	<u>1.11</u>

Notes:

1. The audited consolidated net tangible assets attributable to owners of the Company as at 30 June 2011 has been extracted without adjustment from the accountants' report set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Share Offer are based on the minimum and maximum Offer Price of HK\$1.0 and HK\$1.3 per Offer Share respectively, after deduction of relevant estimated underwriting fees and other related fees and expenses. For the purpose of the estimated net proceeds from the Share Offer, the amount stated in Hong Kong dollars has been converted into Renminbi at the rate of RMB0.8305 to HK\$1.00.
3. The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustments as described in notes 1 and 2 above and on the basis that 200,000,000 Shares are issued and outstanding as set out in the section headed "Share Capital" in this prospectus.
4. On 24 October 2011, Rich Gold executed a deed of release in favour of our Company, pursuant to which Rich Gold unconditionally and irrevocably released and discharged the repayment of a shareholder's loan from Rich Gold to our Company in the amount of HK\$12,500,000 and any claim regarding such repayment. The unaudited pro forma adjusted net tangible assets had not taken into account the above transactions. The unaudited pro forma financial information presented above does not take account of any trading or other transactions subsequent to the date of the financial statements included in the unaudited pro forma financial information (i.e. 30 June 2011).

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5. By comparing the valuation of our property interests of approximately RMB22,800,000 as set out in Appendix III to this prospectus and the carrying amounts of our Group's property interests as at 30 September 2011, the net valuation surplus is approximately RMB4,747,000 which has not been included in the above consolidated net tangible assets attributable to owners of the Company. The valuation surplus will not be incorporated in our Group's financial statements because it is our Group's accounting policy to state the property interests, classified under the sub-sections headed "Property, plant and equipment" and "Prepaid lease payments" in Appendix I to this prospectus, at cost less accumulated depreciation/amortization and impairment rather than at revalued amounts. If the valuation surplus was recorded in our Group's financial statements, an additional depreciation/amortization of approximately RMB233,000 per annum would have been incurred.
6. The unaudited pro forma adjusted net tangible assets per Share amount in Renminbi are converted into Hong Kong dollars at an exchange rate of RMB0.8305 to HK\$1.00. No representation is made that Renminbi amounts have been, could have been or could be translated to Hong Kong dollar amounts, or vice versa, at that rate or at any other rates or at all.

DISCLOSURE UNDER THE LISTING RULES

Our Directors have confirmed that there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in the financial or trading position, mortgage, guarantees or prospects of our Group since 30 June 2011, the date to which the latest audited financial statements of our Group were made up.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please see the section entitled “Business – Business Strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to our Company from the Share Offer (after deducting underwriting fees and estimated expenses in connection with the Share Offer payable by us) will be approximately HK\$40.0 million (equivalent to approximately RMB33.2 million) based on an Offer Price of HK\$1.15 per Offer Share, being the midpoint of the Offer Price range set out in this prospectus. We currently intend to apply such net proceeds for the following purposes:

- As to approximately HK\$35.0 million (equivalent to approximately RMB29.0 million), representing approximately 87.5% of the net proceeds from the Share Offer will be used to the establishment of a factory in Wuhu City equipped with the necessary machineries and equipment capable of an annual maximum manufacturing capacity of approximately 5,000 tonnes of EPS/EPO packaging products and structural components. We believe the location of the factory is appropriate as it is close to the manufacturing bases of our potential customers namely manufacturers of consumer electrical appliances in Wuhu City. The establishment of the factory is expected to be completed by second half of 2013. We intend to supply, through the factory, packaging products and structural components made of EPS to our potential customers and satisfy their requirements for a stable supply of good quality packaging products and structural components for their consumer electrical appliances. In particular,
 - approximately 44.8% will be used for the acquisition of the necessary machineries and equipment in connection with and the establishment of assembly lines capable of an annual maximum manufacturing capacity of approximately 5,000 tonnes of packaging products and structural components made of EPS;
 - approximately 3.4% will be used for the acquisition of the vehicles, office equipment and other ancillary equipment in connection with the business and manufacturing operations of the factory;
 - approximately 37.7% will be used for the construction of the factory which upon completion will offer a manufacturing space with gross floor area of approximately 16,000 m²; and
 - approximately 14.1% will be used for the acquisition of a parcel of land for industrial use located in Wuhu City with a land area of approximately 20,000 m² and on which the factory will stand upon completion of the construction;

FUTURE PLANS AND USE OF PROCEEDS

- As to approximately HK\$2.4 million (equivalent to approximately RMB2.0 million), representing approximately 6.0% of the net proceeds from the Share Offer will be used for the repayment of the bank loan with outstanding balance of approximately RMB4.0 million as of 30 June 2011 extended to our Group and such bank loan is utilized for general working capital purpose, which attracted an interest charge of 5.6% per annum, and is repayable by 31 December 2011 and fully secured by the buildings and bank deposits of our Group;

and

- As to approximately HK\$2.6 million (equivalent to approximately RMB2.2 million), representing approximately 6.5% of the net proceeds from the Share Offer will be used for our general working capital and other general corporate purposes.

To the extent our net proceeds are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

If the Offer Price is finally determined at the lower end of the Offer Price range, being HK\$1.0 per Offer Share, the net proceeds from the Share Offer will be decreased by approximately HK\$7.5 million to approximately HK\$32.5 million, as compared with the above computation (which is based on the midpoint of the Offer Price range). In such case, our Directors intend to apply as to (i) approximately HK\$28.4 million or 87.5% of the net proceeds towards establishment of a factory in Wuhu City, (ii) approximately HK\$2.0 million or 6.0% of the net proceeds towards repayment of the bank loan above and (iii) approximately HK\$2.1 million or 6.5% of the net proceeds for general working capital and the general corporate purposes.

To the extent that our net proceeds are not immediately used for the above purposes and to the extent permitted by the relevant laws and regulations, we intend to deposit the net proceeds into interest bearing deposits and/or money market instruments.

As of the Latest Practicable Date, our Company had not entered into any agreements in respect of the supply of packaging products to potential customers in Wuhu City and had not identified any targets of any specific land or property or company for acquisition in connection with our future plan. Should the new factory fail to generate profits, we might suffer a loss in investments and in which case, our business and financial performance could be adversely affected. Please refer to the section headed "Risk factors - Our future plan to establish a factory in Wuhu City may not be profitable" of this prospectus for further information in this regard.

UNDERWRITING

PLACING AND PUBLIC OFFER UNDERWRITERS

Placing Underwriters

SBI E2-Capital (HK) Limited
SBI E2-Capital Financial Services Limited
Tanrich Securities Company Limited
Cheong Lee Securities Limited
OSK Securities Hong Kong Limited

Public Offer Underwriters

SBI E2-Capital (HK) Limited
SBI E2-Capital Financial Services Limited
Tanrich Securities Company Limited
Cheong Lee Securities Limited
OSK Securities Hong Kong Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, the Public Offer Shares are being offered for subscription, subject to the terms and conditions in this prospectus and the Application Forms relating thereto at the Offer Price.

Subject to, among other matters, (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein; and (ii) certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally agreed to subscribe for or procure subscribers to subscribe for, on the terms and conditions in this prospectus and the Application Forms relating thereto, the Public Offer Shares now being offered for subscription under the Public Offer and which are not taken up under the Public Offer.

Grounds for termination

The Sole Lead Manager is entitled to rescind the Public Offer Underwriting Agreement (for itself and on behalf of the Public Offer Underwriters) by notice in writing to our Company at any time up to 8:00 a.m. on the Listing Date (the “Termination Time”) if:

- (a) there comes to the notice of the Sole Sponsor, the Sole Lead Manager or any of the other Public Offer Underwriters:
 - (i) any matter or event showing any of the representations, warranties, or undertakings contained in the Public Offer Underwriting Agreement to be untrue, inaccurate or misleading in any respect when given or repeated or there has been a breach of any of the representations, warranties, undertakings or any other provisions of the

UNDERWRITING

Public Offer Underwriting Agreement which, in any such cases, is considered, in the sole and absolute opinion of the Sole Lead Manager (for itself and on behalf of the Public Offer Underwriters), to be material in the context of the Share Offer;

- (ii) any statement contained in this prospectus has become or been discovered to be untrue, incorrect or misleading in any material respect;
 - (iii) any event, series of events, matters or circumstances occurs or arises on or after the date of the Public Offer Underwriting Agreement and before the Termination Time, being events, matters or circumstances which, if it had occurred before the date of the Public Offer Underwriting Agreement, would have rendered any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement untrue, incorrect or misleading in any material respect and which is considered, in the sole and absolute opinion of the Sole Lead Manager (for itself and on behalf of the Public Offer Underwriters), to be material in the context of the Share Offer;
 - (iv) any matter which, had it arisen or been discovered immediately before the date of this prospectus (or such later date as the Sole Sponsor and our Company may agree) and not having been disclosed in this prospectus, would have constituted, in the sole and absolute opinion of the Sole Lead Manager (for itself and on behalf of the Public Offer Underwriters), a material omission in the context of the Share Offer;
 - (v) any event, act or omission which gives or is likely to give rise to any material liability of our Company, the Covenantors, the Controlling Shareholders and the executive Directors arising out of or in connection with any representations, warranties or undertakings contained in the Public Offer Underwriting Agreement;
 - (vi) any breach by any party to the Public Offer Underwriting Agreement other than of the Sole Sponsor, the Sole Lead Manager or the Public Offer Underwriters of any provision of the Public Offer Underwriting Agreement which, in the sole and absolute opinion of the Sole Lead Manager (for itself and on behalf of the Public Offer Underwriters), is material; or
- (b) there shall have developed, occurred, existed or come into effect any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
- (i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, in Hong Kong, the Cayman Islands, the British Virgin Islands, the PRC or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to our Group; or

UNDERWRITING

- (ii) any change in, or any event or series of events or development resulting or likely to result in any change in Hong Kong, the Cayman Islands, the British Virgin Islands, the PRC or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to our Group, the local, national, regional or international financial, currency, political, military, industrial, economic, stock market or other market conditions or prospects; or
- (iii) any change in the conditions of the United States, Hong Kong, the PRC or international equity securities or other financial markets; or
- (iv) the imposition of any moratorium, suspension or material restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (v) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the Cayman Islands, the British Virgin Islands, the PRC or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to our Group; or
- (vi) any change or prospective change in the business or in the financial or trading position or prospects of any member of our Group; or
- (vii) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the United States or by the European Union (or any member thereof) on Hong Kong or the PRC; or
- (viii) a general moratorium on commercial banking activities in the PRC or Hong Kong declared by the relevant authorities; or
- (ix) any event of force majeure including, without limiting the generality thereof, any act of God, military action, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (x) any other change whether or not ejusdem generis with any of the foregoing,

which, in the sole and absolute opinion of the Sole Lead Manager (for itself and on behalf of the Public Offer Underwriters):

- (a) is or will be or is likely to be adverse, in any material respect, to our Group's business, financial or trading condition or prospects taken as a whole or, in the case of sub-paragraph (v) above, on any present or prospective shareholder in his/her/its capacity as such shareholder of our Company; or

UNDERWRITING

- (b) has or will have or is likely to have a material adverse effect on the success of the Share Offer as a whole or the level of the Offer Shares being applied for or accepted, the distribution of the Offer Shares or the demand or market price of our Shares following the listing on the Main Board of the Stock Exchange; or
- (c) for any reason makes it impracticable, inadvisable, inexpedient or not commercially viable for the Public Offer Underwriters to perform or implement as envisaged with the Share Offer as a whole.

Similar events are contained in the Placing Underwriting Agreement that may allow the Sole Lead Manager to terminate (for itself and on behalf of the Placing Underwriters) their respective obligations thereunder.

Undertakings

Each of Mr. Chao and Rich Gold jointly and severally undertakes to and covenants with our Company, the Sponsor, the Sole Lead Manager and the Public Offer Underwriters that:

- (i) other than the situation stated in Note 2 to Rule 10.07 of the Listing Rules, without the prior written consent of the Sponsor and the Sole Lead Manager (for itself and on behalf of the Public Offer Underwriters), which they may withhold in their reasonable discretion regardless of whether or not the Stock Exchange shall have consented thereto, it/he shall not, and shall procure that none of its/his associates (as defined in the Listing Rules) or companies controlled by it/him or any nominee or trustee holding in trust for it/him will, within the period of six months commencing from the Listing Date, sell, transfer, dispose of or create any right (including without limitation the creation of any option, pledge, charge or other encumbrance or rights) on any of our Shares or any interests therein owned by it/him or any of their associates (as defined in the Listing Rules) or in which it/he or any of their associates (as defined in the Listing Rules) is, directly or indirectly, interested immediately after the completion of the Share Offer (or any other shares or securities of or interest in our Company arising or deriving therefrom) or sell, transfer, dispose of or create any right (including without limitation the creation of any option, pledge, charge or other encumbrance or rights) on any shares or interests in any company controlled by it/him or any of their associates (as defined in the Listing Rules) which is the beneficial owner (directly or indirectly) of any of such Shares or any interests therein as aforesaid (or any other shares or securities of or interest in our Company arising or deriving therefrom as a result of capitalization issue or scrip dividend or otherwise);
- (ii) other than the situation stated in Note 2 to Rule 10.07 of the Listing Rules, without the prior written consent of the Sponsor and the Sole Lead Manager (for itself and on behalf of the Public Offer Underwriters), within a further six months commencing on the expiry of the six-month period referred to in paragraph (i) above, it/he will not, and will procure that none of its/his associates (as defined in the Listing Rules) or the companies controlled by it/him or any of their associates (as defined in the Listing Rules) will, sell, transfer, dispose of or create any right (including the creation of any option, pledge, charge or other encumbrance or rights) on any Shares or any

UNDERWRITING

interests therein referred to in paragraph (i) above or sell, transfer, dispose of or create any right (including the creation of any option, pledge, charge or other encumbrance or rights) on any shares in any company controlled by it/him or any of their associates (as defined in the Listing Rules) which is the beneficial owner (directly or indirectly) of such Shares or any interests therein as aforesaid if, immediately following such disposal or creation of rights, each of Mr. Chao and Rich Gold taken together, directly or indirectly would cease to be a controlling shareholder (as defined under the Listing Rules) of our Company; and

- (iii) in the event of any disposal of Shares or any such interests referred to in paragraph (i) above within the six-month period referred to in paragraph (ii) above, all reasonable steps will be taken to ensure that such disposal will not create a false or disorderly market in our Shares and such disposal shall comply with all applicable laws, rules and regulations including the requirements under the Listing Rules.

Our Company undertakes to and covenants with the Sponsor, the Sole Lead Manager and the Public Offer Underwriters that, without the prior written consent of the Sponsor and the Sole Lead Manager (for itself and on behalf of the other Public Offer Underwriters), it will not, save pursuant to the Capitalization Issue, the Share Offer, the grant of any option under the Share Option Scheme or the issue of Shares upon exercise of any option granted under the Share Option Scheme or any scrip dividend schemes or similar schemes providing for the allotment and issue of Shares in lieu of whole or part of a dividend in accordance with the Articles:

- (i) within the period of six months from the Listing Date, issue or agree to issue (conditionally or unconditionally) any shares or securities in our Company or any of its major subsidiaries (“major subsidiary” means a subsidiary representing 15 percent or more of the consolidated net tangible assets or pre-tax trading profits of our Group) or grant or agree to grant (conditionally or unconditionally) any options, warrants or other rights carrying the rights to subscribe for, or otherwise convert into, or exchange for, any securities of our Company or any of our major subsidiaries (as defined aforesaid), save and except that the restriction contained in this paragraph (i) shall not be applicable if our Company’s interest in such major subsidiary would not be diluted; and
- (ii) within a further six months following the six-month period referred to in (i) above, issue or agree to issue (conditionally or unconditionally) any shares or securities in our Company or grant or agree to grant (conditionally or unconditionally) any options, warrants or other rights carrying the rights to subscribe for, or otherwise convert into or exchange for, any Shares or securities in our Company so as to result in each of Mr. Chao and Rich Gold taken as a whole would cease to be a controlling shareholder (as defined under the Listing Rules) of our Company.

UNDERWRITING

Our Company and each of Mr. Chao and Rich Gold undertakes to and covenants with the Sponsor, the Sole Lead Manager and the Public Offer Underwriters that save with prior written consent of the Sponsor and the Sole Lead Manager (for itself and on behalf of the other Public Offer Underwriters), no company in our Group will within the period of six months from the Listing Date purchase any securities of our Company.

Similar undertakings are contained in the Placing Underwriting Agreement.

UNDERTAKINGS TO THE STOCK EXCHANGE BY OUR CONTROLLING SHAREHOLDERS

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has, jointly and severally, undertaken to the Stock Exchange that except pursuant to the Share Offer, that each of the Controlling Shareholders will not, and shall procure that the relevant registered holder(s) (if any) controlled by it/him will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

- (a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the “First Six-Month Period”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which it/he is shown by this prospectus to be the beneficial owner(s); and
- (b) in the period of six months commencing on the date on which the First Six-Month Period expires (the “Second Six-Month Period”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would cease to be a controlling shareholder (as defined under the Listing Rules) of our Company.

Further, each of our Controlling Shareholders has, jointly and severally, undertaken to the Stock Exchange that within a period commencing from the Listing Date and ending on the date on which is the first anniversary of the Listing Date, he or it shall:–

- (a) when he or it pledges or charges any securities beneficially owned by him or it in favour of an authorized institution (as defined under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when he or it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities will be disposed of, immediately inform our Company of such indications.

Our Company will inform the Stock Exchange as soon as our Company has been informed of the matters referred to above by any of our Controlling Shareholders and disclose such matters by way of announcement pursuant to the requirements under the Listing Rules as soon as possible.

UNDERWRITING

UNDERTAKINGS TO THE STOCK EXCHANGE BY OUR COMPANY

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by us or form the subject of any agreement to effectuate such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Capitalization Issue, the Share Offer (including the exercise of the options which may be granted under the Share Option Scheme) or for the circumstances prescribed by Rule 10.08 of the Listing Rules.

Placing Underwriting Agreement

In connection with the Placing, our Company, the executive Directors and the Controlling Shareholders had entered into the Placing Underwriting Agreement with the Sponsor, the Sole Lead Manager and 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 fully underwritten by the Placing Underwriters subject to the terms and conditions of the Placing Underwriting Agreement. The Placing Underwriting Agreement contains events similar to those set out in the sub-paragraph headed “Grounds for termination” above that may allow the Sole Lead Manager (for itself and on behalf of the Placing Underwriters) to terminate their respective obligations thereunder.

Commission and expenses

The Placing Underwriters and Public Offer Underwriters will receive a commission of not more than 3.25% of the aggregate Offer Price of all the Offer Shares, out of which they will pay commission for sub-underwriting Offer Shares, if any. Cinda International Capital Limited as the Sponsor will receive a documentation fee and upon successful listing of the Shares on the Stock Exchange, an additional fee of 0.25% of the aggregate Offer Price of all the Offer Shares under the Share Offer. The commission (inclusive of the aforesaid additional 0.25% fee to be received by the Sponsor), documentation fee, Stock Exchange listing fees and trading fee, SFC transaction levy, legal and other professional fees together with applicable printing and other expenses relating to the Share Offer are estimated to amount to approximately HK\$17.5 million in total and out of which approximately HK\$8.1 million are payable by our Company and approximately HK\$9.4 million was paid by our Company as at 30 June 2011.

Sponsor and Underwriters’ interests in our Company

Cinda International Capital Limited, being the Sponsor will receive a documentation fee and an additional fee. Particulars of these commission and expenses are set forth in the above paragraph headed “Commission and expenses”.

Save for its obligations under the Underwriting Agreements, none of the Underwriters has any shareholding interest in our Company or any member of our Group or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

STRUCTURE OF THE SHARE OFFER

PRICE PAYABLE ON APPLICATION

The Offer Price will be not more than HK\$1.3 per Offer Share and not less than HK\$1.0 per Offer Share. You must pay the maximum Offer Price of HK\$1.3 per Share plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%.

This means that for every 4,000 Offer Shares you will pay HK\$5,252.42. Each Application Form includes a table showing the exact amount payable for multiples of Offer Shares. The final Offer Price, the indication of the level of interest in the Placing, the level of applications in respect of the Public Offer and the basis of allotment under the Public Offer are expected to be announced on Thursday, 17 November 2011 in the Standard (in English) and the Hong Kong Economic Journal (in Chinese). The announcement will also be available for viewing on the Stock Exchange's website at www.hkexnews.hk. The Offer Price is expected to be fixed by agreement between the Sole Lead Manager (for itself and on behalf of the Underwriters) and us on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Friday, 11 November 2011 and in any event, no later than Tuesday, 15 November 2011. If the Offer Price, as finally determined on the Price Determination Date, is lower than HK\$1.3, being the maximum Offer Price, we will refund the respective difference (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application moneys) to successful applicants, without interest. For further details, please refer to the section headed "How to apply for Public Offer Shares" to the prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of your application for the Offer Shares is conditional upon:

1. Listing

The Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue and to be issued under the Share Offer, and the Capitalization Issue and any Shares which may fall to be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme, and such listing and permission not subsequently being revoked prior to the Listing Date.

2. Underwriting Agreement

The obligations of the Underwriter under the Underwriting Agreement becoming unconditional (including, among other things, if applicable, as a result of the waiver of any conditions given by the Sole Lead Manager (for itself and on behalf of the Underwriter)), and not being terminated in accordance with its terms or otherwise. Details of the Underwriting Agreement and its conditions and grounds for termination are set out in the section headed "Underwriting" in the prospectus.

If for any reason, the Offer Price is not agreed by Tuesday, 15 November 2011 between the Sole Lead Manager (for itself and on behalf of the other Underwriters) and our Company, the Share Offer will not proceed and will lapse.

STRUCTURE OF THE SHARE OFFER

If any of the above conditions is not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. We will cause notice of the lapse of the Public Offer to be published by us in the Standard (in English) and Hong Kong Economic Journal (in Chinese) as soon as possible following such lapse.

In such outcome, all application monies will be returned, without interest, on the terms set out in “How to Apply for Public Offer Shares” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banker or other bank(s) in Hong Kong licensed under the Banking Ordinance, Chapter 155 of the Laws of Hong Kong, as amended.

OFFER MECHANISM

The prospectus is published in connection with the Share Offer, which comprises the Placing and the Public Offer. Initially, 45,000,000 new Shares, representing 90% of the Offer Shares available under the Share Offer, are to be offered pursuant to the Placing to professional, institutional and/or other investors and 5,000,000 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. The number of Offer Shares to be offered under the Public Offer and the Placing is subject to reallocation. 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 our Company’s enlarged issued share capital immediately after completion of the Share Offer.

The Placing will be fully underwritten by the Placing Underwriter and the Public Offer is fully underwritten by the Public Offer Underwriter, in each case, on a several basis. Information relating to the underwriting arrangements in respect of the Share Offer is set out in the paragraph headed “Underwriting – Underwriting arrangements and expenses” in the prospectus.

The Share Offer is sponsored by the Sponsor and managed by the Sole 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

Our Company is initially offering, subject to possible reallocation on the basis discussed below, 45,000,000 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 Underwriter, on behalf of our Company, will conditionally place the Placing Shares with professional, institutional and/or other investors. 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. 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 acquire

STRUCTURE OF THE SHARE OFFER

further Shares and/or hold or sell its Placing 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 our Company and our Shareholders as a whole. Investors allocated with the Placing Shares cannot apply for the Public Offer Shares under the Public Offer. The Placing is conditional on the fulfillment of all the conditions stated in the paragraph headed “Conditions of the Share Offer” above.

PUBLIC OFFER

Our Company is initially offering 5,000,000 new 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 this section. The Public Offer is managed by the Sole Lead Manager and is fully underwritten by the Public Offer Underwriter. The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Public Offer will be subject to the conditions stated in the paragraph headed “Conditions of the Share Offer” above. 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.

OVER-SUBSCRIPTION

If the number of Public Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Public Offer Shares initially available for subscription under the Public Offer, then the number of Offer Shares to be allocated for application under the Public Offer shall be increased to 15,000,000 Shares, representing 30 per cent. of the total number of Shares available under the Share Offer. If the number of Public Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Public Offer Shares initially available for subscription under the Public Offer, then the number of Offer Shares to be allocated for subscription under the Public Offer shall be increased to 20,000,000 Shares, representing 40 per cent. of the total number of Shares available under the Share Offer. If the number of Public Offer Shares validly applied for under the Public Offer represents 100 times or more the number of Public Offer Shares initially available for subscription under the Public Offer, then the number of Offer Shares to be allocated for application under the Public Offer shall be increased to 25,000,000 Shares, representing 50 per cent. of the total number of Shares available under the Share Offer.

