

# Tianyun International Holdings Limited

## 天韻國際控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

Stock Code: 6836

## Global Offering



Sole Sponsor

Sole Global Coordinator,  
Sole Bookrunner and Sole Lead Manager



國泰君安國際  
GUOTAI JUNAN INTERNATIONAL  
Guotai Junan Capital Limited



國泰君安國際  
GUOTAI JUNAN INTERNATIONAL  
Guotai Junan Securities (Hong Kong) Limited

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## IMPORTANT

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

# Tianyun International Holdings Limited

## 天韻國際控股有限公司

(incorporated in the British Virgin Islands with limited liability)

### GLOBAL OFFERING

<b>Number of Offer Shares</b>	<b>: 250,000,000 Shares (subject to the Over-allotment Option)</b>
<b>Number of Hong Kong Offer Shares</b>	<b>: 25,000,000 Shares (subject to reallocation)</b>
<b>Number of International Placing Shares</b>	<b>: 225,000,000 Shares (subject to reallocation and the Over-allotment Option)</b>
<b>Maximum Offer Price</b>	<b>: HK\$1.68 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application subject to refund on final pricing)</b>
<b>Nominal value</b>	<b>: Nil</b>
<b>Stock code</b>	<b>: 6836</b>

*Sole Sponsor*



**Guotai Junan Capital Limited**

*Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager*



**Guotai Junan Securities (Hong Kong) Limited**

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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 Appendix VI "Documents delivered to the Registrar of Companies and available for inspection" to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or about 29 June 2015 and, in any event, not later than 3 July 2015. The Offer Price will be not more than HK\$1.68 and is currently expected to be not less than HK\$1.28. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum offer price of HK\$1.68 for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$1.68.

The Sole Global Coordinator (for itself and on behalf of the Underwriters, and with our consent) may reduce the number of Offer Shares and/or the indicative offer price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offer on 29 June 2015, cause to be published in The Standard (in English) and the Hong Kong Economic Journal (in Chinese) notices of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Such notices will also be available at our Company's website at [www.tianyuninternational.com](http://www.tianyuninternational.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). Further details are set out in the sections headed "Structure of the Global Offering" and "How to apply for Hong Kong Offer Shares" in this prospectus. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on or before 3 July 2015, the Global Offering 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.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. securities laws.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such grounds are set out in the paragraph headed "Grounds for termination" in the section headed "Underwriting" of this prospectus. It is important that you refer to that section for further details.

24 June 2015

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## EXPECTED TIMETABLE<sup>(1)</sup>

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We will issue an announcement in Hong Kong to be published in The Standard (in English) and the Hong Kong Economic Journal (in Chinese) and on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.tianyuninternational.com](http://www.tianyuninternational.com) if there is any change in the following expected timetable of the Hong Kong Public Offer.

Latest time to complete electronic applications  
under the **HK eIPO White Form** service through  
the designated website [www.hkeipo.hk](http://www.hkeipo.hk)<sup>(3)</sup> . . . . . 11:30 a.m. on Monday, 29 June 2015

Application lists open<sup>(2)</sup> . . . . . 11:45 a.m. on Monday, 29 June 2015

Latest time for lodging **White** and **Yellow**  
Application Forms and giving **electronic**  
**application instructions** to HKSCC<sup>(4)</sup> . . . . . 12:00 noon on Monday, 29 June 2015

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 Monday, 29 June 2015

Application lists close<sup>(2)</sup> . . . . . 12:00 noon on Monday, 29 June 2015

Expected Price Determination Date<sup>(5)</sup> . . . . . Monday, 29 June 2015

Announcement of the Offer Price, the indication  
of the levels of interest in the International Placing,  
the results of applications in respect of the Hong Kong Public Offer  
and the results and basis of allotment under the Hong Kong  
Public Offer to be published in The Standard (in English)  
and the Hong Kong Economic Journal (in Chinese) and  
on the Stock Exchange's website  
at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website  
at [www.tianyuninternational.com](http://www.tianyuninternational.com)<sup>(8)</sup> from . . . . . Monday, 6 July 2015