Allocation of Public Offer Shares to applicants under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by each applicant. 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 Public Offer Shares and that applicants who are not successful in the ballot may not receive any Public Offer Shares.

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. METHODS OF APPLYING FOR PUBLIC OFFER SHARES

You may apply for the Public Offer Shares by using one of the following channels:

- using a **WHITE** or **YELLOW** Application Form;
- applying through the **HK eIPO White Form** service by submitting an electronic application to the **HK eIPO White Form** Service Provider through the designated website at *www.hkeipo.hk*; or
- electronically instructing HKSCC to cause HKSCC Nominees to apply for Public Offer Shares on your behalf.

You or your joint applicant(s) may only make one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider (individual applicant only).

2. WHICH APPLICATION CHANNEL YOU SHOULD USE

(a) **WHITE** Application Forms

Use a **WHITE** Application Form if you want the Public Offer Shares to be registered in your own name.

(b) **HK eIPO White Form**

Instead of using a **WHITE** Application Form, you may apply for the Public Offer Shares by means of the **HK eIPO White Form** service by submitting an application online through the designated website at *www.hkeipo.hk*. In addition to any other requirements, you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **HK eIPO White Form** service if you are an individual applicant. Corporations or joint applicants may not apply by means of the **HK eIPO White Form** service. Use the **HK eIPO White Form** service if you want the Shares to be registered in your own name.

(c) **YELLOW** Application Forms

Use a **YELLOW** Application Form if you want the Public Offer Shares to be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

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(d) Instruct HKSCC to make an electronic application on your behalf

Instead of using a **YELLOW** Application Form, you may **electronically instruct** HKSCC to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf via CCASS. Any Public Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

WHO CAN APPLY FOR THE PUBLIC OFFER SHARES

You can apply for the Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying is an individual, and:

- are 18 years of age or above;
- have a Hong Kong address;
- are not a U.S. person (as defined in Regulation S of the U.S. Securities Act);
- are outside the U.S.; and
- are a legal or natural person of the PRC who is qualified domestic institutional investor.

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.

Save as permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you or any person(s) for whose benefit you are applying are/is:

- an existing beneficial owner of Shares;
- the chief executive or a director of our Company or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or any of its subsidiaries or a person who will become a connected person of our Company or any of its subsidiaries immediately upon completion of the Share Offer;
- a legal or natural person of the PRC (except qualified domestic institutional investors);

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- a U.S. person (as defined in Regulation S of the U.S. Securities Act);
- a person who does not have a Hong Kong address; or
- have been allocated or have applied for or have indicated an interest in the Placing Shares under the Placing or otherwise participate in the Placing.

The number of joint applicants must not exceed four.

3. WHERE TO COLLECT THE APPLICATION FORMS

- (a) You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 8 November 2011 until 12:00 noon on Friday, 11 November 2011 from:

any of the following Public Offer Underwriters:

- (a) SBI E2-Capital (HK) Limited
Unit A2, 32/F,
United Centre,
95 Queensway,
Hong Kong
- (b) SBI E2-Capital Financial Services Limited
Unit A2, 32/F,
United Centre,
95 Queensway,
Hong Kong
- (c) Tanrich Securities Company Limited
16/F Central Plaza,
18 Harbour Road,
Wanchai, Hong Kong
- (d) Cheong Lee Securities Limited
Room 1106,
11/F Mass Mutual Tower,
38 Gloucester Road,
Wanchai, Hong Kong
- (e) OSK Securities Hong Kong Limited
12/F World-Wide House,
19 Des Voeux Road Central,
Central, Hong Kong

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or any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

Hong Kong Island

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
Quarry Bay Branch	G/F, Westlands Gardens, 1027 King`s Road, Quarry Bay
Yun Ping Road Branch	G/F to 2/F, Fortune Centre, 4-48 Yun Ping Road, Causeway Bay, Hong Kong

Kowloon

68 Nathan Road Branch	Basement, Shop B1, G/F Golden Crown Court, 66-70 Nathan Road, Tsimshatsui
San Po Kong Branch	Shop A, G/F, Perfect Industrial Building, 31 Tai Yau Street, San Po Kong
Mei Foo Stage I Branch	G/F, 1C Broadway, Mei Foo Sun Chuen Stage I, Lai Chi Kok

New Territories

Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan
Tseung Kwan O Branch	G37-40, G/F, Hau Tak Shopping Centre East Wing, Hau Tak Estate, Tseung Kwan O
Yuen Long Branch	140, Yuen Long Main Road, Yuen Long

(b) You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 8 November 2011 until 12:00 noon on Friday, 11 November 2011 from:

- the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or
- Your broker may have **YELLOW** Application Forms and this prospectus available.

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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. on Tuesday, 8 November 2011 till 12:00 noon on Friday, 11 November 2011 and you are not able to obtain printed forms of the prospectus and the related Application Forms from the above addresses, please be reminded that you can obtain an electronic copy of the prospectus on our Company’s website at www.jinbaobao.com.hk and the website of the Hong Kong Stock Exchange at www.hkexnews.hk during 9:00 a.m. on Tuesday, 8 November 2011 till 12:00 noon on Friday, 11 November 2011 and may submit your application through the HK eIPO White Form service.

4. WHEN TO APPLY FOR PUBLIC OFFER SHARES

(a) WHITE or YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, with a cheque or banker’s cashier order attached, must be lodged by 12:00 noon on Friday, 11 November 2011, or, if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed “Effect of bad weather conditions on the opening of the application lists” below.

Your completed **WHITE** or **YELLOW** Application Form, with payment attached, should be deposited in the special collection boxes provided at any of the branches of the banks listed under the paragraph headed “Where to collect the Application Forms” in this section at the following times:

Tuesday, 8 November 2011	–	9:00 a.m. to 5:00 p.m.
Wednesday, 9 November 2011	–	9:00 a.m. to 5:00 p.m.
Thursday, 10 November 2011	–	9:00 a.m. to 5:00 p.m.
Friday, 11 November 2011	–	9:00 a.m. to 12:00 noon

(b) HK eIPO White Form

You may submit your application to the designated **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk from 9:00 a.m. on Tuesday, 8 November 2011 until 11:30 a.m. on Friday, 11 November 2011 or such later time as described under the paragraph below headed “How to Apply through the **HK eIPO White Form** service – Effect of bad weather conditions on the last application day” (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 11 November 2011, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed “How to Apply for Public Offer Shares – How to Apply through the **HK eIPO White Form** service – Effect of bad weather conditions on the last application day”.

You will not be permitted to submit your application to the designated **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and

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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 submitting applications, when the application lists close.

(c) Electronic applications instructions to HKSCC

CCASS Clearing Participants and CCASS Custodian Participants should input **electronic application instructions** via CCASS at the following times:

Tuesday, 8 November 2011 – 9:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 9 November 2011 – 8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, 10 November 2011 – 8:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, 11 November 2011 – 8:00 a.m.⁽¹⁾ to 12:00 noon

⁽¹⁾ These times may be 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 Tuesday, 8 November 2011 until 12:00 noon on Friday, 11 November 2011 (24 hours daily, except the last application day).

The latest time for inputting your **electronic application instructions** via CCASS (if you are a CCASS Participant) is 12:00 noon on Friday, 11 November 2011 or if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed “Effect of bad weather conditions on the opening of the application lists” below.

(d) Application lists

The application lists will open from 11:45 a.m. to 12:00 noon on Friday, 11 November 2011, except as provided in the sub-paragraph headed “Effect of bad weather conditions on the opening of the application lists” below.

No proceedings will be taken on applications for the Public Offer Shares and no allocation of any such Shares will be made until after the closing of the application lists.

(e) Effect of bad weather conditions on the opening of the application lists

The application lists will open between 11:45 a.m. and 12:00 noon on Friday, 11 November 2011, subject to weather conditions. The application lists will not be open in relation to the Public Offer if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning signal,

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in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 11 November 2011, or if there are similar extraneous factors as are acceptable to the Hong Kong Stock Exchange. Instead, they will be open between 11:45 a.m. and 12:00 noon on the next Business Day which does not fall within the above circumstances at any time between 9:00 a.m. and 12:00 noon in Hong Kong.

5. HOW TO APPLY USING A WHITE OR YELLOW APPLICATION FORM

- (a) Obtain a **WHITE** or **YELLOW** Application Form.
- (b) You should read the instructions in this prospectus and the relevant Application Form carefully. If you do not follow the instructions, your application is liable to be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated on your Application Form.
- (c) Decide how many Public Offer Shares you want to purchase. Calculate the amount you must pay on the basis of the maximum Offer Price of HK\$1.3 per Share, plus brokerage fee of 1%, SFC transaction levy of 0.003% and Hong Kong 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 5,000,000 Shares.
- (d) Complete the Application Form in English save as otherwise indicated and sign it. Only written signatures will be accepted. Applications made by corporations, whether on their own behalf, or on behalf of other persons, must be stamped with the company chop (bearing the company name) and signed by a duly authorized officer, whose representative capacity must be stated. If you are applying for the benefit of someone else, you, rather than that person, must sign the Application Form. If it is a joint application, all applicants must sign it. If your application is made through a duly authorized attorney, our Company and the Sponsor (or their respective agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of your attorney.
- (e) Each Application Form must be accompanied by either a separate cheque or a banker's cashier order, which must be stapled to 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;

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- show your account name, which must either be pre-printed on the cheque, or be endorsed at the back by person authorized 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 Bao Bao 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 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 dishonored 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 authorized 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 Bao Bao 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 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 is liable to be rejected if your banker’s cashier order does not meet all these requirements.

- (f) If you are applying for 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 branches of the receiving banks, as respectively referred to in sub-paragraphs 3(a) and 4(a) above.

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- (g) 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 Friday, 11 November 2011. Our Company will not give you a receipt for your payment. Our Company will keep any interest accrued on your application monies (up until, in the case of monies to be refunded, the date of despatch of refund cheques). The right is also reserved to retain any share certificate(s) and/or any surplus application monies or refunds pending clearance of your cheques or banker's cashier order.
- (h) Multiple or suspected multiple applications are liable to be rejected. Please see the paragraph headed "How many applications you can make" in this section of the prospectus.
- (i) 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
 - 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.

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Incorrect or incomplete details of the CCASS Participant or CCASS Participant I.D. or other similar matters may render the application invalid.

- (j) 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.

6. HOW TO COMPLETE THE APPLICATION FORM

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not strictly follow the instructions your application may be rejected.

Appropriate refund payments (including the brokerage fee, the SFC transaction levy and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful or partially successful applications, without interest. Details of the procedure for refunds are set out below in the paragraph headed “Despatch/Collection of Share Certificates and Refund Monies” below.

7. HOW TO APPLY THROUGH THE HK eIPO WHITE FORM SERVICE

- (a) If you are an individual and meet the criteria set out in relation to applying for Public Offer Shares through the **HK eIPO White Form** service in the WHITE Application Form, you may apply through the **HK eIPO White Form** service by submitting an application through the designated website at www.hkeipo.hk. If you apply through the **HK eIPO White Form** service, the Shares will be issued in your own name.
- (b) Detailed instructions for application through the **HK eIPO White Form** service are set out on the designated website at www.hkeipo.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated HK eIPO White Form Service Provider and may not be submitted to our Company.
- (c) In addition to the terms and conditions set out in this prospectus, the designated HK eIPO White Form Service Provider may impose additional terms and conditions upon you for the use of the HK eIPO White Form service. Such terms and conditions are set out on the designated website at www.hkeipo.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.
- (d) By submitting an application to the designated HK eIPO White Form Service Provider through the HK eIPO White Form service (www.hkeipo.hk), you are deemed to have authorized the designated HK eIPO White Form Service Provider to transfer the details of your application to our Company and the Hong Kong Share Registrar.
- (e) You may submit an application through the HK eIPO White Form 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.hkeipo.hk.

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- (f) You may submit your application to the designated HK eIPO White Form Service Provider through the designated website at *www.hkeipo.hk* from 9:00 a.m. on Tuesday, 8 November 2011 until 11:30 a.m. on Friday, 11 November 2011 or such later time as described under the paragraph below headed “Effect of bad weather conditions on the last application day” (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 11 November 2011, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the paragraph below headed “Effect of bad weather conditions on the opening of the application lists”.
- (g) You will not be permitted to submit your application to the designated HK eIPO White Form Service Provider through the designated website at *www.hkeipo.hk* after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained 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 submitting applications, when the application lists close. You should make payment for your application made through the HK eIPO White Form service in accordance with the methods and instructions set out in the designated website at *www.hkeipo.hk*. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Friday, 11 November 2011, or such later time as described under the paragraph below headed “Effects of bad weather conditions on the last application day” in this prospectus, the designated HK eIPO White Form Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at *www.hkeipo.hk*.

Effect of bad weather conditions on the last application day

The latest time for submitting an application to the designated **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service will be 11:30 a.m., and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 11 November 2011, the last application day. If there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 11 November 2011, the last application day will be postponed to the next Business Day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on such day.

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Conditions of the HK eIPO White Form service

In using the **HK eIPO White Form** service to apply for the Public Offer Shares, the applicant shall be deemed to have accepted the following conditions:

That the applicant:

- **Applies** for the desired number of Public Offer Shares on the terms and conditions of this prospectus and the designated website of the **HK eIPO White Form** Service Provider subject to the Memorandum and the Articles;
- **Undertakes** and agrees to accept the Public Offer Shares applied for, or any lesser number allotted to the applicant on such application;
- **Declares** that such application is the only application made and the only application intended by the applicant to be made whether on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider under the **HK eIPO White Form** service, to benefit the applicant or the person for whose benefit the applicant is applying;
- **Undertakes** and **confirms** that the applicant or the person for whose benefit the applicant is applying has not applied for or taken up, or indicated an interest for, or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up, or indicate an interest for, any Placing Shares, nor otherwise participate in the Placing;
- **Understands** that this declaration and representation will be relied upon by our Company in deciding whether or not to make any allotment of Public Offer Shares in response to such application;
- **Authorizes** our Company to place the applicant's name on the register of members of our Company as the holder of any Public Offer Shares to be allotted to the applicant, and (subject to the terms and conditions set out in the prospectus) to send any Share certificates and/or any refund cheque(s) (if any) by ordinary post at the applicant's own risk to the address given on the **HK eIPO White Form** application except where the applicant has applied for 1,000,000 or more Public Offer Shares and that applicant collects any Share certificate(s) in person in accordance with the procedures prescribed in the designated website of the **HK eIPO White Form** Service Provider and the prospectus;
- **Has read** the terms and conditions and application procedures set out on in the **HK eIPO White Form** application, this prospectus and the **HK eIPO White Form** website (www.hkeipo.hk) and agrees to be bound by them;

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- **Represents, warrants and undertakes** that (i) the applicant or any persons for whose benefit the applicant is applying is outside the United States when completing and submitting the **HK eIPO White Form** application and is not a US person (as defined in Regulation S under the US Securities Act, as amended), or is a person described in paragraph (h)(3) of Rule 902 of Regulation S under the United States Securities Act of 1933, as amended, and (ii) the allotment of or application for the Public Offer Shares to or by the applicant or the persons for whose benefit this application is made would not require our Company, the Sponsor, the Sole Lead Manager or the Public offer Underwriters to comply with any requirements under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong; and
- **Agrees** that such application, any acceptance of it and the resulting contract, will be governed by and construed in accordance with the laws of Hong Kong.

Supplemental information

If any supplement to this prospectus is issued, applicant(s) who have already submitted an **electronic application instruction** through the **HK eIPO White Form** service may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications through the **HK eIPO White Form** service that have been submitted remain valid and may be accepted. Subject to the above and below, an application once made through the **HK eIPO White Form** service is irrevocable and applicants shall be deemed to have applied on the basis of the prospectus as supplemented.

Effect of completing and submitting an application through the HK eIPO White Form service

By completing and submitting an application through the **HK eIPO White Form** service, you for yourself or as agent or nominee for and on behalf of any person for whom you act as agent or nominee shall be deemed to:

- **instruct and authorize** our Company, the Sponsor, the Sole Lead Manager and the Public Offer Underwriters as agent for our Company to do on your behalf all things necessary to register any Public Offer Shares allotted to you in your name as required by the Articles and otherwise to give effect to the arrangements described in this prospectus and the **HK eIPO White Form** Application Form;
- **undertake** to sign all documents and to do all things necessary to enable you to be registered as the holder of the Public Offer Shares to be allocated to you, and as required by the Articles;
- **confirm** that you have received a copy of the prospectus and you have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;

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- **agree** that none of our Company, the Sponsor, the Sole Lead Manager and the Public Offer Underwriters, their respective directors, officers, employees, partners, agents, advisors, or any other parties involved in the Share Offer will have liability for any information or representations not contained in this prospectus or the supplement thereto or the Application Form;
- **agree** that our Company and our Directors are liable only for the information and representations contained in this prospectus and any supplement thereto;
- **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not revoke it other than as provided in this prospectus;
- (if the application is made for your own benefit) **warrant** that such application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider via the **HK eIPO White Form** service;
- (if you are an agent or nominee for another person) **warrant** that reasonable enquiries have been made of that other person that such application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider via the **HK eIPO White Form** service, and that you are duly authorized to submit such application as that other person's agent or nominee;
- (if the application is made by an agent on your behalf) **warrant** that you have validly and irrevocably conferred on your agent all necessary power and authority to make this application;
- **undertake** and **confirm** that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made this application have not indicated an interest for or apply or taken up and will not indicate an interest for or apply or take up any of the Placing Shares nor otherwise have participated or will participate in the Placing;
- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- **agree** to disclose to our Company, the Sponsor, the Sole Lead Manager, the Public Offer Underwriters, the Hong Kong Share Registrar, the receiving bank, and/or their respective advisors and agents any personal data and any information which they require about you or the person(s) for whose benefit you have made this application;

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- **agree** with our Company and each Shareholder of our Company, and our Company agrees with each of its Shareholders, to observe and comply with the Cayman Companies Law, the Memorandum and the Articles;
- **agree** with our Company and each Shareholder of our Company that the Shares in our Company are freely transferable by the holders thereof;
- **authorize** our Company to enter into a contract on your behalf with each Director and officer of our Company whereby each such Director and officer undertakes to observe and comply with his or her obligations to Shareholders as stipulated in the Memorandum and the Articles;
- **represent, warrant and undertake** that you are not, and none of the other person(s) (if any) for whose benefit you are applying, are a US person (as defined in Rule 902 of Regulation S under the US Securities Act);
- **represent and warrant** that you understand that the Public Offer Shares have not been and will not be registered under the US Securities Act and you are outside the United States (as defined in Regulation S under the US Securities Act) when completing the Application Form;
- **warrant** the truth and accuracy of the information contained in your application;
- **authorize** our Company to place your name(s) on the register of members of our Company as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) (where applicable) and/or any refund cheque (where applicable) to you or (in case of joint applicants) the first-named applicant in the Application Form by ordinary post at your own risk to the address stated on your Application Form (except that if you have applied for 1,000,000 Public Offer Shares or more and have indicated in your Application Form that you wish to collect your share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in person);
- **understand** that these declarations and representations will be relied upon by our Company, our Directors, the Sponsor, the Sole Lead Manager and the Public Offer Underwriters in deciding whether or not to allocate any Public Offer Shares in response to your application and that you may be prosecuted for making a false declaration;
- **confirm** that you are aware of the restrictions on offering of the Offer Shares described in this prospectus;
- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus, the HK eIPO White Form Application Form and the designated website of the HK eIPO White Form Service Provider (www.hkeipo.hk) and agree to be bound by them;

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- **undertake** and **agree** to accept the Shares applied for, or any lesser number allocated to you under your application; and
- if the laws of any place outside Hong Kong are applicable to your application, **agree** and **warrant** that you have complied with all such laws and none of our Company, the Sponsor, the Sole Lead Manager and the Public Offer Underwriters nor any of their respective officers or advisors will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus, the **HK eIPO White Form** Application Form and the designated website of the **HK eIPO White Form** Service Provider (www.hkeipo.hk).

Our Company, the Sponsor, the Sole Lead Manager, the Public Offer Underwriters and their respective directors, officers, employees, partners, agents, advisors, and any other parties involved in the Share Offer are entitled to rely on any warranty, representation or declaration made by you in such application.

Additional information

For the purposes of allocating Public Offer Shares, each applicant giving **electronic application instructions** through the **HK eIPO White Form** service to the **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Public Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **HK eIPO White Form** Service Provider, the designated **HK eIPO White Form** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **HK eIPO White Form** Service Provider on the designated website at www.hkeipo.hk.

Please note that internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **HK eIPO White Form** service (www.hkeipo.hk), you are advised not to wait until the last day for submitting applications in the Public Offer to submit your **electronic application instructions**. In the event that you have problems connecting to the designated website for the **HK eIPO White Form** service (www.hkeipo.hk), you should submit a **WHITE** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the 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** Application Form. See the paragraph headed “How many applications you can make” in this section of the prospectus.

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Warning

The application for Public Offer Shares through the **HK eIPO White Form** service (www.hkeipo.hk) is only a facility provided by the designated **HK eIPO White Form** Service Provider to public investors. Our Company, our Directors, the Sponsor, the Sole Lead Manager, the Public Offer Underwriters and the **HK eIPO White Form** Service Provider take no responsibility for such applications, and provide no assurance that applications through the **HK eIPO White Form** service (www.hkeipo.hk) will be submitted to our Company or that you will be allotted any Public Offer Shares.

8. HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

- (a) CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for Public Offer Shares and to arrange payment of the money 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.
- (b) If you are a CCASS Investor Participant, you may give electronic application instructions through the CCASS Phone System by calling 2979 7888 or CCASS Internet System at <https://ip.ccass.com> (according to the procedures contained in “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input electronic application instructions for you if you come to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

- (c) If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for Public Offer Shares on your behalf.
- (d) You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application whether submitted by you or through your CCASS Clearing Participant or CCASS Custodian Participant to our Company and the Hong Kong Share Registrar.

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- (e) You may give electronic application instructions 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.
- (f) Where a WHITE Application Form is signed by HKSCC Nominees on behalf of persons who have given electronic application instructions to apply for the Public Offer Shares:
- (i) HKSCC Nominees is only acting as 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; and
- (ii) HKSCC Nominees does the following things on behalf of each of such person:
- **agrees** that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has input **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
 - **undertakes** and **agrees** to accept the Public Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;
 - **undertakes** and **confirms** that that person has not indicated an interest for, applied for or taken up or indicated an interest for, any Offer Shares under the Placing Offer nor otherwise participated in the Placing Offer;
 - (if the **electronic application instructions** are given for that person's own benefit) **declares** that only one set of **electronic application instructions** has been given for that person's benefit;
 - (if that person is an agent for another person) **declares** that that person has only given one set of **electronic application instructions** for the benefit of that other person and that person is duly authorized to give those instructions as that other person's agent;
 - **understands** that the above declaration will be relied upon by our Company, our Directors and the Sole 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 person may be prosecuted if he makes a false declaration;

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- **authorizes** our Company to place the name of HKSCC Nominees on our Group's 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) and/or refund monies in accordance with the arrangements separately agreed between us and HKSCC;
- **confirms** that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
- **confirms** that that person has only relied on the information and representations in this prospectus 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 the prospectus;
- **agrees** that our Company, the Sponsor, the Sole Lead Manager, the Public Offer Underwriters, their respective directors, officers, employees, partners, agents, advisor and any other parties involved in the Share Offer are liable only for the information and representations contained in this prospectus and any supplement thereto;
- **agrees** to disclose that person's personal data to our Company, the Sponsor, the Sole Lead Manager, the Public Offer Underwriters, the Hong Kong Share Registrar, receiving bank and/or their respective agents and any information which they may require about that person;
- **agrees** (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;
- **agrees** that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable before the expiration of the fifth Business Day after the time of opening of the application lists or such later date as the application lists may close as described under "Effect of bad weather on the opening of the application lists" above such agreement to take effect as a collateral contract with our Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the expiration of the fifth day after the time of opening of the application lists except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

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- **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 our Company;
 - **agrees** to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Public Offer Shares;
 - **agrees** with our Company, for ourselves and for the benefit of each of our Group's Shareholders (and so that our Group will be deemed by our Group's acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Cayman Companies Law, the Companies Ordinance and the Memorandum and the Articles;
 - **agrees** with our Company (for itself and for the benefit of each of its Shareholders) that the shares are freely transferable by the holders thereof; and
 - **agrees** that 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.
- (g) If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any electronic instructions to make an application for Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made.
- (h) For the purpose of allocating Public Offer Shares, HKSCC Nominees shall 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 shall be treated as an applicant.
- (i) The section of the Application Form entitled "Personal data" applies to any personal data held by the Sponsor, our Company and the Hong Kong Share Registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

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- (j) For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, electronic application instructions is a person who may be entitled to compensation under section 40 of the Companies Ordinance.
- (k) 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 our Company or any other person in respect of the matters mentioned below:
- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
 - instructed and authorized HKSCC to arrange payment of the maximum Offer Price, and the related brokerage fee, the SFC transaction levy, and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the initial price per Offer Share paid on application, refund of the application monies (in each case including brokerage fee, the SFC transaction levy, and the Stock Exchange trading fee) by crediting your designated bank account; and
 - instructed and authorized 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.

Warning

Application for Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Our Company, the Sponsor, the Sole Lead Manager and the Public Offer Underwriters and any parties involved in the Share Offer take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input instructions. If CCASS Investor Participants have problems in connecting to the CCASS Phone System or CCASS Internet System to submit electronic application instructions, they should either:

- (a) **submit the WHITE or YELLOW Application Form (as appropriate); or**

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- (b) go to HKSCC's Customer Service Centre to complete an application instruction input request form before 12:00 noon on Friday, 11 November 2011 or such later time as described under the sub-paragraph headed "Effect of bad weather conditions on the opening of the application lists" above.

9. RESULTS OF ALLOCATIONS

Announcement of the results of allocation in the Public Offer, including the Offer Price, the level of applications in the Public Offer, the indication of the levels of interest under the Placing, the basis of allotment of Public Offer Shares and the number of Public Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms, or by giving **electronic application instructions** to HKSCC via CCASS or the designated **HK eIPO White Form** Service Provider through the designated website, will be made available in the Standard (in English) and Hong Kong Economic Journal (in Chinese), and will be available from the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.jinbaobao.com.hk on Thursday, 17 November 2011.

The results of allocation and the Hong Kong Identity Card/passport/Hong Kong Business Registration numbers of successful applicants (where supplied) 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 our Company at www.jinbaobao.com.hk from Thursday, 17 November 2011 onwards;
- results of allocation for the Public Offer will be available from our Public Offer results of allocation website at www.tricor.com.hk/ipo/result on a 24-hour basis from 8:00 a.m. on Thursday, 17 November 2011 to 12:00 midnight on Wednesday, 23 November 2011. The user will be required to key in the Hong Kong Identity Card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;
- results of allocation will be available from our 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 **3691 8488** between 9:00 a.m. and 6:00 p.m. from Thursday, 17 November 2011 to Tuesday, 22 November 2011 (excluding Saturday and Sunday); and
- special allocation results booklets setting out the results of allocation will be available for inspection during opening hours of designated branches of the receiving bank from Thursday, 17 November 2011 to Saturday, 19 November 2011 at all the receiving bank branches at the addresses set out in the paragraph headed "Where to collect the Application Forms" in this section above.

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10. HOW MANY APPLICATIONS YOU CAN MAKE

- (a) You may make more than one application for the Public Offer Shares only if:
- You are a nominee, in which case you may make an application as a nominee by:
 - (i) giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Participant); or (ii) using a **WHITE** or **YELLOW** Application Form and lodging more than one application in your own name on behalf of different beneficial owners. In the box on the **WHITE** or **YELLOW** Application Form marked “For nominees” you must include:
 - an account number; or
 - some other identification code for each beneficial owner (or, in the case of joint beneficial owners, for each such joint beneficial owner). If you do not include this information, the application will be treated as being made for your own benefit.

Otherwise, multiple or suspected multiple applications are liable to be rejected.

It will be a term and condition of all applications that by completing and delivering an Application Form or giving **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider, you:

- (if the application is made for your own benefit) warrant that this is the only application which has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the designated **HK eIPO White Form** Service Provider;
 - (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which has or will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider, and that you are duly authorized to sign the Application Form (where applicable) as that other person’s agent.
- (b) Save as referred to (a) above, all of your applications for the Public Offer Shares (including the part of the application made by HKSCC Nominees Limited acting on **electronic application instructions**) will be rejected as multiple applications if you, or you and your joint applicant(s) 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 via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant) or to the designated **HK eIPO White Form** Service Provider; or

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- apply both (whether individually or jointly with others) on one (or more) **WHITE** Application Form and one (or more) **YELLOW** Application Form or on one (or more) **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC via CCASS or to the designated **HK eIPO White Form** Service Provider; or
 - apply (whether individually or jointly with others) on one (or more) **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant) or to the designated **HK eIPO White Form** Service Provider for more than 100% of the Public Offer Shares being initially available to the public as referred to under the section headed “Structure of the Share Offer” in the prospectus; 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.
- (c) All of your applications for the Public Offer Shares are liable to be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees Limited acting on **electronic application instructions**). If an application is made by an unlisted company and:
- (i) the principal business of that company is dealing in securities; and
 - (ii) you exercise statutory control over that company,
- then the application will be deemed to be made for your benefit.
- Unlisted company** means a company with no equity securities listed on the Hong Kong Stock Exchange.
- Statutory control** in relation to a company means you:
- (i) control the composition of the board of directors of that company; or
 - (ii) control more than half of the voting power of that company; or
 - (iii) 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 profit or capital).
- (d) If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit to the designated **HK eIPO White Form** Service Provider to make an application for Public Offer Shares,

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an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service by giving **electronic application instructions** through the designated website at www.hkeipo.hk and completing payment in respect of such **electronic application instructions**, or of submitting one application through the **HK eIPO White Form** service and one or more applications by any other means, all of your applications are liable to be rejected.

11. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

If an application is rejected, not accepted or accepted in part only, or if the conditions of the Public Offer are not fulfilled in accordance with the paragraph under the section headed “Structure of the Share Offer – Conditions of the Share Offer” or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

If the final Offer Price as determined is less than the initial price per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) paid on application, our Company will refund to you the surplus application moneys, together with the related brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, without interest.

All such interest accrued prior to the date of despatch of e-Auto Refund payment instructions/ refund cheques will be retained for the benefit of our Company.

Refund of your application moneys (if any) is expected to be made on Thursday, 17 November 2011 in accordance with the various arrangements as described below.

All refunds will be made by a cheque crossed “Account Payee Only” made out to you, or if you are joint applicants, to the first-named applicant (except where you apply through the **HK eIPO White Form** service by paying the application money through a single bank account, in such case refund will be made by e-Auto Refund payment instruction which will be dispatched to your application payment bank account). Part of your Hong Kong Identity Card number or passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number or passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong Identity Card number or passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number or passport number may lead to delay in encashment of or may invalidate your refund cheque.

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You will receive one share certificate for all the Public Offer Shares issued to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No **temporary** document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- (a) for applications on **WHITE** Application Forms or **HK eIPO White Form**:
 - (i) share certificate(s) for all the Public Offer Shares applied for, if the application is wholly successful; or
 - (ii) share certificate(s) for the number of Public Offer Shares successfully applied for, if the application is partially successful; and/or

- (b) for applications on **WHITE** or **YELLOW** Application Forms or applications made through the HK eIPO White Form service where payment of relevant application monies are made through multiple bank accounts, refund cheque(s) crossed 'Account Payee Only' in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Public Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all application monies, if the application is wholly unsuccessful, in each case including brokerage of 1%, SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005%, attributable to such refund/surplus application monies but without interest. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of, or may invalidate, your refund cheque.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications are expected to be posted on Thursday, 17 November 2011. The right to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) is reserved.

Share certificates will only become valid certificates of title at 8:00 a.m. on Friday, 18 November 2011 provided that the Public Offer has become unconditional in all respects and the right of termination described in the paragraph under the section headed "Underwriting – Grounds for termination" has not been exercised.

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(a) if you apply using a WHITE Application Form:

If you apply for 1,000,000 or more Public Offer Shares and have indicated your intention in your **WHITE** Application Form to collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) in person and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and share certificate(s) (where applicable) from the Hong Kong Share Registrar, Tricor Investor Services Limited at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 17 November 2011 or such other date as notified by us in the newspapers as the date of collection/despatch of Share certificates/e-Auto Refund payment instructions/refund cheques. If you are an individual who opts for personal collection, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited. If you do not collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares or you apply for 1,000,000 Public Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) in person, your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) will be sent to the address on your Application Form on Thursday, 17 November 2011, by ordinary post and at your own risk.

(b) If you apply using a YELLOW Application Form:

If you apply for 1,000,000 Public Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque(s) (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above. If you have applied for 1,000,000 Public Offer Shares or above and have not indicated on your Application Form that you will collect your refund cheque(s) (if any) in person, or if you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) (if any) will be sent to the address on your Application Form on the date of despatch, which is expected to be on Thursday, 17 November 2011, by ordinary post and at your own risk.

If you apply for Public Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Thursday, 17 November 2011, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

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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:

- our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the section headed "How to apply for Public Offer Shares – 9. Results of Allocations" on Thursday, 17 November 2011. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 17 November 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your stock account.

(c) If you apply through HK eIPO White Form:

If you apply for 1,000,000 Public Offer Shares or more through the **HK eIPO White Form** service by submitting an electronic application to the designated HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk and your application is wholly or partially successful, you may collect your Share certificate(s) in person from Hong Kong Share Registrar, Tricor Investor Services Limited at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 17 November 2011, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk on Thursday, 17 November 2011, by ordinary post and at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you paid the application monies from a single bank account, e-Auto Refund payment instructions (if any) will be despatched to your application payment bank account on Thursday, 17 November 2011. If you used multiple bank accounts to pay the application monies, refund cheque(s) (if any) will be despatched to you at the address specified in your application instruction to the designated HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk on Thursday, 17 November 2011, by ordinary post and at your own risk.

(d) 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 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, 17 November 2011, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.
- Our Group expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Group will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification number (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner described in the section headed “How to apply for Public Offer Shares – 9. Results of Allocations” on Thursday, 17 November 2011. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 17 November 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 17 November 2011. 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, including brokerage of 1%, SFC transaction levy of 0.003% and the Hong Kong 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, 17 November 2011. No interest will be paid thereon.

12. 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 Public Offer Shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or submitting an **electronic application instruction** you agree that your application or the application made by HKSCC Nominees or to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service (www.hkeipo.hk) on your behalf cannot be revoked on or before the expiration of the fifth Business Day after the time of opening of the application lists, unless a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus. This agreement will take effect as a collateral contract with our Company and will become binding when you lodge your Application Form or submit your **electronic application instructions** to HKSCC or to HK eIPO White Form Service Provider and an Application Form has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the end of the fifth Business Day after the time of opening of the application lists except by means of one of the procedures referred to in the prospectus.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 applicants 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 or to the designated **HK eIPO White Form** Service Provider through **HK eIPO White Form** service (www.hkeipo.hk) has been accepted, it cannot be revoked or withdrawn. 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.

(b) Full discretion of our Company, the Sole Lead Manager or their respective agents or nominees to reject or accept:

Our Company, the Sole Lead Manager, the **HK eIPO White Form** Service Provider or their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

(c) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** to HKSCC or apply by a **YELLOW** Application Form) will be void if the Listing Committee does not grant permission to list the Public Offer Shares either:

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies us of that longer period within three weeks of the closing date of the application lists.

(d) You will not receive any allotment if:

- you make multiple applications or you are suspected to have made multiple applications;
- you or the person whose benefits you apply for have taken up or indicated an interest or applied for or received or have been or will be placed or allocated (including conditionally and/or provisionally) Placing Shares. By filling in any of the Application Forms or submitting **electronic application instructions**, you agree not to apply for or indicate an interest for Offer Shares in the Placing. Reasonable steps will be taken to identify and reject applications in the Public Offer from investors who have received Offer Shares in the Placing, and to identify and reject indications of interest in the Placing from investors who have received Public Offer Shares in the Public Offer;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonored upon its first presentation;
- your Application Form is not completed in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);
- your electronic application instructions through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions set out in the designated website at *www.hkeipo.hk*;
- you apply for more than 5,000,000 Public Offer Shares (being 100% of the Public Offer Shares initially available for subscription under the Public Offer);
- our Company and/or the Sole Lead Manager believes that by accepting your application, this would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is received or your address overleaf is located;
- the Underwriting Agreements do not become unconditional; or
- the Public Offer Underwriting Agreement and/or the Placing Underwriting Agreement are/is terminated in accordance with their respective terms.

You should also note that you may apply for Offer Shares under the Public Offer or indicate an interest for Offer Shares under the Placing, but may not do both.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Hong Kong Stock Exchange are expected to commence at 9:00 a.m. on Friday, 18 November 2011. Shares will be traded on the Hong Kong Stock Exchange in board lots of 4,000 Shares each. The Hong Kong Stock Exchange stock code for the Shares is 01239.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our 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 Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report received from the reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong, prepared for incorporation in this prospectus.



國 衛 會 計 師 事 務 所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

8 November 2011

The Directors
Jin Bao Bao Holdings Limited
Cinda International Capital Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) regarding Jin Bao Bao Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 (the “Relevant Periods”), for inclusion in the prospectus of the Company dated 8 November 2011 (the “Prospectus”) in connection with the proposed listing of the Company’s shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 4 January 2011. Through a corporate reorganization as more fully explained in the paragraph headed “Reorganization” under the section headed “History, Reorganization and Group Structure” and the paragraph headed “Corporate Reorganization” in Appendix V “Statutory and General Information” to the Prospectus (the “Corporate Reorganization”), the Company became the holding company of the companies now comprising the Group on 9 March 2011.

As at the date of this report, the Company has the following wholly-owned subsidiaries:

Name of subsidiary	Legal form, date and place of incorporation/ establishment/operations	Issued and fully paid up share capital/ registered capital	Proportion ownership interest held by the Company	Principal activities
Cheng Hao International Limited (“Cheng Hao”)	Limited liability company incorporated on 6 January 2011, British Virgin Islands	1 share of US\$1	100% (direct)	Investment holding

Name of subsidiary	Legal form, date and place of incorporation/ establishment/operations	Issued and fully paid up share capital/ registered capital	Proportion ownership interest held by the Company	Principal activities
Metro Master Limited ("Metro Master")	Limited liability company incorporated on 22 December 2010, Hong Kong	1 ordinary share of HK\$1	100% (indirect)	Investment holding
滁州創策包裝材料有限公司 Chuzhou Chuangce Packaging Materials Company Limited* ("Chuzhou Chuangce")	Wholly foreign-owned enterprise established on 5 October 1997, The People's Republic of China (the "PRC")	Registered capital of RMB25,000,000	100% (indirect)	Design, manufacture and sale of packaging products and structural components
重慶光景包裝製品有限公司 Chongqing Guangjing Packing Materials CO., LTD.* ("Chongqing Guangjing")	Wholly foreign-owned enterprise established on 20 October 2003, the PRC	Registered capital of US\$3,300,000	100% (indirect)	Design, manufacture and sale of packaging products and structural components
四川景虹包裝製品有限公司 Sichuan Jinghong Packing Materials CO., LTD.* ("Sichuan Jinghong")	Wholly foreign-owned enterprise established on 15 September 2005, the PRC	Registered capital of RMB40,880,000	100% (indirect)	Design, manufacture and sale of packaging products and structural components

* *English translated name is for identification purpose only.*

The financial year end date of the companies now comprising the Group is 31 December.

No audited statutory financial statements have been prepared for the Company since its date of incorporation as it was incorporated in a country where there is no statutory audit requirement, and the Company has not carried on any business other than those transactions relating to the Corporate Reorganization.

No audited statutory financial statements have been prepared for Cheng Hao since its date of incorporation as it was incorporated in a country where there is no statutory audit requirement.

No audited statutory financial statements have been prepared for Metro Master as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation other than those transactions relating to the Corporate Reorganization.

The statutory financial statements of the Company's subsidiaries established in the PRC were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by:

Name of subsidiary	Financial year	Name of certified public accountants
Chuzhou Chuangce	Years ended 31 December 2008, 2009 and 2010	滁州鴻基會計師事務所 Chuzhou Hongji Certified Public Accountants
Chongqing Guangjing	Year ended 31 December 2008	重慶利安達富勤會計師事務所有限公司 Chongqing Reanda Fortune Certified Public Accountants Co. Ltd.
	Year ended 31 December 2009	重慶國信會計師事務所有限公司 Chongqing Guoxin Certified Public Accountants Co. Ltd.
	Year ended 31 December 2010	重慶華聯會計師事務所有限公司 Chongqing Hualian Certified Public Accountants Co., Ltd
Sichuan Jinghong	Years ended 31 December 2008, 2009 and 2010	四川同人會計師事務所有限責任公司 Sichuan Tongren Certified Public Accountants Co. Ltd.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

We have undertaken an independent audit on the Underlying Financial Statements for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have examined 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 and no adjustments to the Underlying Financial Statements are considered necessary in the preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis 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 Group as at 31 December 2008, 2009 and 2010 and 30 June 2011 and the state of affairs of the Company as at 30 June 2011, and of the consolidated results and consolidated cash flows of the Group for the Relevant Periods.

The comparative consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the six months ended 30 June 2010 together with the notes thereon (the "June 2010 Financial Information") have been extracted from the Group's unaudited consolidated financial information for the same period, which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the June 2010 Financial Information in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the June 2010 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the June 2010 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the June 2010 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

A. FINANCIAL INFORMATION

Consolidated statements of comprehensive income

		Year ended 31 December 2008	Year ended 31 December 2009	Year ended 31 December 2010	Six months ended 30 June 2010 <i>(Unaudited)</i>	Six months ended 30 June 2011
	Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	5	234,503	121,880	166,079	77,346	100,559
Cost of sales		(176,117)	(86,997)	(112,486)	(52,922)	(70,462)
Gross profit		58,386	34,883	53,593	24,424	30,097
Other income	6	1,863	474	338	113	301
Other gains and losses	7	(2,870)	47	(447)	(2,782)	(1,238)
Selling and distribution expenses		(4,760)	(4,327)	(6,260)	(2,626)	(3,935)
Administrative expenses		(5,513)	(5,280)	(6,120)	(3,164)	(3,360)
Other operating expenses		(324)	(263)	(715)	(334)	(55)
Profit from operations		46,782	25,534	40,389	15,631	21,810
Finance costs	8	(1,522)	(628)	(701)	(296)	(432)
Profit before tax		45,260	24,906	39,688	15,335	21,378
Income tax expense	9	(7,241)	(1,310)	(3,963)	(3,026)	(1,087)
Profit for the year/period	10	38,019	23,596	35,725	12,309	20,291
Other comprehensive income for the year/period						
Exchange differences on translating foreign operations		-	-	-	-	2
Total comprehensive income for the year/period		<u>38,019</u>	<u>23,596</u>	<u>35,725</u>	<u>12,309</u>	<u>20,293</u>
Profit attributable to:						
Owners of the Company		31,276	23,596	35,725	12,309	20,291
Non-controlling interests		6,743	-	-	-	-
		<u>38,019</u>	<u>23,596</u>	<u>35,725</u>	<u>12,309</u>	<u>20,291</u>
Total comprehensive income attributable to:						
Owners of the Company		31,276	23,596	35,725	12,309	20,293
Non-controlling interests		6,743	-	-	-	-
		<u>38,019</u>	<u>23,596</u>	<u>35,725</u>	<u>12,309</u>	<u>20,293</u>
		RMB cents	RMB cents	RMB cents	RMB cents	RMB cents
Earnings per share – basic and diluted	13	<u>20.9</u>	<u>15.7</u>	<u>23.8</u>	<u>8.2</u>	<u>13.5</u>

Details of dividends are disclosed in Note 12 to the Financial Information.

Statements of financial position

	Notes	The Group			The Company	
		As at 31 December 2008 RMB'000	As at 31 December 2009 RMB'000	As at 31 December 2010 RMB'000	As at 30 June 2011 RMB'000	As at 30 June 2011 RMB'000
Non-current assets						
Property, plant and equipment	14	46,186	43,548	41,052	40,910	-
Prepaid lease payments	15	3,053	3,029	2,954	2,918	-
Investments in subsidiaries	33	-	-	-	-	-
Deferred tax assets	24	-	-	59	72	-
		49,239	46,577	44,065	43,900	-
Current assets						
Inventories	16	9,278	8,797	11,178	11,393	-
Prepaid lease payments	15	70	71	71	71	-
Held-for-trading investments	17	-	-	9,811	-	-
Trade and other receivables	18	73,158	73,032	84,777	122,390	7,825
Amounts due from related companies	20	25,004	25,647	388	-	-
Amounts due from subsidiaries	33	-	-	-	-	120,290
Current tax assets		-	-	1,405	3,076	-
Pledged bank deposits	21	-	846	333	-	-
Cash and bank balances	21	59,418	30,368	42,440	23,440	25
		166,928	138,761	150,403	160,370	128,140
Current liabilities						
Trade and other payables	22	40,550	36,858	32,178	46,849	-
Amounts due to directors	19	-	715	-	52	-
Amounts due to related companies	20	-	22	-	-	-
Amount due to immediate holding company	25	-	-	-	8,923	8,923
Amounts due to subsidiaries	33	-	-	-	-	1,024
Current tax liabilities		4,180	1,662	-	-	-
Bank borrowings	23	8,000	-	4,000	4,000	-
		52,730	39,257	36,178	59,824	9,947
Net current assets		114,198	99,504	114,225	100,546	118,193
Total assets less current liabilities		163,437	146,081	158,290	144,446	118,193
Non-current liabilities						
Deferred tax liabilities	24	161	260	678	887	-
Net assets		163,276	145,821	157,612	143,559	118,193
Capital and reserves						
Share capital	26	92,603	92,603	92,603	-	-
Reserves	27	70,673	53,218	65,009	143,559	118,193
Total equity attributable to owners of the Company		163,276	145,821	157,612	143,559	118,193
Non-controlling interests		-	-	-	-	-
Total equity		163,276	145,821	157,612	143,559	118,193

Consolidated statements of changes in equity

	Share capital RMB'000 (Note 26)	Share premium RMB'000 (Note 26)	Special reserve RMB'000 (Note 27(d))	Foreign currency translation reserve RMB'000	Capital reserve RMB'000 (Note 27(a))	PRC statutory reserves RMB'000 (Note 27(b))	Retained profits RMB'000	Attributable to owners of the Company RMB'000	Attributable to non- controlling interests RMB'000	Total RMB'000
Balance at 1 January 2008	78,295	-	-	-	(8)	8,912	21,820	109,019	24,497	133,516
Profit for the year	-	-	-	-	-	-	31,276	31,276	6,743	38,019
Total comprehensive income for the year	-	-	-	-	-	-	31,276	31,276	6,743	38,019
Acquisition of additional interests in a subsidiary (Note 27(c))	14,308	-	-	-	-	-	16,932	31,240	(31,240)	-
Dividend recognized as distribution (Note 12)	-	-	-	-	-	-	(8,259)	(8,259)	-	(8,259)
Balance at 31 December 2008	92,603	-	-	-	(8)	8,912	61,769	163,276	-	163,276
Profit for the year	-	-	-	-	-	-	23,596	23,596	-	23,596
Total comprehensive income for the year	-	-	-	-	-	-	23,596	23,596	-	23,596
Transfer to reserves	-	-	-	-	-	5,392	(5,392)	-	-	-
Dividend recognized as distribution (Note 12)	-	-	-	-	-	-	(41,051)	(41,051)	-	(41,051)
Balance at 31 December 2009	92,603	-	-	-	(8)	14,304	38,922	145,821	-	145,821
Profit for the year	-	-	-	-	-	-	35,725	35,725	-	35,725
Total comprehensive income for the year	-	-	-	-	-	-	35,725	35,725	-	35,725
Transfer to reserves	-	-	-	-	-	2,684	(2,684)	-	-	-
Dividend recognized as distribution (Note 12)	-	-	-	-	-	-	(23,934)	(23,934)	-	(23,934)
Balance at 31 December 2010	92,603	-	-	-	(8)	16,988	48,029	157,612	-	157,612
Profit for the period	-	-	-	-	-	-	20,291	20,291	-	20,291
Other comprehensive income for the period	-	-	-	2	-	-	-	2	-	2
Total comprehensive income for the period	-	-	-	2	-	-	20,291	20,293	-	20,293
Transfer to reserves	-	-	-	-	-	3,873	(3,873)	-	-	-
Corporate Reorganization (Note 27(d))	(92,603)	120,037	(27,434)	-	-	-	-	-	-	-
Dividend recognized as distribution (Note 12)	-	-	-	-	-	-	(34,346)	(34,346)	-	(34,346)
Balance at 30 June 2011	-	120,037	(27,434)	2	(8)	20,861	30,101	143,559	-	143,559