Results of allocations in the Hong Kong Public Offer  
(with successful applicants' identification  
document numbers, where appropriate) to be available  
through a variety of channels as described in the paragraph  
headed "How to apply for Hong Kong Offer Shares –  
Publication of results", including the  
Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and  
our Company's website at [www.tianyuninternational.com](http://www.tianyuninternational.com)<sup>(8)</sup> from . . . . Monday, 6 July 2015

Results of allocations in the Hong Kong Public Offer  
will be available at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result)  
with a "search by ID" function . . . . . Monday, 6 July 2015

Despatch/collection of Share certificates in respect of  
wholly or partially successful applications pursuant  
to the Hong Kong Public Offer on or before<sup>(6)</sup> . . . . . Monday, 6 July 2015

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## EXPECTED TIMETABLE<sup>(1)</sup>

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### Despatch of **HK eIPO White Form** e-Auto Refund Payment

instructions/refund cheques in respect of wholly  
successful (if applicable) or wholly or partially unsuccessful  
applications pursuant to the Hong Kong Public Offer on or before <sup>(7)</sup> . . . Monday, 6 July 2015

### Dealings in Shares on the Stock Exchange

to commence at 9:00 a.m. on . . . . . Tuesday, 7 July 2015

#### Notes:

- (1) Unless otherwise stated, all times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” of this prospectus. If there is any change in this expected timetable, an announcement will be published in The Standard (in English) and the Hong Kong Economic Journal (in Chinese) and on the Stock Exchange website at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.tianyuninternational.com](http://www.tianyuninternational.com).
- (2) 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 Monday, 29 June 2015, the application lists will not open and close on that day. Please see the paragraph headed “Effect of bad weather on the opening of the application lists” in the section headed “How to apply for Hong Kong Offer Shares” of this prospectus. If the application lists do not open and close on Monday, 29 June 2015, the dates mentioned in this section headed “Expected Timetable” may be affected.
- (3) You will not be permitted to submit your application through the designated website at [www.hkeipo.hk](http://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.
- (4) Applicants who apply by giving electronic application instructions to the HKSCC should refer to the paragraph headed “Applying by giving electronic application instructions to HKSCC via CCASS” in the section headed “How to apply for Hong Kong Offer Shares” of this prospectus.
- (5) The Price Determination Date, being the date on which the final Offer Price is to be determined, is expected to be on or about Monday, 29 June 2015 and, in any event, not later than Friday, 3 July 2015. If, for any reason, the final Offer Price is not agreed by us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering (including the Hong Kong Public Offer) will not proceed and will lapse.
- (6) Applicants who have applied on White Application Forms or HK eIPO White Form for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offer and have provided all required information may collect refund cheques (where applicable) and/or Share certificates (where applicable) in person from our Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong between 9:00 a.m. to 1:00 p.m. on Monday, 6 July 2015. Applicants being individuals who opt for personal collection may not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation’s chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

Applicants who have applied on Yellow Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offer may collect their refund cheques, if any, in person but may collect their Share certificates as such Share certificates 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.

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## EXPECTED TIMETABLE<sup>(1)</sup>

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- (7) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the initial price per Hong Kong 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 Hong Kong Offer Shares” of this prospectus.
- (8) None of the website or any of the information contained on the website forms part of this prospectus. Share certificates will only become valid certificates of title provided that the Hong Kong Public 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.

**Share certificates will only become valid certificates of title at 8:00 a.m. on Tuesday, 7 July 2015 provided that the Hong Kong Public 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 Hong Kong Public Offer, see the sections headed “How to apply for Hong Kong Offer Shares” and “Structure of the Global Offering” of this prospectus.



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### IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by us solely in connection with the Hong Kong Public Offer and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a Hong Kong Public Offer of the Offer Shares or the distribution of this prospectus in any jurisdiction other than in Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in any other jurisdiction are subject to restrictions and may not be made except as permitted under the applicable securities laws of any such jurisdiction pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Global Coordinator, the Sole Lead Manager, the Sole Sponsor, any of the Underwriters, any of their respective directors, officers or representatives, or any other person or party involved in the Global Offering.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in our Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk factors” of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this section are defined or explained in the section headed “Definitions” of this prospectus.*

### OVERVIEW

We principally engage in the production and sales of processed fruit products<sup>Note</sup> packaged in metal containers, plastic cups and glass containers with our operations mainly located in Shandong Province, the PRC. During the Track Record Period, we sold our products on an OEM basis and under our own brand  (“天同時代”). We sold our processed fruit products in the PRC and to overseas countries including Canada, the United States, the United Kingdom, Germany, France, New Zealand, Japan, South Africa, the Netherlands and Malaysia. We also engage in the trading of fresh fruit.

Food safety and quality are our top priority and we have adopted stringent quality control measures in our production process. Our production facilities and procedures have followed the standards required under the relevant PRC laws and regulations and certain international standards in relation to food production. We have been accredited with BRC (A+), IFS Food (high), HALAL, QS, KOSHER and ISO22000 in respect of our production facilities, quality control and management.

We target to increase our sales and market presence by increasing our product offering and expansion of our distribution and sales network. Our new products, fruit sorbet (水果霜) has been launched to the market in April 2015, and fruit puree (水果泥) is targeted to be launched to the market in the last quarter of 2015. In January 2015, we started to adopt a new distributorship system in respect of our domestic sales. In order to broaden our sales channel in the PRC, we have launched our on-line shop through a third party on-line shopping platform in April 2015.

### OUR BUSINESS MODEL

Our business model for the processed fruit business includes production and sales of OEM products and our own brand products. For our OEM products, our customers provide us the design and specifications, packaging and labelling requirements of the products. We proceed to mass production of the products upon confirmation of our customers on the sample products. For products under our own brand, we design and develop the products and offer the list of products available for our customers’ selection.

*Note:* Our processed fruit products are solid processed fruit products and in particular, canned fruit products and do not include other types of solid processed fruit products such as fruit preserves, fruit jams and dried fruit products.



## SUMMARY

The following table sets out the breakdown of our revenue by OEM products and our own brand products from domestic sales and overseas sales:

	2012		Year ended 31 December 2013		2014	
	RMB'000	% of total revenue from processed fruit products	RMB'000	% of total revenue from processed fruit products	RMB'000	% of total revenue from processed fruit products
<b>OEM products</b>						
– Domestic sales	178,987	76.9	190,747	65.1	279,659	76.7
– Overseas	29,154	12.5	43,126	14.7	34,441	9.5
	208,141	89.4	233,873	79.8	314,100	86.2
<b>Own brand products</b>						
– Domestic sales	24,720	10.6	59,268	20.2	50,333	13.8
	232,861	100.0	293,141	100.0	364,433	100.0

We also select and resell a small portion of the fresh fruit which we purchase to fresh fruit wholesalers in the PRC.

### OUR PRODUCTS

We produce and sell processed fruit products including but not limited to peach, strawberry, pear, apple, apricot and mixed fruit. Our processed fruit products are packaged in metal containers, plastic cups and glass containers of different volumes and filled with syrup, water or juice.