	Share capital RMB'000 (Note 26)	Share premium RMB'000 (Note 26)	Special reserve RMB'000 (Note 27(d))	Foreign currency translation reserve RMB'000	Capital reserve RMB'000 (Note 27(a))	PRC statutory reserves RMB'000 (Note 27(b))	Retained profits RMB'000	Attributable to owners of the Company RMB'000	Attributable to non- controlling interests RMB'000	Total RMB'000
For the six months ended 30 June 2010 (unaudited)										
Balance at 1 January 2010	92,603	-	-	-	(8)	14,304	38,922	145,821	-	145,821
Profit for the period	-	-	-	-	-	-	12,309	12,309	-	12,309
Total comprehensive income for the period	-	-	-	-	-	-	12,309	12,309	-	12,309
Balance at 30 June 2010	<u>92,603</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8)</u>	<u>14,304</u>	<u>51,231</u>	<u>158,130</u>	<u>-</u>	<u>158,130</u>

Consolidated statements of cash flows

	Year ended 31 December 2008 RMB'000	Year ended 31 December 2009 RMB'000	Year ended 31 December 2010 RMB'000	Six months ended 30 June 2010 RMB'000 (Unaudited)	Six months ended 30 June 2011 RMB'000
Cash flows from operating activities					
Profit before tax	45,260	24,906	39,688	15,335	21,378
Adjustments for:					
Finance costs	1,522	628	701	296	432
Interest income	(1,678)	(186)	(131)	(64)	(67)
Net losses/(gains) on disposal of property, plant and equipment	2,869	60	(300)	(460)	(3)
Net losses arising on changes in fair value of held-for-trading investments	-	-	746	3,242	1,241
Depreciation of property, plant and equipment	7,778	6,221	6,451	3,169	3,467
Amortization of prepaid lease payments	70	71	75	36	36
	<u>55,821</u>	<u>31,700</u>	<u>47,230</u>	<u>21,554</u>	<u>26,484</u>
Movements in working capital					
Decrease/(increase) in inventories	35,577	481	(2,381)	(512)	(215)
(Increase)/decrease in held-for-trading investments	-	-	(10,557)	(15,104)	8,570
(Increase)/decrease in trade and other receivables	(20,769)	126	(11,745)	(4,495)	(37,613)
(Decrease)/increase in trade and other payables	(3,587)	(3,692)	(4,680)	(9,108)	14,671
Cash generated from/(used in) operations	67,042	28,615	17,867	(7,665)	11,897
Interest paid	(646)	(157)	(294)	(171)	(321)
Interest received	1,678	186	131	64	67
Income taxes paid	(3,751)	(3,729)	(6,669)	(1,956)	(2,562)
Net cash generated by/(used in) operating activities	<u>64,323</u>	<u>24,915</u>	<u>11,035</u>	<u>(9,728)</u>	<u>9,081</u>

	Year ended 31 December 2008 RMB'000	Year ended 31 December 2009 RMB'000	Year ended 31 December 2010 RMB'000	Six months ended 30 June 2010 RMB'000 (Unaudited)	Six months ended 30 June 2011 RMB'000
Cash flows from investing activities					
(Increase)/decrease in pledged bank deposits	-	(846)	513	377	333
(Increase)/decrease in amounts due from related companies	(24,547)	(643)	25,259	413	388
Payments for property, plant and equipment	(4,025)	(3,653)	(4,326)	(1,945)	(3,472)
Additions to prepaid lease payments	-	(48)	-	-	-
Proceeds from disposal of property, plant and equipment	23	10	669	829	147
Net cash (used in)/generated by investing activities	<u>(28,549)</u>	<u>(5,180)</u>	<u>22,115</u>	<u>(326)</u>	<u>(2,604)</u>
Cash flows from financing activities					
Proceeds from bank borrowings	13,000	2,000	12,000	8,000	-
Repayment of bank borrowings	(18,000)	(10,000)	(8,000)	-	-
(Decrease)/increase in amounts due to related companies	(22,074)	22	(22)	2,490	-
Increase in amount due to immediate holding company	-	-	-	-	8,923
Increase/(decrease) in amounts due to directors	-	715	(715)	(715)	52
Dividend recognized as distribution	(8,259)	(41,051)	(23,934)	-	(34,346)
Interest paid	(876)	(471)	(407)	(125)	(111)
Net cash (used in)/generated by financing activities	<u>(36,209)</u>	<u>(48,785)</u>	<u>(21,078)</u>	<u>9,650</u>	<u>(25,482)</u>
Net (decrease)/increase in cash and cash equivalents	(435)	(29,050)	12,072	(404)	(19,005)
Cash and cash equivalents at the beginning of year/period	59,853	59,418	30,368	30,368	42,440
Effect of foreign exchange rate changes, net	-	-	-	-	5
Cash and cash equivalents at the end of year/period represented by:					
Cash and bank balances	<u>59,418</u>	<u>30,368</u>	<u>42,440</u>	<u>29,964</u>	<u>23,440</u>

Notes to the Financial Information

1. GENERAL 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 of the Cayman Islands on 4 January 2011. Its parent and ultimate holding company is Rich Gold International Limited ("Rich Gold"), a company incorporated in the British Virgin Islands and wholly-owned by Mr. Chao Pang Ieng ("Mr. Chao").

The address of the registered office and the principal place of business of the Company are set out in the section headed "Corporate Information" to the Prospectus. The Company is an investment holding company. The Group is principally engaged in the design, manufacture and sale of packaging products and structural components in the PRC.

Throughout the Relevant Periods, the group entities were under the control of Mr. Chao. Through the Corporate Reorganization as more fully explained in the paragraph headed "Reorganization" under the section headed "History, Reorganization and Group Structure" and the paragraph headed "Corporate Reorganization" in Appendix V "Statutory and General Information" to the Prospectus, the Company became the holding company of the companies now comprising the Group on 9 March 2011. Accordingly, for the purpose of the preparation of the Financial Information of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the Relevant Periods. The Group comprising the Company and its subsidiaries resulting from the Corporate Reorganization is regarded as a continuing entity. The Group was under the control of Mr. Chao both before and after the Corporate Reorganization.

The Financial Information has been prepared as if the Company had been the holding company of the Group throughout the Relevant Periods in accordance with Accounting Guideline 5 *Merger Accounting for Common Control Combinations* issued by the HKICPA. The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated 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 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 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.

Prior to the Corporate Reorganization, Chuzhou Chuangce and Chongqing Guangjing were wholly owned by Conca Investments Limited ("Conca Investments"), an investment holding company controlled by Mr. Chao. Prior to September 2008, Sichuan Jinghong was owned as to 65% by Conca Investments and 35% by a non-controlling interest, 四川長虹創新投資有限公司 (Sichuan Changhong Chuangxin Investment Company Limited) ("Sichuan Changhong Chuangxin"). In September 2008, Conca Investments acquired the remaining 35% equity interests of Sichuan Jinghong held by Sichuan Changhong Chuangxin at a consideration of RMB32 million. Sichuan Jinghong then became a wholly-owned subsidiary of Conca Investments. The change in the ownership interest of Sichuan Jinghong, without a loss of control, was accounted for as an equity transaction. The profit attributable to the non-controlling interests during the year ended 31 December 2008 in the consolidated statements of comprehensive income represents the profit of Sichuan Jinghong attributable to Sichuan Changhong Chuangxin for the year up to the date of which the aforesaid 35% equity interests of Sichuan Jinghong held by Sichuan Changhong Chuangxin were transferred to Conca Investments.

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the respective entity operates (the "functional currency"). The functional currencies of the Group's operating subsidiaries are Renminbi ("RMB"). The Financial Information is presented in RMB, which is different from the functional currency of the Company. The choice of presentation currency is to better reflect the currency that mainly determines economic effects of transactions, events and conditions of the Group.

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 throughout the Relevant Periods consistently adopted HKFRSs, Hong Kong Accounting Standards ("HKAS"), amendments and interpretations issued by the HKICPA, which are effective for financial periods beginning on or after 1 January 2011.

The Group has not early applied the following new and revised standards, or amendments, that have been issued by the HKICPA but are not yet effective, in the Financial Information:

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ¹
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets ¹
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ⁴
HKFRS 11	Joint Arrangements ⁴
HKFRS 12	Disclosure of Interests in Other Entities ⁴
HKFRS 13	Fair Value Measurement ⁴
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ³
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ²
HKAS 19 (2011)	Employee Benefits ⁴
HKAS 27 (2011)	Separate Financial Statements ⁴
HKAS 28 (2011)	Investments in Associates and Joint Ventures ⁴

¹ Effective for annual periods beginning on or after 1 July 2011.

² Effective for annual periods beginning on or after 1 January 2012.

³ Effective for annual periods beginning on or after 1 July 2012.

⁴ Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognized financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortized cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The Group is in the process of making an assessment of what the impact of the other new and revised standards, and amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

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 and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

Basis of consolidation

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.

The results of subsidiaries acquired or disposed of during the Relevant Periods are included in the consolidated statements of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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 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 amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

Merger accounting for common control combinations

The Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The consolidated statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, rebates and discounts.

Revenue from the sale of goods is recognized when the goods are delivered and title has passed.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income 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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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 recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the statement of financial position and is amortized 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 entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each of the Relevant Periods, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. 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 translation of monetary items are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each of the Relevant Periods. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement plans are recognized 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 as reported in the statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and 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 each of the Relevant Periods.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized 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 utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized 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 and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize 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 of the Relevant Periods 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 realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods. 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 each of the Relevant Periods, to recover or settle the carrying amount of its assets and liabilities.

Current or deferred tax is recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes (other than construction-in-progress), are stated in the statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of assets (other than construction-in-progress) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each of the Relevant Periods, with the effect of any changes in estimate accounted for on a prospective basis.

Construction-in-progress includes property, plant and equipment in the course of construction for its own use purposes. Construction-in-progress is carried at cost less any recognized impairment loss. Construction-in-progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended its use. Depreciation of these assets, on the same basis as other items of property, plant and equipment, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognized 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 recognized in profit or loss.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, held-for-trading investments and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the statement of comprehensive income in the period in which it arises (only if there are revalued assets in the Financial Information), unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Inventories

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

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of each of the Relevant Periods, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognized 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 (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are mainly classified into two specified categories: financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument 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 and points 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 debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than financial assets classified as at FVTPL, of which interest income is included in other gains and losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, cash and bank balances, pledged bank deposits and amounts due from related companies) are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each of the Relevant Periods. Financial assets 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 financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, 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 and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets 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 recognized 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 against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity instruments

Debt 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 an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including bank borrowings, trade and other payables, amount due to immediate holding company, amounts due to related companies and amounts due to directors) are subsequently measured at amortized cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortized 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 and points 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 recognized on an effective interest basis.

Derecognition

The Group derecognizes 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 recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized 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 recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

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

Listing expenses

Transaction costs that relate jointly to more than one transaction (for example, costs of a concurrent offering of some shares and a stock exchange listing of other shares) are allocated to those transactions using a basis of allocation that is rational and consistent with similar transactions. Only the costs associated with the listing of the new shares and not those attributed to the existing shares are recognized in equity. The Company allocates the listing expenses between the new shares and the existing shares. Where a cost relates to both the newly issued shares and the listing of existing shares, the allocation is made using a rational and consistent method. If costs (such as an underwriting fee) relate solely to the issue of new shares, they are accounted for as a deduction in equity if they are incremental and directly attributable to the issue of new shares. The costs allocated to the listing of existing shares are expensed in profit or loss.

Related parties

A party is considered to be related to the Group if:

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d); or
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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 recognized 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.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the Financial Information.

Withholding taxes arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes from the distribution of dividends from subsidiaries in the PRC according to the relevant tax jurisdictions is subject to judgment on the timing of the payment of the dividend, where the Group considers that if it is probable that the profits of the subsidiaries in the PRC will not be distributed in the foreseeable future, then no withholding taxes are provided.

Key sources of estimation uncertainty

The following are the key sources of estimation uncertainty at the end of each of the Relevant Periods that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value. The Group assesses annually the residual value and the useful lives of the property, plant and equipment. If the expectation differs from the original estimate, such difference will impact the depreciation and the amortization charge in the period in which such estimate is changed.

Impairment of trade and other receivables

The Group estimates the provisions for impairment of trade and other receivables by assessing their recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgments. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amount of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the provisions at the end of each of the Relevant Periods.

Write-down of inventories

Inventories are valued at the lower of cost and net realizable value. Also, the Group regularly inspects and reviews its inventories to identify slow-moving and obsolete inventories. The amount of the impairment loss is measured as the difference between inventories' cost and net realizable value.

The identification of impairment of inventories requires the use of judgment and estimate of expected net realizable value. Where the net realizable value is lower than the cost, a material write-down may arise. As at 31 December 2008, 2009 and 2010 and 30 June 2011, the carrying amounts of inventories were approximately RMB9,278,000, RMB8,797,000, RMB11,178,000 and RMB11,393,000, after taking into account write-down recognized on inventories of approximately Nil, Nil, RMB322,000 and RMB76,000, respectively.

5. REVENUE AND SEGMENT INFORMATION

The directors of the Company review the Group's internal financial reporting and other information and also obtain other relevant external information in order to assess performance and allocate resources and operating segment is identified with reference to these.

The directors of the Company consider that the business of the Group is organized in one operating segment which is design, manufacture and sale of packaging products and structural components in the PRC. Additional disclosure in relation to segment information is not presented as the directors assess the performance of the only operating segment identified based on the consistent information as disclosed in the Financial Information.

The total net segment income is equivalent to total comprehensive income for the Relevant Periods as shown in the consolidated statements of comprehensive income and the total segment assets and total segment liabilities are equivalent to total assets and total liabilities as shown in the statements of financial position.

Details of interest income, depreciation and amortization in relation to the operating segment are disclosed in Notes 6 and 10, respectively.

The Company is domiciled in the Cayman Islands with the Group's major operations in the PRC. All external revenues of the Group during the Relevant Periods are attributable to customers established in the PRC, the place of domicile of the Group's operating entities. Substantially all the assets of the Group are located in the PRC.

An analysis of revenue by products is as follows:

	Year ended 31 December 2008 RMB'000	Year ended 31 December 2009 RMB'000	Year ended 31 December 2010 RMB'000	Six months ended 30 June 2010 RMB'000 (Unaudited)	Six months ended 30 June 2011 RMB'000
<i>Packaging products</i>					
Televisions	176,892	62,780	61,988	27,088	32,701
Air conditioners	16,645	15,406	31,493	16,556	25,524
Washing machines	10,571	19,230	23,421	7,602	9,060
Refrigerators	11,864	14,331	28,037	16,246	16,229
Others	9,391	2,446	1,966	895	1,648
<i>Structural components</i>					
For air conditioners	9,140	7,687	19,174	8,959	15,397
	<u>234,503</u>	<u>121,880</u>	<u>166,079</u>	<u>77,346</u>	<u>100,559</u>

Information about major customers

Revenue from customers contributing over 10% of total revenue of the Group during the Relevant Periods is as follows:

	Year ended 31 December 2008 RMB'000	Year ended 31 December 2009 RMB'000	Year ended 31 December 2010 RMB'000	Six months ended 30 June 2010 RMB'000 (Unaudited)	Six months ended 30 June 2011 RMB'000
Customer A	129,616	56,134	63,401	31,121	42,137
Customer B	N/A ¹	23,084	N/A ¹	8,814	N/A ¹
Customer C	N/A ¹	12,143	32,995	13,912	27,065
Customer D	67,350	27,307	37,526	19,286	13,701
	<u>196,966</u>	<u>118,668</u>	<u>133,922</u>	<u>73,133</u>	<u>82,903</u>

¹ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

6. OTHER INCOME

	Year ended 31 December 2008 RMB'000	Year ended 31 December 2009 RMB'000	Year ended 31 December 2010 RMB'000	Six months ended 30 June 2010 RMB'000 (Unaudited)	Six months ended 30 June 2011 RMB'000
Interest income on bank deposits	1,678	186	131	64	67
Others	185	288	207	49	234
	<u>1,863</u>	<u>474</u>	<u>338</u>	<u>113</u>	<u>301</u>

7. OTHER GAINS AND LOSSES

	Year ended 31 December 2008 RMB'000	Year ended 31 December 2009 RMB'000	Year ended 31 December 2010 RMB'000	Six months ended 30 June 2010 RMB'000 (Unaudited)	Six months ended 30 June 2011 RMB'000
Impairment loss recognized on trade receivables	(1)	–	–	–	–
Net (losses)/gains on disposal of property, plant and equipment	(2,869)	(60)	300	460	3
Net gains/(losses) arising on changes in fair value of held-for-trading investments	–	107	(746)	(3,242)	(1,241)
Net foreign exchange losses	–	–	(1)	–	–
	<u>(2,870)</u>	<u>47</u>	<u>(447)</u>	<u>(2,782)</u>	<u>(1,238)</u>

8. FINANCE COSTS

	Year ended 31 December 2008 RMB'000	Year ended 31 December 2009 RMB'000	Year ended 31 December 2010 RMB'000	Six months ended 30 June 2010 RMB'000 (Unaudited)	Six months ended 30 June 2011 RMB'000
Interest on bank borrowings wholly repayable within five years	876	471	407	125	111
Finance costs arising on early redemption of note receivables	646	157	294	171	321
	<u>1,522</u>	<u>628</u>	<u>701</u>	<u>296</u>	<u>432</u>

9. INCOME TAX EXPENSE

	Year ended 31 December 2008 RMB'000	Year ended 31 December 2009 RMB'000	Year ended 31 December 2010 RMB'000	Six months ended 30 June 2010 RMB'000 (Unaudited)	Six months ended 30 June 2011 RMB'000
Current tax:					
– PRC Enterprise Income Tax (“EIT”)	7,162	4,282	6,390	3,547	4,435
(Over)/under-provision in prior years:					
– PRC EIT	(82)	(3,071)	(2,786)	20	(3,544)
Deferred tax (<i>Note 24</i>)	161	99	359	(541)	196
Total income tax recognized in profit and loss	<u>7,241</u>	<u>1,310</u>	<u>3,963</u>	<u>3,026</u>	<u>1,087</u>

(i) Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Relevant Periods.

No provision for Hong Kong Profits Tax has been made in the Financial Information as the Group had no assessable profit subject to Hong Kong Profits Tax for the Relevant Periods.

(ii) The PRC

On 16 March 2007, the National People's Congress promulgated the Law of the PRC on Enterprise Income Tax (the "New EIT Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New EIT Law. Under the New EIT Law and Implementation Regulation, the statutory EIT rate of the Group's subsidiaries in the PRC have been reduced to 25% from 1 January 2008 onwards.

Sichuan Jinghong

Notwithstanding the above, under the old EIT system in the PRC, Sichuan Jinghong obtained a written approval from the local tax authorities on 23 May 2007 and was entitled to exemptions from the EIT for two years commencing from its first profit-making year and thereafter entitled to a 50% relief from EIT for the next three years (the "Manufacturing Income Tax Holidays"). According to Guofa [2007] No. 39, the PRC enterprises which have started to enjoy the Manufacturing Income Tax Holidays before the effective date of the New EIT Law can continue to enjoy the remaining period of the Manufacturing Income Tax Holidays. For those PRC enterprises whose Manufacturing Income Tax Holidays has not yet started before the effective date of the New EIT Law, they are deemed to have started to enjoy them from 1 January 2008.

Taking into account the tax position of Sichuan Jinghong in the PRC, the first profit-making year is deemed to have started from the year ended 31 December 2006 and thus Sichuan Jinghong calculated the EIT at 100% EIT exemption for the fiscal years ended 31 December 2006 and 2007, and at 50% EIT reduction and thus an effective rate of 12.5% for the fiscal years ended 31 December 2008, 2009 and 2010.

In addition, pursuant to Circular of the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation on Relevant Tax Policies for Supporting the Post-Wenchuan Earthquake Rehabilitation and Reconstruction (Cai Shui [2008] No. 104), issued on 30 July 2008 and a written approval obtained from the competent local tax authorities on 23 December 2008, effective on 1 January 2008, Sichuan Jinghong is entitled to EIT exemption and therefore exempt from tax payment for the fiscal years ended 31 December 2008, 2009 and 2010.

The tax concessions applicable to Sichuan Jinghong had expired in 2010 and it would be subject to the statutory EIT rate of 25% in the PRC from 2011 onwards.

Chongqing Guangjing

Pursuant to detailed measures of the New EIT Law in respect of West China Development Champion and a written approval obtained from the competent local tax authorities on 27 January 2006 and 11 May 2006, Chongqing Guangjing is subject to EIT rate at 7.5% for the fiscal years ended 31 December 2008 and 2009 and EIT rate of 15% for the fiscal year ended 31 December 2010 and the six months ended 30 June 2011.

Notwithstanding the above, under the old EIT system in the PRC, Chongqing Guangjing obtained a written approval from the local tax authorities on 27 January 2006 and was entitled to enjoy the Manufacturing Income Tax Holidays. According to Guofa [2007] No. 39, the PRC enterprises which have started to enjoy the Manufacturing Income Tax Holidays before the effective date of the New EIT Law can continue to enjoy the remaining period of the Manufacturing Income Tax Holidays. For those PRC enterprises whose Manufacturing Income Tax Holidays has not yet started before the effective date of the New EIT Law, they are deemed to have started to enjoy them from 1 January 2008.

Taking into account the tax position of Chongqing Guangjing in the PRC, the first profit-making year is deemed to have started from the year ended 31 December 2005 and thus Chongqing Guangjing calculated the EIT at 100% EIT exemption for the fiscal years ended 31 December 2005 and 2006, and at 50% EIT reduction and thus an effective rate of 7.5% for the fiscal years ended 31 December 2007, 2008 and 2009 and an effective rate of 15% for the fiscal year ended 31 December 2010 and the six months ended 30 June 2011.

Chuzhou Chuangce

Taking into account the tax position of Chuzhou Chuangce in the PRC, Chuzhou Chuangce calculated at statutory EIT and was subject to EIT at the effective rate of 25% for the fiscal years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011.

Withholding Tax

The New EIT Law provides that qualified dividend income between two "resident enterprises" that have a direct investment relationship is exempted from income tax. Otherwise, such dividends will be subject to a 5% to 10% withholding tax under the tax treaty or the domestic law.

Prior to the Corporate Reorganization, Conca Investments, an investment holding company controlled by Mr. Chao and the then equity holder of Chuzhou Chuangce, Chongqing Guangjing and Sichuan Jinghong, was subject to withholding tax on dividends received from Chuzhou Chuangce, Chongqing Guangjing and Sichuan Jinghong and for administrative purpose, such withholding tax was paid and settled by the subsidiaries. For the Relevant Periods, the subsidiaries paid dividends net of withholding tax in aggregate of approximately RMB94,364,000 to Conca Investments and withholding tax on such dividends in aggregate of approximately RMB4,967,000 to the relevant PRC authority before the end of each of the Relevant Periods. The PRC legal advisers of the Company are of the view that the declaration and payment of dividends complies with the relevant PRC laws and regulations and accordingly, the Group will not be subject to any dividend withholding tax after such tax payment was fully settled.

The tax charges for the Relevant Periods can be reconciled to the profit before tax per the consolidated statements of comprehensive income as follows:

	Year ended 31 December 2008 RMB'000	Year ended 31 December 2009 RMB'000	Year ended 31 December 2010 RMB'000	Six months ended 30 June 2010 RMB'000	Six months ended 30 June 2011 RMB'000
Profit before tax	<u>45,260</u>	<u>24,906</u>	<u>39,688</u>	<u>15,335</u>	<u>21,378</u>
Tax at domestic tax rates applicable to profits of taxable entities in the countries concerned	11,788	5,778	8,735	3,424	4,534
Tax effect of expenses not deductible for tax purpose (<i>Note i</i>)	91	1,407	2,039	258	332
Tax effect of income not taxable for tax purpose (<i>Note ii</i>)	(266)	(4)	–	(676)	(1,042)
Tax effect of tax losses not recognized	87	29	–	–	–
Utilization of tax losses previously not recognized	–	–	(235)	–	–
Tax effect of withholding tax at 5% on the distributable profit of the Group's subsidiaries	–	–	–	–	807
(Over)/under-provision in prior years (<i>Note iii</i>)	(82)	(3,071)	(2,786)	20	(3,544)
Tax effect of change in EIT rate	–	–	(228)	–	–
Tax effect of tax relief granted to the PRC subsidiaries	<u>(4,377)</u>	<u>(2,829)</u>	<u>(3,562)</u>	<u>–</u>	<u>–</u>
Income tax expense for the year/period	<u>7,241</u>	<u>1,310</u>	<u>3,963</u>	<u>3,026</u>	<u>1,087</u>

Notes:

- (i) The amounts comprise the tax effect of the PRC subsidiaries' expenses which are in excess of allowable deduction limits, such as entertainment or non-deductible in nature.
- (ii) The amounts comprise the tax effect of the PRC subsidiaries' income which are non-taxable in nature.
- (iii) The amounts comprise the refund of the PRC EIT after the approval of preferential tax rates from the relevant tax authorities after the end of each reporting period.