The following table sets out the breakdown of our revenue and average selling price by major types of fruit for the periods indicated:

	2012		Average selling price		Year ended 31 December 2013		Average selling price		2014		Average selling price	
	RMB'000	% of total revenue	'000 kg	(RMB/kg)	RMB'000	% of total revenue	'000 kg	(RMB/kg)	RMB'000	% of total revenue	'000 kg	(RMB/kg)
<b>Processed fruit products</b>												
– Peach	56,069	18.7	6,282	8.9	86,911	23.4	9,826	8.8	123,603	27.6	14,786	8.4
– Mixed fruit (Note 1)	57,082	19.0	5,699	10.0	70,228	19.0	6,382	11.0	106,387	23.8	11,089	9.6
– Pear	36,905	12.3	4,828	7.6	47,732	12.9	7,140	6.7	48,202	10.8	6,525	7.4
– Strawberry	34,589	11.5	3,722	9.3	47,563	12.8	5,246	9.1	40,914	9.1	4,886	8.4
– Apple	22,637	7.5	2,556	8.9	15,625	4.2	1,891	8.3	26,677	5.9	3,040	8.8
– Apricot	25,286	8.4	3,433	7.4	23,996	6.5	2,973	8.1	17,890	4.0	2,513	7.1
– Others	293	0.1	37	8.0	1,086	0.3	82	13.2	760	0.2	93	8.2
Sub-total	232,861	77.5	26,557	N/M	293,141	79.1	33,540	N/M	364,433	81.4	42,932	N/M
<b>Fresh fruit</b>	67,052	22.3	23,274	N/M	73,803	19.9	15,406	N/M	81,541	18.2	16,835	N/M
<b>Others (Note 2)</b>	427	0.2	N/A	N/M	3,549	1.0	N/A	N/M	1,704	0.4	N/A	N/M
<b>Total</b>	<b>300,340</b>	<b>100.0</b>			<b>370,493</b>	<b>100.0</b>			<b>447,678</b>	<b>100.0</b>		

## SUMMARY

*N/M*: Not meaningful as average selling price of each type of fruits may vary to a large extent.

*N/A*: Not applicable as some packaging materials, such as paper and cartons, were not measured in terms of weight.

*Notes*:

- (1) Mixed fruit refers to a mixture of any combination of the types of fruit we process, including peach, pear, pineapple, grape, cherry, etc.
- (2) “Others” mainly represents sales of (i) frozen processed fruits; (ii) a by product, namely apricot seed (杏核); and (iii) excessive packaging materials purchased. As these products are of different nature, the calculation of their weight does not provide a meaningful presentation.

Our revenue and sales volume of processed fruit products increased continuously throughout the Track Record Period. Notwithstanding the decrease in sales volume of fresh fruit in 2013, our revenue derived from sales of fresh fruit increased continuously throughout the Track Record Period, primarily due to our increase in sales of fresh fruit with higher average selling price, such as grapes and strawberry, and decrease in sales of fresh fruit with lower average selling price, such as pear.

The following table sets out the breakdown of our revenue and gross profit margins of our processed fruit products in different packages for the period indicated:

	Year ended 31 December																
	2012				2013						2014						
	% of total revenue from processed fruit products		Gross profit margin (%)		Average selling price (RMB/kg)		% of total revenue from processed fruit products		Gross profit margin (%)		Average selling price (RMB/kg)		% of total revenue from processed fruit products		Gross profit margin (%)		Average selling price (RMB/kg)
RMB'000	products	(%)	'000 kg	(RMB/kg)	RMB'000	products	(%)	'000 kg	(RMB/kg)	RMB'000	products	(%)	'000 kg	(RMB/kg)			
<b>Processed fruit products in</b>																	
- metal containers	212,695	91.3	30.8	24,294	8.8	218,747	74.6	30.0	26,968	8.1	289,145	79.3	30.1	35,825	8.1		
- plastic cups	3,906	1.7	39.7	309	12.6	61,860	21.1	34.5	5,009	12.3	49,799	13.7	35.9	4,096	12.2		
- glass containers	16,260	7.0	31.0	1,954	8.3	12,534	4.3	32.2	1,563	8.0	25,489	7.0	31.4	3,011	8.5		
	<b>232,861</b>	<b>100.0</b>	<b>31.0</b>	<b>26,557</b>	<b>8.8</b>	<b>293,141</b>	<b>100.0</b>	<b>31.0</b>	<b>33,540</b>	<b>8.7</b>	<b>364,433</b>	<b>100.0</b>	<b>31.0</b>	<b>42,932</b>	<b>8.5</b>		

We first offered our processed fruit products in metal containers in 2003. Starting from 2007, we also offer our products packaged in glass containers. In 2012, we also launched our plastic cup series. All three packaging are sold both on an OEM basis and under our own brand.