10. PROFIT FOR THE YEAR/PERIOD

Profit for the year/period has been arrived at after charging:

	Year ended 31 December 2008 RMB'000	Year ended 31 December 2009 RMB'000	Year ended 31 December 2010 RMB'000	Six months ended 30 June 2010 RMB'000 (Unaudited)	Six months ended 30 June 2011 RMB'000
Depreciation of property, plant and equipment	7,778	6,221	6,451	3,169	3,467
Amortization of prepaid lease payments	70	71	75	36	36
Auditors' remuneration	9	10	9	10	12
Operating lease rentals in respect of premises	1,291	1,327	1,470	730	869
Cost of inventories recognized as an expense (including write-down recognized on inventories)	137,637	56,716	77,670	35,625	48,609
Write-down of inventories to net realizable value	<u>—</u>	<u>—</u>	<u>322</u>	<u>191</u>	<u>76</u>
Directors' emoluments (<i>Note 11</i>)	53	68	71	38	124
Other employee salaries and benefits	10,868	10,522	13,860	6,808	8,344
Contributions to retirement benefits schemes, excluding those of directors	<u>991</u>	<u>1,003</u>	<u>1,231</u>	<u>527</u>	<u>972</u>
Total employee benefits expense	<u>11,912</u>	<u>11,593</u>	<u>15,162</u>	<u>7,373</u>	<u>9,440</u>

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

The emoluments paid or payable to the directors of the Company during the Relevant Periods were as follows:

	Fees <i>RMB'000</i>	Salaries and other benefits <i>RMB'000</i>	Contributions to retirement benefits schemes <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2008				
Executive directors				
Mr. Chao	-	-	-	-
Ms. Zhou Zheng Bin	-	-	-	-
Ms. Chen Fen	-	-	-	-
Mr. Zuo Ji Lin	-	53	-	53
Independent non-executive directors				
Mr. Chan Chun Chi	-	-	-	-
Mr. Yu Xi Chun	-	-	-	-
Mr. Wu Hao Tian	-	-	-	-
	<u>-</u>	<u>53</u>	<u>-</u>	<u>53</u>
Year ended 31 December 2009				
Executive directors				
Mr. Chao	-	-	-	-
Ms. Zhou Zheng Bin	-	-	-	-
Ms. Chen Fen	-	-	-	-
Mr. Zuo Ji Lin	-	60	8	68
Independent non-executive directors				
Mr. Chan Chun Chi	-	-	-	-
Mr. Yu Xi Chun	-	-	-	-
Mr. Wu Hao Tian	-	-	-	-
	<u>-</u>	<u>60</u>	<u>8</u>	<u>68</u>
Year ended 31 December 2010				
Executive directors				
Mr. Chao	-	-	-	-
Ms. Zhou Zheng Bin	-	-	-	-
Ms. Chen Fen	-	-	-	-
Mr. Zuo Ji Lin	-	65	6	71
Independent non-executive directors				
Mr. Chan Chun Chi	-	-	-	-
Mr. Yu Xi Chun	-	-	-	-
Mr. Wu Hao Tian	-	-	-	-
	<u>-</u>	<u>65</u>	<u>6</u>	<u>71</u>

	Fees <i>RMB'000</i>	Salaries and other benefits <i>RMB'000</i>	Contributions to retirement benefits schemes <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2011				
Executive directors				
Mr. Chao	–	10	–	10
Ms. Zhou Zheng Bin	–	10	–	10
Ms. Chen Fen	–	10	–	10
Mr. Zuo Ji Lin	–	71	11	82
Independent non-executive directors				
Mr. Chan Chun Chi	6	–	–	6
Mr. Yu Xi Chun	3	–	–	3
Mr. Wu Hao Tian	3	–	–	3
	<u>12</u>	<u>101</u>	<u>11</u>	<u>124</u>
Six months ended 30 June 2010 (unaudited)				
Executive directors				
Mr. Chao	–	–	–	–
Ms. Zhou Zheng Bin	–	–	–	–
Ms. Chen Fen	–	–	–	–
Mr. Zuo Ji Lin	–	32	6	38
Independent non-executive directors				
Mr. Chan Chun Chi	–	–	–	–
Mr. Yu Xi Chun	–	–	–	–
Mr. Wu Hao Tian	–	–	–	–
	<u>–</u>	<u>32</u>	<u>6</u>	<u>38</u>

Employees' emoluments

	Year ended 31 December 2008	Year ended 31 December 2009	Year ended 31 December 2010	Six months ended 30 June 2010	Six months ended 30 June 2011
	(Number of individuals)	(Number of individuals)	(Number of individuals)	(Number of individuals) (Unaudited)	(Number of individuals)
Directors	–	1	1	1	1
Non-directors	5	4	4	4	4
5 highest-paid individuals	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

The emoluments of the above non-directors, highest paid individuals were as follows:

	Year ended 31 December 2008	Year ended 31 December 2009	Year ended 31 December 2010	Six months ended 30 June 2010	Six months ended 30 June 2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Salaries and other benefits	466	376	290	114	327
Contributions to retirement benefits schemes	26	15	17	18	6
Total emoluments	<u>492</u>	<u>391</u>	<u>307</u>	<u>132</u>	<u>333</u>

The emoluments of each of the above non-directors, highest paid individuals were below 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 (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the Relevant Periods.

12. DIVIDENDS

	Year ended 31 December 2008 <i>RMB'000</i>	Year ended 31 December 2009 <i>RMB'000</i>	Year ended 31 December 2010 <i>RMB'000</i>	Six months ended 30 June 2010 <i>RMB'000</i>	Six months ended 30 June 2011 <i>RMB'000</i>
				(Unaudited)	
Dividends paid in respect of the following companies:					
Chuzhou Chuangce	–	10,530	3,714	–	5,124
Chongqing Guangjing	1,145	–	–	–	3,573
Sichuan Jinghong	7,114	30,521	20,220	–	25,649
	<u>8,259</u>	<u>41,051</u>	<u>23,934</u>	<u>–</u>	<u>34,346</u>
Dividends attributable to owners of the Company					

No dividend has been paid or declared by the Company since its incorporation. The amounts represented the dividends paid by respective companies to their then equity holders prior to the Corporate Reorganization.

The rate of dividend and the number of shares ranking for dividends have not been presented as such information is not meaningful having regard to the purpose of this report.

13. EARNINGS PER SHARE

For the purpose of this report, the calculation of the basic earnings per share attributable to owners of the Company is based on (i) the profit attributable to owners of the Company for the Relevant Periods and (ii) the weighted average number of 150,000,000 shares (comprising 2 shares in issue and 149,999,998 shares to be issued under the capitalization issue as described in Appendix V “Statutory and General Information” to the Prospectus) as if these 150,000,000 shares were outstanding throughout the Relevant Periods.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue during the Relevant Periods.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Moulds RMB'000	Construction- in-progress RMB'000	Total RMB'000
<i>Cost</i>								
Balance at 1 January 2008	21,474	-	55,826	459	1,588	4,577	130	84,054
Additions	38	-	935	25	2	2,956	69	4,025
Disposals	-	-	(4,381)	-	(28)	-	-	(4,409)
Transfer	-	-	63	-	-	-	(63)	-
Balance at 31 December 2008	21,512	-	52,443	484	1,562	7,533	136	83,670
Additions	-	-	1,037	40	123	2,453	-	3,653
Disposals	-	-	(568)	(8)	-	-	-	(576)
Transfer	-	-	64	-	-	-	(64)	-
Balance at 31 December 2009	21,512	-	52,976	516	1,685	9,986	72	86,747
Additions	-	-	751	68	704	2,795	8	4,326
Disposals	-	-	(532)	-	-	(828)	-	(1,360)
Transfer	-	-	72	-	-	-	(72)	-
Balance at 31 December 2010	21,512	-	53,267	584	2,389	11,953	8	89,713
Additions	65	208	41	289	452	2,361	56	3,472
Disposals	-	-	-	-	(191)	(10)	(8)	(209)
Effect of foreign currency exchange differences	-	(3)	-	-	-	-	-	(3)
Balance at 30 June 2011	21,577	205	53,308	873	2,650	14,304	56	92,973
<i>Accumulated depreciation and impairment</i>								
Balance at 1 January 2008	2,613	-	26,975	260	547	828	-	31,223
Depreciation expense	1,041	-	5,219	65	273	1,180	-	7,778
Eliminated on disposals	-	-	(1,493)	-	(24)	-	-	(1,517)
Balance at 31 December 2008	3,654	-	30,701	325	796	2,008	-	37,484
Depreciation expense	1,044	-	3,093	58	247	1,779	-	6,221
Eliminated on disposals	-	-	(504)	(2)	-	-	-	(506)
Balance at 31 December 2009	4,698	-	33,290	381	1,043	3,787	-	43,199
Depreciation expense	1,043	-	3,028	45	197	2,138	-	6,451
Eliminated on disposals	-	-	(478)	-	-	(511)	-	(989)
Balance at 31 December 2010	5,741	-	35,840	426	1,240	5,414	-	48,661
Depreciation expense	502	-	1,494	40	161	1,270	-	3,467
Eliminated on disposals	-	-	-	-	(64)	(1)	-	(65)
Balance at 30 June 2011	6,243	-	37,334	466	1,337	6,683	-	52,063
<i>Carrying amounts</i>								
Balance at 30 June 2011	15,334	205	15,974	407	1,313	7,621	56	40,910
Balance at 31 December 2010	15,771	-	17,427	158	1,149	6,539	8	41,052
Balance at 31 December 2009	16,814	-	19,686	135	642	6,199	72	43,548
Balance at 31 December 2008	17,858	-	21,742	159	766	5,525	136	46,186

The above items of property, plant and equipment other than construction-in-progress are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the term of the leases, or 20 years whichever is the shorter
Leasehold improvements	20% or over the relevant lease terms whichever is the shorter
Plant and machinery	10% – 20%
Office equipment	20%
Motor vehicles	20% – 40%
Moulds	20%

The carrying amounts of buildings shown above comprise:

	As at 31 December 2008 <i>RMB'000</i>	As at 31 December 2009 <i>RMB'000</i>	As at 31 December 2010 <i>RMB'000</i>	As at 30 June 2011 <i>RMB'000</i>
Situated on leasehold land in the PRC under medium-term lease	<u>17,858</u>	<u>16,814</u>	<u>15,771</u>	<u>15,334</u>

As at 31 December 2008, 2009 and 2010 and 30 June 2011, buildings with carrying amounts of approximately RMB17,527,000, RMB16,504,000, RMB3,142,000 and RMB3,120,000 respectively were pledged to secure certain short-term bank loans (Note 23) of the Group.

15. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	As at 31 December 2008 <i>RMB'000</i>	As at 31 December 2009 <i>RMB'000</i>	As at 31 December 2010 <i>RMB'000</i>	As at 30 June 2011 <i>RMB'000</i>
Leasehold land in the PRC under medium-term lease	<u>3,123</u>	<u>3,100</u>	<u>3,025</u>	<u>2,989</u>
Analyzed for reporting purposes as:				
Current assets	70	71	71	71
Non-current assets	<u>3,053</u>	<u>3,029</u>	<u>2,954</u>	<u>2,918</u>
	<u>3,123</u>	<u>3,100</u>	<u>3,025</u>	<u>2,989</u>

The Group's prepaid lease payments are amortized on a straight-line basis over the term of the leases of the land use rights.

As at 31 December 2008, 2009 and 2010 and 30 June 2011, prepaid lease payments with carrying amounts of approximately RMB3,123,000, RMB3,100,000, RMB1,402,000 and RMB1,385,000 respectively were pledged to secure certain short-term bank loans (Note 23) of the Group.

16. INVENTORIES

	As at 31 December 2008 <i>RMB'000</i>	As at 31 December 2009 <i>RMB'000</i>	As at 31 December 2010 <i>RMB'000</i>	As at 30 June 2011 <i>RMB'000</i>
Raw materials	1,830	2,348	4,069	3,736
Work-in-progress	44	124	116	188
Finished goods	6,449	5,129	5,186	5,842
Packaging materials and consumables	955	1,196	1,807	1,627
	<u>9,278</u>	<u>8,797</u>	<u>11,178</u>	<u>11,393</u>

17. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments include:

	As at 31 December 2008 <i>RMB'000</i>	As at 31 December 2009 <i>RMB'000</i>	As at 31 December 2010 <i>RMB'000</i>	As at 30 June 2011 <i>RMB'000</i>
Listed securities:				
– Equity securities listed in the PRC	<u>–</u>	<u>–</u>	<u>9,811</u>	<u>–</u>

Fair values are determined with reference to quoted market bid prices.

18. TRADE AND OTHER RECEIVABLES

	<u>The Group</u>				<u>The Company</u>
	As at 31 December 2008 <i>RMB'000</i>	As at 31 December 2009 <i>RMB'000</i>	As at 31 December 2010 <i>RMB'000</i>	As at 30 June 2011 <i>RMB'000</i>	As at 30 June 2011 <i>RMB'000</i>
Trade receivables	52,372	56,348	56,303	83,609	–
Note receivables	20,278	15,767	27,345	28,895	–
Deposits in advance	299	651	600	215	–
Prepayments	146	125	332	304	–
Prepaid listing expenses	–	–	–	7,825	7,825
Other deposits	10	10	10	10	–
Other receivables	53	131	187	1,532	–
	<u>73,158</u>	<u>73,032</u>	<u>84,777</u>	<u>122,390</u>	<u>7,825</u>

The above trade and other receivables are denominated in the functional currencies of the relevant group entities.

The following is an aged analysis of the Group's trade receivables (net of allowance for doubtful debts) at the end of each of the Relevant Periods, presented based on the invoice date:

	As at 31 December 2008 <i>RMB'000</i>	As at 31 December 2009 <i>RMB'000</i>	As at 31 December 2010 <i>RMB'000</i>	As at 30 June 2011 <i>RMB'000</i>
Within 90 days	51,759	49,485	51,303	71,085
91-180 days	513	6,254	4,563	7,611
181-365 days	47	62	56	4,679
Over 365 days	53	547	381	234
Total	<u>52,372</u>	<u>56,348</u>	<u>56,303</u>	<u>83,609</u>

The Group normally allows a credit period ranging from 30 days to 180 days as at 31 December 2008, 2009 and 2010 and 30 June 2011 to its trade customers with trading history, or otherwise sales on cash terms are required.

Before accepting any new customers, the Group assesses the potential customers' credit quality and defines credit limits by customers.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of each of the Relevant Periods for which the Group has not recognized an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Age of receivables that are past due but not impaired

	As at 31 December 2008 <i>RMB'000</i>	As at 31 December 2009 <i>RMB'000</i>	As at 31 December 2010 <i>RMB'000</i>	As at 30 June 2011 <i>RMB'000</i>
Within 90 days	4,953	7,523	4,655	6,503
91-180 days	47	195	-	-
181-365 days	-	251	56	-
Over 365 days	53	163	381	234
Total	<u>5,053</u>	<u>8,132</u>	<u>5,092</u>	<u>6,737</u>

Movements in the allowance for doubtful debts

	As at 31 December 2008 <i>RMB'000</i>	As at 31 December 2009 <i>RMB'000</i>	As at 31 December 2010 <i>RMB'000</i>	As at 30 June 2011 <i>RMB'000</i>
Balance at beginning of the year/period	-	-	-	-
Impairment losses recognized on receivables	1	-	-	-
Amounts written off as uncollectible	(1)	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at end of the year/period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of each of the Relevant Periods.

During the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, the Group recognized impairment losses in respect of trade receivables from third party customers amounting to approximately RMB1,000, Nil, Nil and Nil, respectively. The Group did not hold any collateral over these balances.

19. AMOUNTS DUE TO DIRECTORS

Name of director	As at 31 December 2008 <i>RMB'000</i>	As at 31 December 2009 <i>RMB'000</i>	As at 31 December 2010 <i>RMB'000</i>	As at 30 June 2011 <i>RMB'000</i>
Executive directors				
Mr. Chao	-	715	-	10
Ms. Zhou Zheng Bin	-	-	-	10
Ms. Chen Fen	-	-	-	10
Mr. Zuo Ji Lin	-	-	-	10
Independent non-executive directors				
Mr. Chan Chun Chi	-	-	-	6
Mr. Yu Xi Chun	-	-	-	3
Mr. Wu Hao Tian	-	-	-	3
	<u>-</u>	<u>715</u>	<u>-</u>	<u>52</u>

The amounts represented the remuneration payable to directors, which were non-trade in nature. The amounts due to directors were unsecured, interest-free and had no fixed terms of repayment. The amounts due to directors were fully settled subsequent to 30 June 2011.

The above balances are denominated in the functional currencies of the relevant group entities.

20. AMOUNTS DUE FROM/(TO) RELATED COMPANIES

Name of related company	As at	As at	As at	As at
	31 December 2008	31 December 2009	31 December 2010	30 June 2011
	RMB'000	RMB'000	RMB'000	RMB'000
Conca Investments	7,251	8,321	388	-
重慶景康塑膠製品有限公司 (Chongqing Jingkang Plastic Material Company Limited*)	220	(19)	-	-
重慶創策包裝材料有限公司 (Chongqing Chuangce Packaging Material Company Limited*)	207	(3)	-	-
深圳市啟順貿易有限公司 (Shenzhen Qi Shun Trading Company Limited*)	17,326	17,326	-	-
	<u>25,004</u>	<u>25,625</u>	<u>388</u>	<u>-</u>

* English translated name is for identification purpose only.

Maximum amounts outstanding during each of the Relevant Periods

Name of related company	Year ended	Year ended	Year ended	Six months
	31 December 2008	31 December 2009	31 December 2010	ended 30 June 2011
	RMB'000	RMB'000	RMB'000	RMB'000
Conca Investments	7,251	9,795	10,625	388
Chongqing Jingkang Plastic Material Company Limited	450	515	N/A	N/A
Chongqing Chuangce Packaging Material Company Limited	448	448	N/A	N/A
Shenzhen Qi Shun Trading Company Limited	17,326	17,326	17,326	N/A

Mr. Chao had indirect beneficial interests in Chongqing Jingkang Plastic Material Company Limited and Chongqing Chuangce Packaging Material Company Limited.

Ms. Zhou Zheng Bin, the spouse of Mr. Chao, had beneficial interests in Shenzhen Qi Shun Trading Company Limited.

The amounts due arose from temporary fund transfers, which were non-trade in nature. The amounts due from the above related companies were unsecured, interest-free and had no fixed terms of repayment. The amounts due from the above related companies were fully settled during the six months ended 30 June 2011.

The above balances are denominated in the functional currencies of the relevant group entities.

21. CASH AND BANK BALANCES/PLEDGED BANK DEPOSITS

Cash and bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less which carry interest at market rates ranging from 0.36% to 1.71% per annum, from 0.36% to 1.17% per annum, from 0.36% to 1.35% per annum and from 0.36% to 1.21% per annum, as at 31 December 2008, 2009 and 2010 and 30 June 2011, respectively.

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to approximately Nil, RMB846,000, RMB333,000 and Nil as at 31 December 2008, 2009 and 2010 and 30 June 2011, respectively (Note 22), have been pledged to secure note payables and are therefore classified as current assets. The pledged bank deposits will be released upon the settlement of relevant note payables. Pledged bank deposits are denominated in RMB, the functional currency of the relevant group entities.

Certain of the Group's cash and bank balances with an aggregate amount of approximately RMB59,410,000, RMB30,360,000, RMB42,433,000 and RMB21,939,000 as at 31 December 2008, 2009 and 2010 and 30 June 2011, respectively, were denominated in RMB which is not a freely convertible currency in the international market. The government of the PRC has implemented foreign exchange control and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the government of the PRC.

22. TRADE AND OTHER PAYABLES

	As at 31 December 2008 <i>RMB'000</i>	As at 31 December 2009 <i>RMB'000</i>	As at 31 December 2010 <i>RMB'000</i>	As at 30 June 2011 <i>RMB'000</i>
Trade payables	36,318	33,210	26,159	35,511
Note payables	–	846	333	–
Receipts in advance	58	42	3,380	5,940
Accruals	1,047	1,065	974	692
Other taxes payable	2,382	780	70	2,218
Others	745	915	1,262	2,488
	<u>40,550</u>	<u>36,858</u>	<u>32,178</u>	<u>46,849</u>

The above trade and other payables are denominated in the functional currencies of the relevant group entities.

The following is an aged analysis of the Group's trade payables at the end of each of the Relevant Periods, presented based on the invoice date:

	As at 31 December 2008 <i>RMB'000</i>	As at 31 December 2009 <i>RMB'000</i>	As at 31 December 2010 <i>RMB'000</i>	As at 30 June 2011 <i>RMB'000</i>
Within 90 days	33,514	25,407	23,864	30,887
91-180 days	2,475	2,080	2,030	2,940
181-365 days	108	78	94	1,569
Over 365 days	221	5,645	171	115
	<u>36,318</u>	<u>33,210</u>	<u>26,159</u>	<u>35,511</u>

As at 31 December 2008, 2009 and 2010 and 30 June 2011, the average credit period on purchases of certain goods is ranging from 30 days to 90 days, from 30 days to 90 days, from 30 days to 90 days and from 30 days to 90 days respectively. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

As at 31 December 2008, 2009 and 2010 and 30 June 2011, note payables were secured by a charged over certain of the Group's assets (Note 21 and 30).

23. BANK BORROWINGS

	As at 31 December 2008 <i>RMB'000</i>	As at 31 December 2009 <i>RMB'000</i>	As at 31 December 2010 <i>RMB'000</i>	As at 30 June 2011 <i>RMB'000</i>
Bank loans – secured	<u>8,000</u>	<u>–</u>	<u>4,000</u>	<u>4,000</u>
Carrying amount repayable:				
Amounts due on demand or within one year shown under current liabilities	<u>8,000</u>	<u>–</u>	<u>4,000</u>	<u>4,000</u>

As at 31 December 2008, 2009 and 2010 and 30 June 2011, bank loans were secured by a charged over certain of the Group's assets (Note 30) and bear interest ranging from 5.31% to 5.58% per annum, at 5.58% per annum, at 5.56% per annum and at 5.56% per annum, respectively.

24. DEFERRED TAXATION

The following is the major deferred tax assets/(liabilities) recognized and movements thereon during the Relevant Periods:

	Write-down of inventories <i>RMB'000</i>	Provision for unrealized profits <i>RMB'000</i>	Withholding tax <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2008	–	–	–	–
Charge to profit and loss	<u>–</u>	<u>(161)</u>	<u>–</u>	<u>(161)</u>
At 31 December 2008	–	(161)	–	(161)
Charge to profit and loss	<u>–</u>	<u>(99)</u>	<u>–</u>	<u>(99)</u>
At 31 December 2009	–	(260)	–	(260)
Credit/(charge) to profit and loss	<u>59</u>	<u>(418)</u>	<u>–</u>	<u>(359)</u>
At 31 December 2010	59	(678)	–	(619)
Credit/(charge) to profit and loss	<u>13</u>	<u>598</u>	<u>(807)</u>	<u>(196)</u>
At 30 June 2011	<u>72</u>	<u>(80)</u>	<u>(807)</u>	<u>(815)</u>

The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December 2008 <i>RMB'000</i>	As at 31 December 2009 <i>RMB'000</i>	As at 31 December 2010 <i>RMB'000</i>	As at 30 June 2011 <i>RMB'000</i>
Deferred tax assets	–	–	59	72
Deferred tax liabilities	<u>(161)</u>	<u>(260)</u>	<u>(678)</u>	<u>(887)</u>
	<u>(161)</u>	<u>(260)</u>	<u>(619)</u>	<u>(815)</u>

As at 31 December 2008, 2009 and 2010 and 30 June 2011, the Group had unused tax losses of approximately RMB1,175,000, RMB1,567,000, Nil and Nil, respectively, available for offset against future profits. No deferred tax asset has been recognized in respect of such tax losses due to the unpredictability of future profit streams. The tax losses of approximately RMB1,175,000, RMB1,567,000, Nil and Nil as at 31 December 2008, 2009 and 2010 and 30 June 2011, respectively, will expire in 5 years.

25. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amount arose from fund transfers, which was non-trade in nature. The amount due to immediate holding company was unsecured, interest-free and had no fixed terms of repayment. The amount due to immediate holding company was fully settled subsequent to 30 June 2011 (Section C below).

The above balance is denominated in the functional currencies of the relevant group entities.

26. SHARE CAPITAL

	Number of shares	Share capital HK\$
Authorized		
Ordinary shares of HK\$0.01 each		
At the date of incorporation	38,000,000	380,000
Increase in authorized share capital on 10 June 2011	<u>962,000,000</u>	<u>9,620,000</u>
Ordinary shares of HK\$0.01 each at 30 June 2011	<u><u>1,000,000,000</u></u>	<u><u>10,000,000</u></u>
Issued and fully paid		
Ordinary shares of HK\$0.01 each		
At the date of incorporation	1	0.01
Issue of new share on 4 April 2011	<u>1</u>	<u>0.01</u>
Ordinary shares of HK\$0.01 each at 30 June 2011	<u><u>2</u></u>	<u><u>0.02</u></u>
		<i>RMB'000</i>
Shown on the statement of financial position at 30 June 2011		<u><u>—</u></u>

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 4 January 2011 with an initial authorized share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each and one share was issued thereafter. On 4 April 2011, one share of the Company was allotted and issued to Rich Gold, a company wholly-owned by Mr. Chao, at a consideration of HK\$142,316,243. Pursuant to the written resolutions passed by the shareholder of the Company on 10 June 2011, the authorized share capital of the Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of an additional of 962,000,000 shares of HK\$0.01 each, each ranking pari passu with the shares then in issue in all respects.

For the purpose of the preparation of the statements of financial position, the balance of share capital as at 31 December 2008, 2009 and 2010 represents the aggregate of the share and paid up capital of the subsidiaries comprising the Group held by Mr. Chao, the controlling shareholder, prior to the Corporate Reorganization.

27. RESERVES**(a) Capital reserve**

Exchange differences relating to the translation of the capital contributions by the equity owners from foreign currency to RMB are recognized directly in other comprehensive income and accumulated in the capital reserve.

(b) PRC statutory reserves

As stipulated by the relevant laws and regulations for foreign investment enterprises in the PRC, the Company's PRC subsidiaries are required to maintain two statutory reserves, being an enterprise expansion fund and a statutory surplus reserve fund which are non-distributable. Appropriations to such reserves are made out of net profit after taxation reported in the statutory financial statements of the PRC subsidiaries while the amounts and allocation basis are decided by their board of directors annually but must not be less than 10% of the net profit after tax, until such reserves reach 50% of the registered capital of the relevant subsidiaries. The statutory surplus reserve fund can be used to make up their prior year losses, if any, and can be applied in conversion into capital by means of capitalization issue. The enterprise expansion fund is used for expanding the capital base of the PRC subsidiaries by means of capitalization issue.

(c) Acquisition of additional interests in a subsidiary

In September 2008, Conca Investments, a company controlled by Mr. Chao, acquired 35% equity interests of Sichuan Jinghong held by Sichuan Changhong Chuangxin at a consideration of RMB32 million which was determined with reference to the net asset valuation of Sichuan Jinghong as at 30 June 2008 which amounted to RMB60,646,100 based on a valuation report issued by a PRC valuer on 15 July 2008. Sichuan Jinghong then became a wholly-owned subsidiary of Conca Investments.

(d) Special reserve

As part of the Corporate Reorganization set out in Note 1, Metro Master entered into respective equity transfer agreements with Conca Investments, pursuant to which Conca Investments transferred the entire equity interests in Chuzhou Chuangce, Chongqing Guangjing and Sichuan Jinghong at an aggregated consideration of RMB119,790,000. The aforesaid equity transfer transactions were completed in March 2011 and the Company became the holding company of the Group. In order to provide the necessary funding to Metro Master for the acquisition of the equity interests of Chuzhou Chuangce, Chongqing Guangjing and Sichuan Jinghong from Conca Investments, Mr. Chao, through Rich Gold, subscribed one share of the Company at a consideration of HK\$142,316,243 on 4 April 2011. Such subscription proceeds were applied by Metro Master to finance its payment obligations under the aforesaid equity transfer agreements entered into with Conca Investments and the aforesaid payments had been fully settled on 4 April 2011.

Special reserve of the Group represents the difference between the aggregate amount of considerations paid by the Group for the acquisition of Chuzhou Chuangce, Chongqing Guangjing and Sichuan Jinghong, and the aggregate amount of paid-in capital of the aforesaid subsidiaries acquired pursuant to the Corporate Reorganization.

28. RETIREMENT BENEFIT PLANS

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. The total expenses recognized in the consolidated statements of comprehensive income amounted to approximately RMB991,000, RMB1,011,000, RMB1,237,000 and RMB980,000 for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, respectively, and represented contributions payable to these plans by the Group at rates specified in the rules of plans.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees. The total expenses recognized in the consolidated statements of comprehensive income amount to approximately Nil, Nil, Nil and RMB3,000 for the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011, respectively, and represented contributions payable to these plans by the Group at rates specified in the rules of the plans.

29. RELATED PARTY DISCLOSURES

(a) Outstanding balances with related parties

Details of outstanding balances with related parties of the Group at the end of each of the Relevant Periods are set out in Notes 19, 20 and 25.

(b) Transactions with related parties

As disclosed in Note 27(c), Sichuan Changhong Chuangxin was a non-controlling interest equity holder of Sichuan Jinghong previously. Sichuan Changhong Chuangxin was controlled and beneficially held by 四川長虹電器股份有限公司 (Sichuan Changhong Electric Co. Ltd.) ("Sichuan Changhong Electric"). For the period from 1 January 2008 to 26 September 2008 (the completion date of which the 35% equity interests of Sichuan Jinghong held by Sichuan Changhong Chuangxin were transferred to Conca Investments), the Group had entered into the following significant transactions with Sichuan Changhong Electric based on the terms mutually agreed by both parties.

	<i>RMB'000</i>
Rental expense paid to Sichuan Changhong Electric	958
Utilities expenses paid to Sichuan Changhong Electric	5,670
Revenue arising from sale of goods to Sichuan Changhong Electric	<u>122,657</u>

(c) Compensation of key management personnel

The emoluments of the Company's directors, who are also identified as members of key management of the Group, are set out in Note 11.

30. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group or borrowings of the Group (Notes 22 and 23):

	As at 31 December 2008 <i>RMB'000</i>	As at 31 December 2009 <i>RMB'000</i>	As at 31 December 2010 <i>RMB'000</i>	As at 30 June 2011 <i>RMB'000</i>
Buildings	17,527	16,504	3,142	3,120
Prepaid lease payments	3,123	3,100	1,402	1,385
Bank deposits	—	846	333	—
Total pledged assets	<u>20,650</u>	<u>20,450</u>	<u>4,877</u>	<u>4,505</u>

31. OPERATING LEASES

The Group as lessee

	Year ended 31 December 2008 <i>RMB'000</i>	Year ended 31 December 2009 <i>RMB'000</i>	Year ended 31 December 2010 <i>RMB'000</i>	Six months ended 30 June 2011 <i>RMB'000</i>
Minimum lease payments paid under operating leases for premises	—	2	4,367	4,757

At the end of each of the Relevant Periods, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December 2008 <i>RMB'000</i>	As at 31 December 2009 <i>RMB'000</i>	As at 31 December 2010 <i>RMB'000</i>	As at 30 June 2011 <i>RMB'000</i>
Within one year	—	2	1,462	1,892
In the second to fifth years inclusive	—	—	2,905	2,865
	—	2	4,367	4,757

Operating lease payments represent rentals payable by the Group for warehouse and premises. Leases are negotiated and rentals are fixed for terms ranging from one to three years.

32. CAPITAL COMMITMENTS

	As at 31 December 2008 <i>RMB'000</i>	As at 31 December 2009 <i>RMB'000</i>	As at 31 December 2010 <i>RMB'000</i>	As at 30 June 2011 <i>RMB'000</i>
Capital expenditure contracted for but not provided in the Financial Information in respect of the acquisition of property, plant and equipment	4	—	—	68

33. INVESTMENTS IN SUBSIDIARIES

The Company

(a) Investments in subsidiaries

	As at 30 June 2011 <i>RMB'000</i>
Unlisted investment in a directly owned subsidiary	—

(b) Amounts due from subsidiaries

Name of subsidiary	As at 30 June 2011 RMB'000
Cheng Hao	25
Metro Master	<u>120,265</u>
	<u><u>120,290</u></u>

The amounts due arose from temporary fund transfers, which were non-trade in nature. The amounts due from the above subsidiaries were unsecured, interest-free and had no fixed terms of repayment.

The above balances are denominated in the functional currencies of the relevant group entities.

(c) Amounts due to subsidiaries

Name of subsidiary	As at 30 June 2011 RMB'000
Chuzhou Chuangce	901
Sichuan Jinghong	<u>123</u>
	<u><u>1,024</u></u>

The amounts due arose from temporary fund transfers, which were non-trade in nature. The amounts due to the above subsidiaries were unsecured, interest-free and had no fixed terms of repayment.

The above balances are denominated in the functional currencies of the relevant group entities.

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Group consists of net debt (which includes trade and other payables, amounts due to directors, amounts due to related companies, amount due to immediate holding company and bank borrowings), cash and cash equivalents and equity attributable to owners of the Company (comprising issued share capital and reserves).

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of the capital. The Group seeks to 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.

The net debt to equity ratios at the end of each of the Relevant Periods were as follows:

	As at 31 December 2008 <i>RMB'000</i>	As at 31 December 2009 <i>RMB'000</i>	As at 31 December 2010 <i>RMB'000</i>	As at 30 June 2011 <i>RMB'000</i>
Debts	48,550	37,595	36,178	59,824
Cash and cash equivalents	(59,418)	(30,368)	(42,440)	(23,440)
Net debt	(10,868)	7,227	(6,262)	36,384
Equity	163,276	145,821	157,612	143,559
Net debt-to-equity ratio	N/A	5%	N/A	25%

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group				The Company
	As at 31 December 2008 <i>RMB'000</i>	As at 31 December 2009 <i>RMB'000</i>	As at 31 December 2010 <i>RMB'000</i>	As at 30 June 2011 <i>RMB'000</i>	As at 30 June 2011 <i>RMB'000</i>
Financial assets					
<i>Fair value through profit or loss</i>					
Held-for-trading investments	-	-	9,811	-	-
<i>Loans and receivables</i>					
Financial assets included in					
trade and other receivables	73,012	72,907	84,445	114,261	-
Amounts due from related companies	25,004	25,647	388	-	-
Amounts due from subsidiaries	-	-	-	-	120,290
Pledged bank deposits	-	846	333	-	-
Cash and bank balances	59,418	30,368	42,440	23,440	25
	<u>157,434</u>	<u>129,768</u>	<u>137,417</u>	<u>137,701</u>	<u>120,315</u>
Financial liabilities					
<i>Financial liabilities at amortized cost</i>					
Financial liabilities included					
in trade and other payables	38,168	36,078	32,108	44,631	-
Amounts due to directors	-	715	-	52	-
Amounts due to related companies	-	22	-	-	-
Amount due to immediate holding company	-	-	-	8,923	8,923
Amounts due to subsidiaries	-	-	-	-	1,024
Bank borrowings	8,000	-	4,000	4,000	-
	<u>46,168</u>	<u>36,815</u>	<u>36,108</u>	<u>57,606</u>	<u>9,947</u>

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due to/from related companies, amount due to immediate holding company, amounts due to directors, cash and bank balances, pledged bank deposits, trade and other payables, and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments include market risk (including foreign currency risk, interest rate risk and other price 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 effective manner.

There has been no significant change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks throughout the Relevant Periods.

Foreign currency risk management

Transactional currency exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. Substantially all the Group's sales and purchases are denominated in the functional currency of the operating units making the sales (i.e. RMB), and substantially all the costs are denominated in the units' functional currency. Accordingly, the directors of the Company consider that the Group is not exposed to significant foreign currency risk.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk management

The Group's fair value interest rate risk relates primarily to its fixed-rate bank borrowings. The cash flow interest rate risk of the Group relates primarily to the restricted bank deposits and bank balances and cash. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Equity price risk management

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes of the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as held-for-trading investments (Note 17) at the end of each of the Relevant Periods. The Group's listed investments are listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange and are valued at quoted market prices at the end of each of the Relevant Periods.

Equity price sensitivity analysis

The sensitivity analysis has been determined based on the exposure to equity price risk at the end of each of the Relevant Periods. If equity prices had been 5% higher/lower, the profit of the Group for each of the Relevant Periods would increase/decrease by Nil, Nil, approximately RMB491,000 and Nil, respectively. This is mainly due to the changes in fair value of held-for-trading investments.

The management of the Company determined to discontinue the securities trading activity, the Group disposed of all the investments in the listed equity securities in January 2011 and recorded a net loss from disposal of held-for-trading investments of approximately RMB1,241,000 for the six months ended 30 June 2011.

Credit risk management

At the end of each of the Relevant Periods, 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 recognized financial assets as stated in the statements of financial position.

There is significant concentration of credit risk as the top five biggest customers account over approximately 98%, 99%, 99% and 98% of the carrying amounts of trade receivables as at 31 December 2008, 2009 and 2010 and 30 June 2011, respectively. In order to minimize the credit risk, the management of the Group generally grants credit terms only to customers with good credit ratings and also closely monitors overdue trade debts. The recoverable amount of each individual trade debt is reviewed at the end of each reporting period and adequate impairment for doubtful debts has been made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk of the Group is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation or high credit ratings assigned by international credit-rating agencies.

Liquidity risk management

In the management of the liquidity risk, the Group and the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of borrowings and ensures compliance with loan covenants.

The following table details the Group's and the Company's remaining contractual maturity for its 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 and the Company can be required to pay. The table includes both contractual interest and principal cash flows.

Liquidity table

Non-derivative financial liabilities	Weighted average interest rate %	On demand or less than 1 year RMB'000	The Group		Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
			More than 1 year RMB'000			
As at 31 December 2008						
Trade and other payables	-	38,168	-		38,168	38,168
Bank borrowings	5.31%-5.58%	8,438	-		8,438	8,000
		<u>46,606</u>	<u>-</u>		<u>46,606</u>	<u>46,168</u>
As at 31 December 2009						
Trade and other payables	-	36,078	-		36,078	36,078
Amount due to a director	-	715	-		715	715
Amounts due to related companies	-	22	-		22	22
		<u>36,815</u>	<u>-</u>		<u>36,815</u>	<u>36,815</u>
As at 31 December 2010						
Trade and other payables	-	32,108	-		32,108	32,108
Bank borrowings	5.56%	4,222	-		4,222	4,000
		<u>36,330</u>	<u>-</u>		<u>36,330</u>	<u>36,108</u>
As at 30 June 2011						
Trade and other payables	-	44,631	-		44,631	44,631
Amounts due to directors	-	52	-		52	52
Amount due to immediate holding company	-	8,923	-		8,923	8,923
Bank borrowings	5.56%	4,110	-		4,110	4,000
		<u>57,716</u>	<u>-</u>		<u>57,716</u>	<u>57,606</u>
The Company						
Non-derivative financial liabilities	Weighted average interest rate %	On demand or less than 1 year RMB'000	More than 1 year RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000	
As at 30 June 2011						
Amount due to immediate holding company	-	8,923	-	8,923	8,923	
Amounts due to subsidiaries	-	1,024	-	1,024	1,024	
		<u>9,947</u>	<u>-</u>	<u>9,947</u>	<u>9,947</u>	

(c) **Fair values of financial instruments**

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid and ask prices respectively.
- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Fair value measurements recognized in the statement of financial position

An analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable was as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

The held-for-trading investments at the end of each of the Relevant Periods are measured using level 1 fair value measurements which are derived from quoted prices (unadjusted) in active market.

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortized cost in the Financial Information approximate their fair values.

B. DIRECTORS' REMUNERATION

Save as disclosed in this report, no remuneration has been paid or is payable to the Company's directors by the Company or any of its subsidiaries during the Relevant Periods. Under the arrangements presently in force, the aggregate remuneration of the Company's directors for the year ending 31 December 2011 is expected to be approximately RMB631,000.

C. SUBSEQUENT EVENTS

Save as disclosed elsewhere in this report, the following significant events took place subsequent to 30 June 2011:

On 24 October 2011, Rich Gold, a company wholly-owned by Mr. Chao and the holding company of the Company, executed a deed of release in favour of the Company, pursuant to which Rich Gold unconditionally and irrevocably waived, released and discharged the repayment of a shareholder's loan from Rich Gold to the Company in the amount of HK\$12,500,000 and any claim regarding such repayment.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group have been prepared in respect of any period subsequent to 30 June 2011.

Yours faithfully,
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

The information set out in this appendix does not form part of the accountants' report prepared by HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included in this prospectus for information only.

The following unaudited pro forma financial information prepared in accordance with paragraph 4.29 of the Listing Rules is for illustrative purposes only, and is set out here to provide investors with further information about how the proposed listing might have affected the net tangible assets of our Group as if the Share Offer had occurred on 30 June 2011. Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of our Group's financial results and positions of the financial periods concerns.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma adjusted net tangible assets of the Group has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Share Offer as if it had taken place on 30 June 2011. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group after the Share Offer or at any future dates.

	Audited consolidated net tangible assets attributable to owners of the Company as at 30 June 2011 RMB'000 (Note 1)	Add: Estimated net proceeds from the Share Offer RMB'000 (Note 2)	Unaudited pro forma adjusted net tangible assets RMB'000	Unaudited pro forma adjusted net tangible assets per Share	
				RMB (Note 3)	HK\$ (Note 6)
Based on the Offer Price of HK\$1.0 per Offer Share	143,559	26,991	170,550	0.85	1.02
Based on the Offer Price of HK\$1.3 per Offer Share	143,559	39,449	183,008	0.92	1.11

Notes:

1. The audited consolidated net tangible assets attributable to owners of the Company as at 30 June 2011 has been extracted without adjustment from the accountants' report set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Share Offer are based on the minimum and maximum Offer Price of HK\$1.0 and HK\$1.3 per Offer Share respectively, after deduction of relevant estimated underwriting fees and other related fees and expenses. For the purpose of the estimated net proceeds from the Share Offer, the amount stated in Hong Kong dollars has been converted into Renminbi at the rate of RMB0.8305 to HK\$1.00.
3. The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustments as described in notes 1 and 2 above and on the basis that 200,000,000 Shares are issued and outstanding as set out in the section headed "Share Capital" in this prospectus.
4. On 24 October 2011, Rich Gold executed a deed of release in favour of the Company, pursuant to which Rich Gold unconditionally and irrevocably released and discharged the repayment of a shareholder's loan from Rich Gold to the Company in the amount of HK\$12,500,000 and any claim regarding such repayment. The unaudited pro forma adjusted net tangible assets had not taken into account the above transaction. The unaudited pro forma financial information presented above does not take account of any trading or other transactions subsequent to the date of the financial statements included in the unaudited pro forma financial information (i.e. 30 June 2011).
5. By comparing the valuation of our property interests of approximately RMB22,800,000 as set out in Appendix III to this prospectus, and the carrying amounts of the Group's property interests as at 30 September 2011, the net valuation surplus is approximately RMB4,747,000 which has not been included in the above consolidated net tangible assets attributable to owners of the Company. The valuation surplus will not be incorporated in the Group's financial statements because it is the Group's accounting policy to state the property interests, classified under the sub-sections headed "Property, plant and equipment" and "Prepaid lease payments" in Appendix I to this prospectus, at cost less accumulated depreciation/amortization and impairment rather than at revalued amounts. If the valuation surplus was recorded in the Group's financial statements, an additional depreciation/amortization of approximately RMB233,000 per annum would have been incurred.
6. The unaudited pro forma adjusted net tangible assets per Share amount in Renminbi are converted into Hong Kong dollars at an exchange rate of RMB0.8305 to HK\$1.00. No representation is made that Renminbi amounts have been, could have been or could be translated to Hong Kong dollar amounts, or vice versa, at that rate or at any other rates or at all.

B. REPORT ON UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is the text of a report received from the reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus.



國 衛 會 計 師 事 務 所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

8 November 2011

The Directors
Jin Bao Bao Holdings Limited
Cinda International Capital Limited

Dear Sirs,

INTRODUCTION

We report on the unaudited pro forma adjusted net tangible assets (the “Unaudited Pro Forma Financial Information”) of Jin Bao Bao Holdings 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 share offer of 50,000,000 shares of HK\$0.01 each in the capital of the Company might have affected the financial information presented, for inclusion in Appendix II to the prospectus of the Company dated 8 November 2011 (the “Prospectus”). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Section A of Appendix II to the Prospectus.

RESPECTIVE RESPONSIBILITIES OF THE 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 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 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.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it has been carried out in accordance with those standards.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2011 or any future date.

We make no comments regarding the reasonableness of the amount of net proceeds from the Share Offer, the application of those net proceeds, or whether such use will actually take place as described under the paragraph headed “Use of Proceeds” in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

OPINION

In our opinion:

- a. the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

The following is the text of a letter, summary of valuation and valuation certificate, prepared for the purpose of incorporation in this prospectus received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 30 September 2011 of the Properties held by the Group.



Asset Appraisal Limited
資產評估顧問有限公司

Add Rm 901 9/F On Hong Commercial Building
145 Hennessy Road Wanchai Hong Kong
地址 香港灣仔軒尼詩道145號安康商業大廈9樓901室
Tel: (852) 2529 9448
Fax: (852) 3521 9591

8 November 2011

The Board of Directors
Jin Bao Bao Holdings Limited
Cinda International Capital Limited

Dear Sirs,

Re: Valuation of various properties in Hong Kong and the People's Republic of China (the "PRC")

In accordance with the instructions from Jin Bao Bao Holdings Limited (the "Company") to value the property interests (the "Properties") of the Company and its subsidiaries (hereinafter together referred to as the "Group") in Hong Kong and the PRC, we confirm that we have carried out inspections of the Properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at 30 September 2011 (the "date of valuation").

BASIS OF VALUATION

Our valuation of the Properties represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

TITLESHIP

We have been provided with copies of legal documents regarding the Properties. However, we have not verified ownership of the Properties and the existence of any encumbrances that would affect its ownership.

We have also relied upon the legal opinion provided by the PRC legal adviser, namely Shu Jin Law Firm (the "PRC Legal adviser"), to the Company on the relevant laws and regulations in the PRC, on the nature of the Group's interests in the Properties situated in the PRC. Its material content has been summarized in the valuation certificate attached herewith.

VALUATION METHODOLOGY

Due to the nature of the buildings and structures of properties numbered 1 and 2 in Group I and the particular locations in which they are situated, no relevant market for them can be identified and hence no relevant market comparable transaction is available for comparison. The property interests have therefore been valued by depreciation replacement cost method.

Depreciation replacement cost is defined as the current cost of replacement (reproduction) of a property of identical or closely similar utility with deductions for physical depreciation and all relevant forms of obsolescence and optimization. It is based on an estimate of the market value for the existing use of the land portion plus the current costs of replacement (reproduction) of the land improvement erected thereon less physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement costs of the property interests are subject to adequate potential profitability of the concerned business underlying the property interests.

We have attributed no commercial value to the property interests in Group II, which are properties rented by the Group, due either to the short-term nature of the leases or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rents.

ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the properties in Group I on the market without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the Properties.

As the properties in Group I are held by the owner by means of long term Land Use Rights granted by the Government, we have assumed that the owners have free and uninterrupted rights to use the Properties for the whole of the unexpired term of the land use rights.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on the Properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, tenancy and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the land areas and floor areas in respect of the Properties but have assumed that the floor areas shown on the documents and official site plans and floor plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have inspected the exterior and, where possible, the interior of the buildings and structures of the Properties. However, no structural survey has been made for them. In the course of our inspection, we did not note any apparent defects. We are not, however, able to report whether the buildings and structures inspected by us are free of rot, infestation or any structural defect. No test was carried out on any of the building services and equipment.

We must point out that we have not carried out site investigations to determine the suitability of the ground conditions or the services for any undeveloped portion of the Properties. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

REMARKS

In valuing the properties, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1 January 2005.

All monetary sums stated in this report are in Renminbi (RMB).

Our summary of valuation and valuation certificate are attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited

Tse Wai Leung

MFin MRICS MHKIS RPS(GP)

Director

TSE Wai Leung is a member of the Royal Institute of Chartered Surveyors, Hong Kong Institute of Surveyors and a Registered Professional Surveyor in General Practice. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Forum and has over 10 years' experience in valuation of properties in Hong Kong and in the PRC.

SUMMARY OF VALUATION

Property	Market value in existing state as at 30 September 2011	Interest Attributable to the Company	Value of property interest attributable to the Company as at 30 September 2011
Group I – Property interests held by the Group for self occupation			
1. An industrial complex situated at No. 791 Nanqiaonan Road, Chuzhou Development Zone, Chuzhou City, Anhui Province, the PRC.	RMB8,100,000	100%	RMB8,100,000
2. No. 1, Block 1 to 3, Yishe, Pengqiao Village, Guangxing Town, Jiangji District, Chongqing City, the PRC.	RMB14,700,000	100%	RMB14,700,000
Total:	RMB22,800,000		RMB22,800,000
Group II – Property rented by the Group			
3. Factory 604#, 604C# and C1#, Changhong Fourth Industrial Zone, Mianyang City, Sichuan Province, the PRC.	No commercial value	100%	No commercial value
4. Unit No. 2118 on 21st Floor, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong.	No commercial value	100%	No commercial value
Grand Total:	RMB22,800,000		RMB22,800,000

VALUATION CERTIFICATE

Group I – Property interests held by the Group for self occupation

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2011 RMB																																	
1. An industrial complex situated at No. 791 Nanqiaonan Road, Chuzhou Development Zone, Chuzhou City, Anhui Province, the PRC. (安徽省滁州市 滁州開發區南譙南路791號的土地和建築物)	<p>The property comprises a parcel of industrial land with an area of 18,142 square metres on which the following major buildings, ancillary buildings and structures are erected:</p> <table border="1"> <thead> <tr> <th>Use</th> <th>No. of Storey</th> <th>Gross Floor Area (m²)</th> </tr> </thead> <tbody> <tr> <td>1#, 2# Warehouse</td> <td>1</td> <td>4,361.58</td> </tr> <tr> <td>3# Warehouse</td> <td>1</td> <td>865.83</td> </tr> <tr> <td>4# Warehouse</td> <td>1</td> <td>1,948.77</td> </tr> <tr> <td>Production Workshop</td> <td>2</td> <td>1,717.12</td> </tr> <tr> <td>Production Workshop</td> <td>1</td> <td>289.72</td> </tr> <tr> <td>Boiler Room</td> <td>1</td> <td>156.62</td> </tr> <tr> <td>New Boiler Room</td> <td>1</td> <td>190.35</td> </tr> <tr> <td>Office Building</td> <td>1</td> <td>245.82</td> </tr> <tr> <td>New Office Building</td> <td>1</td> <td>163.24</td> </tr> <tr> <td>Total:</td> <td></td> <td>9,939.05</td> </tr> </tbody> </table> <p>The ancillary buildings and structures mainly include switching room, compressor room, coal shed, boundary fences, guard room and gates.</p> <p>The above buildings ancillary buildings and structures were completed in between 2001 to 2006.</p> <p>The land use rights of the property have been granted for a term expiring on 25 July 2051 for industrial use.</p>	Use	No. of Storey	Gross Floor Area (m ²)	1#, 2# Warehouse	1	4,361.58	3# Warehouse	1	865.83	4# Warehouse	1	1,948.77	Production Workshop	2	1,717.12	Production Workshop	1	289.72	Boiler Room	1	156.62	New Boiler Room	1	190.35	Office Building	1	245.82	New Office Building	1	163.24	Total:		9,939.05	<p>The property is occupied by the Group as production workshops, warehouses and administrative offices.</p>	<p>8,100,000</p> <p>(100% interest attributable to the Group: 8,100,000)</p>
Use	No. of Storey	Gross Floor Area (m ²)																																		
1#, 2# Warehouse	1	4,361.58																																		
3# Warehouse	1	865.83																																		
4# Warehouse	1	1,948.77																																		
Production Workshop	2	1,717.12																																		
Production Workshop	1	289.72																																		
Boiler Room	1	156.62																																		
New Boiler Room	1	190.35																																		
Office Building	1	245.82																																		
New Office Building	1	163.24																																		
Total:		9,939.05																																		

Notes:

1. The land parcel of the property was acquired by Chuzhou Chuangce Packaging Materials Company Limited (滁州創策包裝材料有限公司), an indirectly wholly-owned subsidiary of the Company, via a Land Sale Supplement Agreement dated 9 July 2001 and another Land Sale Supplement Agreement dated 7 December 2004 both entered between Chuzhou Economic Technology Development Zone Administration Committee (滁州經濟技術開發區管委會) as Vendor and Chuzhou Chuangce Packaging Company Ltd. (a wholly-owned subsidiary of the Company) as Purchaser.
2. A Land Use Rights Certificate (Ref. Chu Guo Yong (2007) Di No. 00015 (滌國用(2007)第00015號)) has been issued for the land parcel of the property (Lot No. 12013031051-1) with an area of 18,142 square metres in the name of Chuzhou Chuangce Packaging Company Limited. As stipulated in the Land Use Rights Certificate, the land use rights of the land parcels are held for a term expiring on 25 July 2051 for industrial use.
3. A Building Ownership Certificate (Ref. Chu Fang Quan Zheng 2001 Zi Di No. 06877 (滌房權証2001字第06877號)) has been issued in 2001 for the office building, the boiler room, the 2-storey workshop and the warehouse of the property with a total gross floor area of 6,770.86 square metres in the name of Chuzhou Chuangce Packaging Materials Company Limited.
4. A Building Ownership Certificate (Ref. Chu Fang Quan Zheng 2007 Zi Di No. 00013 (滌房權証2007字第00013號)) has been issued on 11 January 2007 for the single-storey workshop and the new boiler room of the property with a total gross floor area of 2,139.12 square metres in the name of Chuzhou Chuangce Packaging Materials Company Limited.
5. A Building Ownership Certificate (Ref. Fang Di Quan Zheng Chu Zi Di No. 2011001134 (房地權証滌字第2011001134號)) has been issued on 30 January 2011 for a single-storey office building of the property with a gross floor area of 163.24 square metres in the name of Chuzhou Chuangce Packaging Materials Company Limited.
6. A Building Ownership Certificate (Ref. Fang Di Quan Zheng Chu Zi Di No. 2011001135 (房地權証滌字第2011001135號)) has been issued on 30 January 2011 for a single-storey warehouse of the property with a gross floor area of 865.83 square metres in the name of Chuzhou Chuangce Packaging Materials Company Limited.
7. The status of the title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the Company's legal adviser on the PRC law is as follows:

Land Use Rights Certificate	:	Yes
Building Ownership Certificates	:	Yes
Planning Permit for Construction of Land	:	Yes
Planning Permits of Construction Work	:	Yes
Construction Work Commencement Permit	:	Yes
8. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, inter alia, the followings:
 - 8.1 A Land Use Rights Certificate (Ref. Chu Guo Yong (2007) Di No. 00015 (滌國用(2007)第00015號)) has been issued for the land parcel of the property (Lot No. 12013031051-1) with an area of 18,142 square metres in the name of Chuzhou Chuangce Packaging Materials Company Limited. The land use rights of the land parcels are held for a term expiring on 25 July 2051 for industrial use.

- 8.2 A Building Ownership Certificate (Ref. Chu Fang Quan Zheng 2001 Zi Di No. 06877 (滌房權証2001字第06877號)) has been issued to certain buildings of the property with a total gross floor area of 6,770.86 square metres in the name of Chuzhou Chuangce Packaging Materials Company Limited.
- 8.3 A Building Ownership Certificate (Ref. Chu Fang Quan Zheng 2007 Zi Di No. 00013 (滌房權証2007字第00013號)) has been issued on 11 January 2007 to certain buildings of the property with a total gross floor area of 2,139.12 square metres in the name of Chuzhou Chuangce Packaging Materials Company Limited.
- 8.4 A Building Ownership Certificate (Ref. Fang Di Quan Zheng Chu Zi Di No. 2011001134 (房地權証滌字第2011001134號)) has been issued on 30 January 2011 to certain buildings of the property with a gross floor area of 163.24 square metres in the name of Chuzhou Chuangce Packaging Materials Company Limited.
- 8.5 A Building Ownership Certificate (Ref. Fang Di Quan Zheng Chu Zi Di No. 2011001135 (房地權証滌字第2011001135號)) has been issued on 30 January 2011 to certain buildings of the property with a gross floor area of 865.83 square metres in the name of Chuzhou Chuangce Packaging Materials Company Limited.
- 8.6 Pursuant to a Mortgage Contract entered into between Chuzhou Chuangce Packaging Materials Company Limited and Bank of China Limited – Chuzhou Sub-Branch (中國銀行股份有限公司滁州分行) on 29 November 2010, the property interests mentioned in notes 8.1, 8.2 and 8.3 (Ref. Chu Guo Yong (2007) Di No. 00015 (滌國用(2007)第00015號), Chu Fang Quan Zheng 2001 Zi Di No. 06877 (滌房權証2001字第06877號) and Chu Fang Quan Zheng 2007 Zi Di No. 00013 (滌房權証2007字第00013號)) were subject to mortgage in favour of Bank of China Limited – Chuzhou Sub-Branch for a maximum loan amount of RMB8,000,000;
- 8.7 The land use rights and the building ownership rights of the property are legally owned by Chuzhou Chuangce Packaging Materials Company Limited;
- 8.8 The aforesaid mortgage entered into between Chuzhou Chuangce Packaging Materials Company Limited and Bank of China Limited – Chuzhou Sub-Branch is legal and valid. Chuzhou Chuangce Packaging Materials Company Limited is entitled to transfer, lease or disposal by any other lawful way of the property subject to prior consent of the mortgagee; and
- 8.9 The property is free from liens or other restrictions that would impact to the use of the property.

VALUATION CERTIFICATE

Group I – Property interests held by the Group for self occupation

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2011 RMB																				
2. No. 1, Block 1 to 3, Yishe, Pengqiao Village, Guangxing Town, Jiangji District, Chongqing City, the PRC. (重慶市江津區廣興鎮彭橋村一社1至3幢1號)	The property comprises a parcel of industrial land with an area of 17,600.85 square metres on which the following major buildings and ancillary structures are erected: <table border="1" style="margin-left: 20px;"> <thead> <tr> <th>Block No.</th> <th>Use</th> <th>No. of Storey</th> <th>Gross Floor Area (m²)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Office, Workshop and Warehouse</td> <td>2</td> <td>14,758.43</td> </tr> <tr> <td>2</td> <td>Workshop and Warehouse</td> <td>1</td> <td>169.98</td> </tr> <tr> <td>3</td> <td>Boiler, Electrical, air compressor room and ancillary structures</td> <td>1</td> <td>945.92</td> </tr> <tr> <td colspan="3">Total:</td> <td>15,874.33</td> </tr> </tbody> </table>	Block No.	Use	No. of Storey	Gross Floor Area (m ²)	1	Office, Workshop and Warehouse	2	14,758.43	2	Workshop and Warehouse	1	169.98	3	Boiler, Electrical, air compressor room and ancillary structures	1	945.92	Total:			15,874.33	The property is occupied by the Group as production workshops, warehouses and administrative offices.	14,700,000 (100% interest attributable to the Group: 14,700,000)
Block No.	Use	No. of Storey	Gross Floor Area (m ²)																				
1	Office, Workshop and Warehouse	2	14,758.43																				
2	Workshop and Warehouse	1	169.98																				
3	Boiler, Electrical, air compressor room and ancillary structures	1	945.92																				
Total:			15,874.33																				
	The ancillary structures include boundary fences, guard room and gates.																						
	The above buildings and ancillary structures were completed in 2006.																						
	The land use rights of the property have been granted for a term expiring on 11 January 2056 for industrial use.																						

Notes:

1. As stipulated in a Building and Land Ownership Certificate (Ref. 203 Fang Di Zheng 2006 Di No. 01732 (203房地証2006第01732號)) dated 28 February 2006, the property is held by Chongqing Guangjing Packing Materials CO., LTD. (重慶光景包裝製品有限公司), an indirectly wholly-owned subsidiary of the Company, for a term expiring on 11 January 2056 for industrial use.
2. The status of the title and grant of major approvals and licences in accordance with the information provided by the Group and the opinion of the Company's legal adviser on the PRC law is as follows:

Building and Land Ownership Certificate	:	Yes
Planning Permit for Construction of Land	:	Yes
Planning Permits of Construction Work	:	Yes
Construction Works Commencement Permit	:	Yes
3. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, inter alia, the followings:
 - 3.1 As stipulated in a Building and Land Ownership Certificate (Ref. 203 Fang Di Zheng 2006 Di No. 01732 (203房地証2006第01732號)), the property with a site area of 17,600.85 square metres and total gross floor area of 15,874.33 square metres is held by Chongqing Guangjing Packing Materials CO., LTD. (重慶光景包裝製品有限公司) for a term expiring on 11 January 2056 for industrial use;
 - 3.2 The land use rights and the building ownership rights of the property are legally owned by Chongqing Guangjing Packing Materials CO., LTD. (重慶光景包裝製品有限公司); and
 - 3.3 The property is free from mortgages, liens or other restrictions that would adversely impact to the use of the property. Chongqing Guangjing Packing Materials CO., LTD. (重慶光景包裝製品有限公司) has the rights to use the property.

VALUATION CERTIFICATE

Group II – Property rented by the Group

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2011 RMB
3. Factory 604#, 604C# and C1#, Changhong Fourth Industrial Zone, Mianyang City, Sichuan Province, the PRC. (四川省綿陽市長虹新四廠區604#, 604C# and C1#廠房)	<p>The property comprises three contiguous factory buildings which were completed in between 1997 to 2004.</p> <p>The total gross floor area of the property is approximately 17,293.59 square metres.</p> <p>The property is rented by the Group under a tenancy for a lease term commencing on 1 January 2011 and expiring on 31 December 2013 for industrial and office uses at a monthly rental of RMB121,055.13 payable quarterly exclusive of management fees and other outgoings.</p>	The property is occupied by the Group as production workshops, warehouses and administrative offices.	No commercial value

Notes:

1. As stipulated in the Land Use Rights Certificate (Ref. Mian Cheng Guo Yong (2005) Di No. 01615 (綿城國用(2005)第01615號)) dated 28 March 2005 issued by the Municipal Government of Mianyang (綿陽市人民政府), the land use rights of the land parcel are held by Sichuan Changhong Electric Company Limited (四川長虹電器股份有限公司) for a term expiring on 28 December 2048 for industrial use.
2. As stipulated in the Building Ownership Certificates (Ref. Mian Quan Gao Xin Zi Di No. 0150) dated 12 June 1998 issued by the Mianyang High New Technology Industry Development Zone Property Administration Bureau (綿陽高新技術產業開發區房產管理局), the building ownership rights of one of the three contiguous buildings of the property with a gross floor area of 6,741.66 square metres is held by State Run Changhong Machine Factory (國營長虹機器廠).
3. Pursuant to a tenancy agreement dated 28 December 2010, Sichuan Jinghong Packing Materials CO., LTD. (四川景虹包裝制品有限公司), an indirectly wholly-owned subsidiary of the Company, rented the property with a total gross floor area of 17,293.59 square metres from Sichuan Changhong Electric Company Limited (四川長虹電器股份有限公司) for a term commencing on 1 January 2011 and expiring on 31 December 2013 for industrial and office uses at a monthly rental of RMB121,055.13.
4. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal adviser, which contains, inter alia, the followings:
 - 4.1 Pursuant to a tenancy agreement (Ref. 2011-JGB-06) dated 27 December 2010, Sichuan Jinghong Packing Materials CO., LTD. (四川景虹包裝制品有限公司) rented the property with a total gross floor area of 17,293.59 square metres from Sichuan Changhong Electric Company Limited (四川長虹電器股份有限公司) for a term commencing on 1 January 2011 and expiring on 31 December 2013;
 - 4.2 Pursuant to a Explanatory Letter (關於604#、604C#廠房所有權的說明函) issued by State Run Changhong Machine Factory (國營長虹機器廠) on 25 January 2011, the building ownership rights of the property (604#、604C#、C1#) have been transferred to Sichuan Changhong Electric Company Limited (四川長虹電器股份有限公司);
 - 4.3 The land use rights and the building ownership rights of the property are legally owned by Sichuan Changhong Electric Company Limited (四川長虹電器股份有限公司); and
 - 4.4 The aforesaid tenancy agreement entered into between Sichuan Jinghong Packing Materials CO., LTD. (四川景虹包裝制品有限公司) and Sichuan Changhong Electric Company Limited (四川長虹電器股份有限公司) is legal, valid and binding on both contracting parties. Sichuan Jinghong Packing Materials CO., LTD. has the rights to use the property.

VALUATION CERTIFICATE

Group II – Property rented by the Group

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 September 2011 <i>RMB</i>
4. Unit No. 2118 on 21st Floor, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong	<p>The property comprises an office unit on 21st Floor of a 39-storey office tower surmounting a commercial/ ferry terminal podium. The development was completed in 1985.</p> <p>The gross floor area and the saleable area of the property are approximately 107.58 square metres (1,158 square feet) and 70.14 square metres (755 square feet) respectively.</p> <p>The property is rented by the Group under a tenancy for a lease term commencing from 17 January 2011 and expiring on 16 January 2014 for office use at a monthly rental of HK\$41,688 exclusive of management fees, rates, Government rent, air-conditioning charges and other outgoing. The Group is entitled to a rent free period spanning between 17 January 2011 and 16 April 2011 (both dates inclusive).</p>	The property is occupied by the Group as administrative offices.	No commercial value

Notes:

1. The registered owners of the property are Ching Man Leuk and Wong Wing Yee Jessie (Joint Tenants) registered via memorial no. 06100601130033 dated 11 September 2006.
2. Pursuant to a tenancy agreement dated 8 March 2011 and a supplemental agreement dated 7 June 2011 entered into between Ching Man Leuk and Wong Wing Yee Jessie (as Landlords) and Metro Master Limited (as Tenant), an indirectly wholly-owned subsidiary of the Company, the Tenant rented the property from the Landlords for a term commencing from 17 January 2011 and expiring on 16 January 2014 at a monthly rental of HK\$41,688 exclusive of management fees, rates, Government rent, air-conditioning charges and other outgoing. The Tenant is entitled to a rent free period spanning between 17 January 2011 and 16 April 2011 (both dates inclusive).
3. The property falls within an area zoned "Commercial" under the Central District Outline Zoning Plan No. S/H4/13.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 4 January 2011 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and the Amended and Restated Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 10 June 2011. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Share certificates*

Every person whose name is entered as a member in the register of members shall be entitled without payment to receive a certificate for his shares. The Cayman Companies Law prohibits the issue of bearer shares to any person other than an authorized or recognised custodian defined in the Cayman Companies Law. The requirement on all service providers to implement appropriate due diligence procedures on the identity of a client in order to "know your client" as a result of proceeds of crime legislation mandates that special procedures should be followed when issuing bearer shares.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words “restricted voting” or “limited voting” or “non-voting” or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than 4 persons as joint holders of any share.

(b) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Cayman 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 Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors and their associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) *Disclosure of interest in contracts with the Company or with any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

- (aa) the giving of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a member or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associate(s) is derived) or of the voting rights;
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors, his associate(s) and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates; or
- (ff) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(vi) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director 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;
- (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 Cayman 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 Cayman Companies Law, the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers.

(x) Proceedings of the Board

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Cayman 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 authorized 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 authorized and subject to any conditions prescribed by law.

Reduction of share capital – subject to the Cayman Companies Law and to confirmation by the court, a company limited by shares may, if so authorized 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 authorized 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 Cayman 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 authorized representatives or, where proxies are allowed, by proxy at a general meeting of which not less than fourteen clear days’ notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorized 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 authorized representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded or otherwise required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles). A poll may be demanded by:

- (i) the chairman of the meeting; or
- (ii) at least two members present in person or, in the case of a member being a corporation, by its duly authorized 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 authorized 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 authorized 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 authorized 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 authorized, the authorisation shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized in accordance with this provision shall be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(h) Annual general meetings

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorized 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 Cayman Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorized by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than twenty-one days before the general meeting to those shareholders that have consented and elected to receive the summarized financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Cayman 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 authorized 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.

(k) *Transfer of shares*

Subject to the Cayman 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.

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 Cayman 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
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the moneys so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

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

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(o) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorized. 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 any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

(q) Inspection of corporate records

Members of the Company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorized 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 Cayman Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) *Untraceable members*

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

- (i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;
- (ii) upon the expiry of the 12 years and 3 months period (being the 3 months notice period referred to in sub-paragraph (iii)), the Company has not during that time received any indication of the existence of the member; and
- (iii) the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(v) *Subscription rights reserve*

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Cayman 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 4 January 2011 subject to the Cayman 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 Cayman 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 authorized share capital.

(b) Share capital

In accordance with the Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman 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 Cayman 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 Cayman 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 Cayman 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 authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized 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 authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorized 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 Cayman 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 authorized 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 Cayman Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman 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 Cayman 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 Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Cayman 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 Cayman 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 Cayman Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Cayman Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company;
or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (1999 Revision).

The undertaking for the Company is for a period of twenty years from 15 February 2011.

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.

(l) Loans to directors

The Cayman 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 Cayman 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 Cayman Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(o) Winding up

A Cayman Islands company may be wound up either by (i) an order of the court; (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.

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 off, 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 (b) 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 authorized 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 Cayman Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair

value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(r) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarizes certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company is incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 4 January 2011. Our Company has been registered as a non-Hong Kong company under Part XI of the Companies Ordinance on 24 February 2011 and our principal place of business in Hong Kong is at Unit No. 2118, 21st Floor, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong. Loong & Yeung of Suites 2001-2005, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, our Company is subject to the relevant laws of the Cayman Islands and our constitution which comprises the Memorandum and the Articles. A summary of the relevant aspects of the Cayman Companies Law and certain provisions of the Memorandum and the Articles is set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation of our Company, our authorized share capital was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. One Share was allotted and issued fully paid to Reid Services Limited (the subscriber to the memorandum and articles of association of our Company) on 4 January 2011, which was subsequently transferred to Rich Gold at a consideration of HK\$0.01 on the same date.
- (b) On 4 April 2011, one Share was allotted and issued to Rich Gold at a consideration of HK\$142,316,243;
- (c) On 10 June 2011, our sole Shareholder resolved to increase the authorized share capital of our Company from HK\$380,000 to HK\$10,000,000 by the creation of an additional of 962,000,000 Shares, each ranking pari passu with our Shares then in issue in all respects.

Immediately following completion of the Capitalization Issue and the Share Offer (without taking into account our Shares which may be issued upon exercise of any option that may be granted pursuant to the Share Option Scheme), the authorized share capital of our Company will be HK\$10,000,000 divided into 1,000,000,000 Shares, of which 200,000,000 Shares will be issued fully paid or credited as fully paid, and 800,000,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "Written resolutions of our sole Shareholder passed on 10 June 2011" in this Appendix and pursuant to the Share Option Scheme, we do not have any present intention to issue any of the authorized but unissued share capital of our Company and, without prior approval of our Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this prospectus, there has been no alteration in our Company's share capital since its incorporation.

3. Written resolutions of our sole Shareholder passed on 10 June 2011

By written resolutions of our sole Shareholder passed on 10 June 2011:

- (a) our Company approved and adopted the Memorandum and the Articles;
- (b) the authorized share capital of our Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of an additional of 962,000,000 Shares of HK\$0.01 each, each ranking pari passu with our Shares then in issue in all respects;
- (c) conditional on the Listing Committee granting listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this prospectus including any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme, and on 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 our Directors were authorized to allot and issue the Offer Shares pursuant to the Share Offer to rank pari passu with the our Shares then in issue in all respects;
 - (ii) the rules of the Share Option Scheme were approved and adopted and our Directors were authorized, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme; and
 - (iii) the Capitalization Issue was approved and conditional further on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorized to capitalize an amount of HK\$1,499,999.98 standing to the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par 149,999,998 Shares for allotment and issue to the person(s) whose name(s) appear on the register of members of our Company at the close of business on 10 June 2011 on proportion (as nearly as possible without involving fractions) to its/their then existing shareholding(s) in our Company, each ranking pari passu in all respects with our Shares then in issue, and our Directors were authorized to give effect to such capitalization and distributions.

- (d) a general unconditional mandate was given to our Directors 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 scheme of our Company or any Shares allotted in lieu of the whole or part of a dividend on our Shares in accordance with the Articles or pursuant to a specific authority granted by our Shareholders or pursuant to the Share Offer, Shares with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Share Offer but excluding any Share 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 our Company; or
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Cayman 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 our Shareholders at general meeting;
- (e) a general unconditional mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate of the nominal value of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Share Offer but excluding any Share which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company; or
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Cayman 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 our 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 our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our 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 our Company in issue immediately following completion of the Share Offer and the Capitalization Issue but excluding any Share which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

4. Corporate Reorganization

The companies comprising our Group underwent the Reorganization to rationalize our Group's structure in preparation for the listing of our Shares on the Stock Exchange, pursuant to which our Company became the holding company of our Group.

The Reorganization included the following major steps:

- (a) On 22 December 2010, Metro Master was incorporated in Hong Kong with limited liability with an authorized capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, one of which was allotted and issued fully paid to Cartech Limited, the subscriber to the memorandum and articles of association of Metro Master, on the same date;
- (b) On 4 January 2011, our Company was incorporated under the laws of the Cayman Islands as an exempted company and one Share was allotted and issued fully paid to Reid Services Limited, the subscriber to the memorandum and articles of association of our Company on 4 January 2011, which was subsequently transferred to Rich Gold at a consideration of HK\$0.01 on the same date;
- (c) On 6 January 2011, Cheng Hao was incorporated in the BVI with limited liability with an authorized capital of US\$50,000 divided into 50,000 shares of US\$1.00 each, one of which was allotted and issued fully paid to Mr. Chao on 21 January 2011;
- (d) On 15 February 2011, pursuant to the instrument of transfer referred to in item (a) of the paragraph headed "Summary of material contracts" in this Appendix, Mr. Chao transferred the one share he held in Cheng Hao, which represented the entire issued share capital of Cheng Hao, to our Company at a consideration of US\$1.00;

- (e) On 15 February 2011, pursuant to the instrument of transfer the bought note and sold note referred to in items (b) and (c) respectively of the paragraph headed “Summary of material contracts” in this Appendix, Cartech Limited transferred the one share it held in Metro Master, which represented the entire issued share capital of Metro Master, to Cheng Hao at a consideration of HK\$1.00;
- (f) On 22 February 2011, pursuant to the equity transfer agreement referred to in item (d) of the paragraph headed “Summary of material contracts” in this Appendix, Conca Investments transferred 100% of its equity interest in Chongqing Guangjing to Metro Master at the consideration of RMB27.5 million;
- (g) On 22 February 2011, pursuant to the equity transfer agreement referred to in item (e) of the paragraph headed “Summary of material contracts” in this Appendix, Conca Investments transferred 100% of its equity interest in Chuzhou Chuangce to Metro Master at the consideration of RMB40 million; and
- (h) On 22 February 2011, pursuant to the equity transfer agreement referred to in item (f) of the paragraph headed “Summary of material contracts” in this Appendix, Conca Investments transferred 100% of its equity interest in Sichuan Jinghong to Metro Master at the consideration of RMB52.29 million.

Immediately after completion of the transfers of equity interests referred to in items (f) to (h) above, our Company became the holding company of our Group.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the accountants’ report, the text of which is set out in Appendix I to this prospectus. Save as described in the paragraph headed “Corporate Reorganization” above, there are no other changes in the share capital (or registered capital, as the case may be) of the subsidiaries of our Company which took place within the two years immediately preceding the date of this prospectus.

6. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in the prospectus concerning the repurchase of our Shares by our 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 our sole Shareholder passed on 10 June 2011, a general unconditional mandate (the "Repurchase Mandate") was given to our Directors authorizing our Directors to exercise all powers of our Company to purchase on the Stock Exchange, or any other stock exchange on which our Shares may be listed and recognized by the SFC and the Stock Exchange for this purpose, Shares representing up to 10% of the total nominal amount of our Shares in issue immediately following completion of the Capitalization Issue and the Share Offer but excluding any Share 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 our Company, the expiration of the period within which the next annual general meeting of our Company is required by law or the Articles to be held, or when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders at general meeting.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own 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 our 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 authorized by the Articles and subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time our Shares are repurchased or, if authorized by the Articles and subject to the Cayman Companies Law, out of capital.

(iii) *Connected parties*

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a "connected person", which includes a Director, chief executive of our Company or substantial Shareholder or any of our subsidiaries or an associate of any of them and a connected person shall not knowingly sell Shares to our Company.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our 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 our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) *Exercise of the Repurchase Mandate*

Exercise in full of the Repurchase Mandate, on the basis of 200,000,000 Shares in issue after completion of the Capitalization Issue and Share Offer, could accordingly result in up to 20,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) *Funding of repurchase*

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our 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 our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) *General*

None of our 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 our Company.

Our 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 our 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 our 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, our 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.

Our 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 our Company has notified our Company that he has a present intention to sell Shares to our 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 our Group within the two years preceding the date of this prospectus and are or may be material:


- (a) an instrument of transfer dated 15 February 2011 and entered into between Mr. Chao and our Company, pursuant to which Mr. Chao transferred the one share he held in Cheng Hao, which represented the entire issued share capital of Cheng Hao, to our Company at a consideration of US\$1.00;
- (b) an instrument of transfer dated 15 February 2011 and entered into between Cartech Limited and Cheng Hao, pursuant to which Cartech Limited transferred the one share it held in Metro Master, which represented the entire issued share capital of Metro Master, to Cheng Hao at a consideration of HK\$1.00;
- (c) bought note and sold note dated 15 February 2011 and executed by Cartech Limited and Cheng Hao, pursuant to which Cheng Hao acquired one share in the share capital of Metro Master, which represented the entire issued share capital of Metro Master, from Cartech Limited at a consideration of HK\$1.00;
- (d) an equity transfer agreement in Chinese dated 22 February 2011 and entered into between Conca Investments and Metro Master, pursuant to which Conca Investments transferred 100% of its equity interest in Chongqing Guangjing to Metro Master at the consideration of RMB27.5 million;
- (e) an equity transfer agreement in Chinese dated 22 February 2011 and entered into between Conca Investments and Metro Master, pursuant to which Conca Investments transferred 100% of its equity interest in Chuzhou Chuangce to Metro Master at the consideration of RMB40 million;
- (f) an equity transfer agreement in Chinese dated 22 February 2011 and entered into between Conca Investments and Metro Master, pursuant to which Conca Investments transferred 100% of its equity interest in Sichuan Jinghong to Metro Master at the consideration of RMB52.29 million;

- (g) a reorganization deed dated 9 June 2011 and entered into among Mr. Chao, Rich Gold and our Company, pursuant to which Mr. Chao and Rich Gold gave various warranties and representations to our Company in respect of, among other matters, the Reorganization;
- (h) a deed of non-competition in Chinese dated 10 June 2011 and executed by Mr. Chao in favour of our Company, details of which are set out in the paragraph headed “Non-competition undertaking” under the section headed “Relationship with Controlling Shareholders” in this prospectus;
- (i) a deed of non-competition in Chinese dated 10 June 2011 and executed by Rich Gold in favour of our Company, details of which are set out in the paragraph headed “Non-competition undertaking” under the section headed “Relationship with Controlling Shareholders” in this prospectus;
- (j) a deed of release dated 24 October 2011 and executed by Rich Gold in favour of our Company, pursuant to which Rich Gold unconditionally and irrevocably, among other matters, released and discharged the repayment of a shareholder’s loan from Rich Gold to our Company in the amount of HK\$12,500,000 and any claim regarding such repayment;
- (k) a deed of indemnity dated 6 November 2011 executed by Rich Gold and Mr. Chao in favour of our Group containing the indemnities referred to in the paragraph headed “Tax indemnity” in this Appendix;
- (l) the Public Offer Underwriting Agreement; and
- (m) the Placing Underwriting Agreement.

2. Intellectual property rights

2.1 Trademark

As at the Latest Practicable Date, our Group had registered the following trademark:

Trademark	Class	Registration Number	Registration Date	Place of Registration	Registrant
	16, 39	301838025	21 February 2011	Hong Kong	Metro Master

2.2 Patents

As at the Latest Practicable Date, our Group had been licensed for the right to use of the following patents:

Type of patent	Patent description	Registered owner	Effective Period	Patent number
Practical New Model	A type of packaging carton (一種包裝紙箱) (Note 1)	Sichuan Changhong Electric	16 March 2005 to 12 February 2014	ZL200420032818.3
Practical New Model	Cargo tray (貨物托盤) (Note 1)	Sichuan Changhong Electric	16 March 2005 to 12 February 2014	ZL200420032819.8
Practical New Model	Paper and plastic cushion for flat-panel television (用於平板電視機的紙塑緩衝襯墊) (Note 2)	Sichuan Changhong Electric	24 June 2009 to 3 June 2018	ZL200820301011.3
Practical New Model	Paper and plastic packaging cushion for small-screen flat-panel television (小屏幕平板電視機的紙塑包裝襯墊) (Note 2)	Sichuan Changhong Electric	22 April 2009 to 3 June 2018	ZL200820301017.0
Practical New Model	Storage box 儲物箱 (Note 2)	Sichuan Changhong Electric	24 June 2009 to 14 August 2008	ZL200820301843.5
Practical New Model	Composite cushion (複合緩衝襯墊) (Note 2)	Sichuan Changhong Electric	22 July 2009 to 26 September 2018	ZL200820302273.1

Notes:

- (1) Pursuant to a licensing agreement entered into between Sichuan Jinghong and Sichuan Changhong Electric on 22 August 2008, Sichuan Jinghong was licensed Sichuan Changhong Electric for the right to use its patents in the PRC for a term of 5 years for a total consideration of RMB8,000 per year.
- (2) Pursuant to a licensing agreement entered into between Sichuan Jinghong and Sichuan Changhong Electric on 20 October 2009, Sichuan Jinghong was licensed Sichuan Changhong Electric for the right to use its patents in the PRC for a term of 5 years for a total consideration of RMB12,000 per year.
- (3) The aforesaid licensing arrangements have been registered with the relevant PRC intellectual property authority on 25 September 2010.

2.3 Domain name

As at the Latest Practicable Date, our Group has registered the following domain name:

Domain name	Date of Registration
jinbaobao.com.hk	24 March 2011

3. Information about the PRC subsidiaries of our Company

Name	Chuzhou Chuangce
Date of establishment:	5 October 1997
Corporate nature:	Limited liability company solely owned by Taiwan, Hong Kong or Macau legal person
Total Investment Amount	RMB25,000,000
Total registered capital:	RMB25,000,000 (fully paid up)
Attributable interest of our Company:	100%
Term:	From 5 October 1997 to 4 October 2017
Scope of business:	Manufacture and sale of self-made plastic engineering and structural components as steel-substitutes and plastic foam packaging products for home electrical appliances and other products
Legal representative:	Mr. Chao
Name	Chongqing Guangjing
Date of establishment:	20 October 2003
Corporate nature:	Limited liability company solely owned by Taiwan, Hong Kong or Macau legal person
Total Investment Amount	US\$3,300,000
Total registered capital:	US\$3,300,000 (fully paid up)
Attributable interest of our Company:	100%

Term:	From 20 October 2003 to 19 October 2023
Scope of business:	Manufacture and sale of plastic engineering and structural components, and plastic foam packaging components for various home electrical appliances and other products; providing after-sale services of its products
Legal representative:	Mr. Chao
Name	Sichuan Jinghong
Date of establishment:	15 September 2005
Corporate nature:	Limited liability company solely owned by Taiwan, Hong Kong or Macau legal person
Total Investment Amount	RMB40,880,000
Total registered capital:	RMB40,880,000 (fully paid up)
Attributable interest of our Company:	100%
Term:	From 26 September 2008 to 15 September 2015
Scope of business:	Research and development in, manufacture and sale of shock-resistant packaging pads using macromolecular materials, and plastic engineering and structural components as steel-substitutes for home electrical appliances such as televisions and air-conditioners, and other products; design, development and sale of various moulds
Legal representative:	Mr. Chao

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

- (a) Immediately following the completion of the Capitalization Issue and the Share Offer but taking no account of our Share to be issued pursuant to options which may be granted under the Share Option Scheme, the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying Shares and debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the

Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions 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 Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange, will be as follows:

(i) *Long position in our Shares*

Name of Director	Capacity/ Nature	No. of Shares held	Approximate percentage of interest
Mr. Chao <i>(Note 1)</i>	Interest of controlled corporation	150,000,000	75%
Ms. Zhou <i>(Note 2)</i>	Interest of spouse	150,000,000	75%

(ii) *Long position in the ordinary shares of associated corporation*

Name of Director	Name of associated corporation	Capacity/ Nature	No. of shares held	Approximate percentage of interest
Mr. Chao <i>(Note 1)</i>	Rich Gold	Beneficial owner	1	100%
Ms. Zhou <i>(Note 2)</i>	Rich Gold	Interest of spouse	1	100%

Notes:

1. Mr. Chao beneficially held the entire issued share capital of Rich Gold, which in turn, beneficially held 150,000,000 Shares. For the purposes of the SFO, Mr. Chao is deemed or taken to be interested in all the Shares held by Rich Gold. Mr. Chao is also our Chairman, chief executive officer of our Company, an executive Director and the sole director of Rich Gold.
2. Ms. Zhou is the spouse of Mr. Chao. For the purposes of the SFO, Ms. Zhou is deemed or taken to be interested in all the Shares and the share in Rich Gold in which Mr. Chao is interested. Ms. Zhou is an executive Director.

- (b) So far as is known to our Directors and save as disclosed in this prospectus and taking no account of any Share which may be taken up under the Share Offer and Shares to be issued pursuant to exercise of options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Share Offer and the Capitalization Issue, have interests or short positions in Shares or

underlying Shares which would fall to be disclosed to our 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 our Group:

Long position in our Shares

Name	Nature of Interest	No. of Shares held	Approximate percentage of shareholding
Rich Gold	Beneficial owner	150,000,000	75%

2. Particulars of service agreements

Save as disclosed in this prospectus, no Director has entered into any service agreement with any member of our 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 our Directors by our Group in respect of the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 were approximately RMB53,000, RMB68,000, RMB71,000 and RMB124,000, respectively.

Mr. Zuo Ji Lin (左際林) is entitled to a discretionary bonus of RMB61,800 for recognition of his service as the general manager of Chuzhou Chuange to be paid in monthly installment from July 2011 to December 2011.

- (b) Under the arrangements currently in force, the aggregate emoluments payable by our Group to our Directors for the year ending 31 December 2011 will be approximately RMB631,000.
- (c) Under the arrangements currently in force, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

Executive Directors	RMB
Mr. Chao	166,920
Ms. Zhou	166,920
Ms. Chen Fen (陳蕢)	166,920
Mr. Zuo Ji Lin (左際林)	166,920

Independent non-executive Directors	<i>RMB</i>
Mr. Chan Chun Chi (陳駿志)	102,720
Mr. Yu Xi Chun (虞熙春)	60,000
Mr. Wu Hao Tian (吳昊天)	60,000

4. Fees or commission received

Save as disclosed in the paragraph headed “Commission and expenses” in the section headed “Underwriting” of this prospectus, none of our Directors or the experts named in the paragraph headed “Consents of experts” in this Appendix had received any agency fee or commissions from our 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 29 to the accountants’ reports 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 our Directors and any member of our Group;
- (b) none of our 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 our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our 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 our Group taken as a whole;
- (d) without taking into account our Shares which may be issued upon exercise of any option which may be granted under our Share Option Scheme, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Share Offer, have any interest in Shares or underlying Shares which would fall to be disclosed to our 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 our Group;

- (e) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including 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 Listing Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange; and
- (f) so far as is known to our Directors, none of our 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 our Company has any interests in the five largest customers or the five largest suppliers of our 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”	10 June 2011, the date on which the Share Option Scheme is conditionally adopted by our sole Shareholder by way of written resolution
“Board”	the board of Directors or a duly authorized committee of the board of Directors
“Group”	our Company and any entity in which our 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 our sole Shareholder passed on 10 June 2011:

(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 our Group and to promote the success of the business of our Group.

(ii) Who may join and basis of eligibility

The Board may, at its absolute discretion, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of any member of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our 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, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(iii) Price of Shares

The subscription price of our 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 of the Share Option Scheme as set out in paragraph (ii) above and shall be at least the higher of: (i) the closing price of our 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 of the closing prices of our Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of our Share on the date of grant of the option, provided always that for the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than 5 business days, the new issue price of our Shares shall be used as the closing price for any business day fall 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 our 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 our 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 our Company) must not in aggregate exceed 10% of all our Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 20,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 20,000,000 Shares from time to time) to the participants under the Share Option Scheme.
- (bb) The 10% limit as mentioned above may be refreshed at any time by obtaining approval of our 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 our Company must not exceed 10% of our 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 our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to our Shareholders containing the information as required under the Listing Rules in this regard.
- (cc) our Company may seek separate approval of our 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 our Company before such approval is sought. In such event, our Company must send a circular to our 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, such 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 our Company must not exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company, if this will result in such 30% 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 any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of our Shares in issue. Any further grant of options in excess of such limit must be separately approved by our Shareholders in general meeting with such grantee and his/her associates abstaining from voting. In such event, our Company must send a circular to our 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 must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) Grant of options to certain connected persons

- (aa) Any grant of an option to a Director, chief executive of our Company or substantial Shareholder (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 associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
 - (i) representing in aggregate over 0.1% of our Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options is required to be approved by our Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to our Shareholders containing all information as required under the Listing Rules in this regard. All connected persons of our 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 our 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 a price sensitive event of our Group has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. 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 our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
 - (ii) the deadline for our Company to publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules),
- and ending on the date of the results announcement.

(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

Our 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 our 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 our 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.

(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 3 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 death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his death or within such period of 12 months following his death, then his 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 our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(xv) Rights on cessation of employment for other reasons

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (xiv) above, the option (to the extent not already exercised) shall lapse on the expiry of 3 months after the date of cessation of such employment (which date will be the last actual working day with our Company or the relevant member of our 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 our Company whilst any option remains exercisable, whether by way of capitalization of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our 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 of any unexercised option, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time (no such certification is required in case of adjustment made on a capitalization issue), provided that any alteration shall give a grantee the same proportion of the issued share capital of our Company as that to which he 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 our 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 legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 1 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 our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees

and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than 2 business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our 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 our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Cayman Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to our Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already exercised) shall become exercisable in whole or in part on such date not later than 2 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 our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our 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 endeavor to procure that our 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 our 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 our Company and no claim shall lie against our 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 willful default on the part of our Company or any of its officers.

(xx) Lapse of options

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the date on which the Board exercises our 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), or (xviii) above;
- (dd) subject to paragraph (xviii) above, the date of the commencement of the winding-up of our Company;
- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our 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 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 date 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 our 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 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 our Shareholders in general meeting.
- (bb) Any amendment to any terms of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (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

Our 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 on the Listing Committee granting the listing of, and permission to deal in our Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(c) Present status of the Share Option Scheme

Application has been made to the Listing Committee for listing of and permission to deal in 20,000,000 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**

Mr. Chao and Rich Gold (the “Indemnifiers”) have, pursuant to the deed of indemnity referred to in item k of the paragraph headed “Summary of material contracts” of this Appendix (the “Deed”), given joint and several indemnities to our Company for itself and as trustee for our subsidiaries, among other things,

- (a) in connection with (i) any liability for Hong Kong estate duty which might be payable by any member of our 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 arising on the death of any person at any time by reason of any transfer of any property to any member of our Group on or before the date on which the Deed becomes unconditional; and (ii) any taxation which might be payable by any member of our Group in respect of 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 the Deed becomes unconditional, or in respect of or in consequence of any act, omission or event occurring or deemed to occur on or before the date on which the Deed becomes unconditional; and
- (b) to indemnify our Company and each member of our Group against any actions, claims, demands, proceedings, costs and expenses, losses and liabilities whatsoever which may be made, suffered or incurred by any member of our Group in respect of or arising directly or indirectly from or on the basis of or in connection with any member of our Group on or before the date on which the Deed becomes unconditional in relation to (i) the social security insurance and housing provident fund contributions to the relevant government authorities in the PRC; (ii) in connection with any litigation, arbitration, claim and/or legal proceedings; and (iii) on the basis of or in connection with certain contracts (if any) which is material to our Group entered into by any member of our Group on or before the date on which the Deed becomes unconditional, the breach or performance of which will cause material adverse effect to the performance, financial position and/or prospect of such member of our Group.

The indemnities in the Deed shall not apply in, among others, the following circumstances:

- (a) to the extent that provision has been made for such taxation in the audited accounts of our Company or any of our subsidiaries for each of the three years ended 31 December 2010 and the six months ended 30 June 2011 (the “Accounts”); or
- (b) to the extent that such liability arises or is incurred as a result of a retrospective change in law and/or rates coming into force on or after the date on which the Deed becomes unconditional with retrospective effect; or

- (c) to the extent that such liability fall on any member of our Group after 30 June 2011 unless such taxation or liability would not have arisen but for any act or omission or transaction entered into by any of the Indemnifiers, our Company or any of our subsidiaries (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) otherwise than in the ordinary course of business on or before the date on which the Deed becomes unconditional; or
- (d) to the extent that any provision or reserve made for such taxation in the Accounts which is finally established to be an over-provision or an excessive reserve as certified by a firm of accountants acceptable to our Company then the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such over-provision or excess reserve; or
- (e) for which any member of our Group is primarily liable in respect of or in consequence of any event occurring or income, profits or gains earned, accrued or received or transactions in the ordinary course of its business after 30 June 2011.

The Deed will become unconditional upon:

- (A) fulfilment of all the conditions as stated in the paragraph headed "Conditions of the Share Offer" in the section headed "Structure of the Share Offer" in this prospectus on or before 15 November 2011 (or such later date as the parties thereto may agree in writing); and
- (B) the completion of the Share Offer which shall be evidenced by the first trading of our Shares on the Stock Exchange.

If the aforesaid conditions are not fulfilled on or before the date falling 30 days after the date of this prospectus, the Deed shall become null and void and cease to have effect.

Our 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 our Group.

2. Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

3. Sponsor

The Sponsor has, on behalf of our Company, made an application to the Listing Committee for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein and our Shares falling to be issued pursuant to the exercise of any options 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 our Company are estimated to be approximately HK\$42,789 and are payable by our Company.

5. Promoter

There is no promoter of our Company.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Cinda International Capital Limited	A licensed corporation under the SFO permitted to engage in type 1 and 6 of the regulated activities (as defined under the SFO)
HLB Hodgson Impey Cheng	Chartered Accountants Certified Public Accountants
Asset Appraisal Limited	Property valuer
Shu Jin Law Firm	Registered law firm in the PRC
Appleby	Cayman Islands attorneys-at-law

7. Consents of experts

Each of Cinda International Capital Limited, HLB Hodgson Impey Cheng, Asset Appraisal Limited, Shu Jin Law Firm and Appleby 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 our 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 advisors

Intending holders of our Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasized that none of our Company, our Directors or the 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 our Shares.

10. No material adverse change

Our Directors confirm that there has not been any material adverse change in the financial trading position or prospects of our Group since 30 June 2011 (being the date to which the latest audited financial statements of our Group 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 our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries; and
 - (iii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

- (b) Save as disclosed in this prospectus, neither our Company nor any of our subsidiaries 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 our Company or any of our subsidiaries; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries.
- (d) The branch register of members of our Company will be maintained in Hong Kong by the Hong Kong Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement.
- (e) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.
- (f) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (g) We have no outstanding convertible debt securities.
- (h) Our Directors have been advised that the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with our English name does not contravene Cayman Companies Law.
- (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 the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were: (a) copies 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 our principal place of business in Hong Kong at Unit 2118, 21st Floor, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong during normal business hours from 9:00 am to 5:00 pm 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 issued by HLB Hodgson Impey Cheng, the text of which is set out in Appendix I to this prospectus;
- (3) the audited consolidated financial statements of our Group for each of the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011;
- (4) the report issued by HLB Hodgson Impey Cheng on unaudited pro forma adjusted net tangible assets of our Group, the text of which is set out in Appendix II to this prospectus;
- (5) the letter, summary of valuation and valuation certificate relating to the property interests of our Group prepared by Asset Appraisal Limited, the texts of which are set out in Appendix III to this prospectus;
- (6) the letter prepared by Appleby, summarizing certain aspects of Cayman Companies Law referred to in Appendix IV to this prospectus;
- (7) the material contracts referred to in the paragraph headed “Summary of material contracts” of Appendix V to this prospectus;
- (8) the written consents referred to in the paragraph headed “Consents of experts” of Appendix V to this prospectus;
- (9) the legal opinion prepared by Shu Jin Law Firm in respect of certain aspects of our Group and our property interests;
- (10) the Cayman Companies Law; and
- (11) the rules of the Share Option Scheme.

JIN BAO BAO HOLDINGS LIMITED
金寶寶控股有限公司