Among our processed fruit products in different packaging, processed fruit products in plastic cups had the highest gross profit margin during the Track Record Period which is mainly due to its higher average selling price per kg resulting from its lower volume per cup for easier carriage and consumption. The gross profit margin of our processed fruit products in other two types of packaging are similar to the overall gross profit margin throughout the Track Record Period.

## SUMMARY

### OUR SALES AND CUSTOMERS

We derived most of our revenue from domestic sales which were made mainly to customers located in Shandong Province, the PRC. For the years ended 31 December 2012, 2013 and 2014, our domestic sales accounted for approximately 90.3%, 88.4% and 92.3%, respectively, of our total revenue, and our overseas sales accounted for approximately 9.7%, 11.6% and 7.7%, respectively, of our total revenue over the same period. For details of our domestic and overseas sales, please refer to the paragraph headed “Sales, distribution network and customers” in the section headed “Business” on page 155 of this prospectus.

#### Our customers

Our domestic sales consist of processed fruit products and fresh fruit. Domestic sales are made either on an OEM basis or under our own brand. Domestic OEM sales are made directly to trading entities located in the PRC. Our Directors confirm, to their best knowledge after making reasonable enquiries, that these trading entities may further export our products to overseas countries or on sell our products in the PRC to brand owners or their agents. Domestic sales under our own brand are made directly to distributors and retailers.

Our overseas sales consist of processed fruit products and are all made on an OEM basis. Our overseas customers include brand-owners and trading entities located overseas. Please refer to the paragraph headed “Sales, distribution network and customers – Our customers” in the section headed “Business” on page 170 of this prospectus for details of our customers.

The following table sets out our revenue breakdown by types of customer during the Track Record Period:

	2012		Year ended 31 December 2013		2014	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
Trading entities	195,399	65.1	203,662	55.0	285,261	63.8
Distributors	22,210	7.4	55,185	14.9	46,710	10.4
Brand owners	12,742	4.2	30,211	8.2	28,839	6.4
Retailers	2,510	0.8	4,083	1.1	3,623	0.8
Wholesalers and others						
(Note)	67,479	22.5	77,352	20.8	83,245	18.6
<b>Total</b>	<b>300,340</b>	<b>100.0</b>	<b>370,493</b>	<b>100.0</b>	<b>447,678</b>	<b>100.0</b>

*Note:* Wholesalers are customers who purchase fresh fruit from us. “Others” mainly represents sales of (i) frozen processed fruit; (ii) a by product, namely apricot seed (杏核); and (iii) excessive packaging materials purchased.

For the years ended 31 December 2012, 2013 and 2014, sales to our five largest customers accounted for approximately 64.3%, 47.4% and 43.9%, respectively, of our total revenue.

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## SUMMARY

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### **New distributorship system for domestic sales**

During the Track Record Period, sales of our own brand products were made to our distributors. However, we did not enter into any framework or distribution agreement with any of them. Thus, it was difficult for us to manage or monitor their conducts. As at 31 December 2014, we had 17 distributors, all of which are located in the PRC. As part of our strategy to increase the domestic sales of our own brand products, we consider it is important to derive an effective system and measures to manage and monitor our distributors and distribution network. Since January 2015, we adopted a new distributorship system which includes the entering into of formal distribution agreements with our distributors, centralisation of the sales strategy of our own brand products by our headquarters and also enhancing communications with and control the sales activities of our distributors. For details of this new distributorship system, please refer to the paragraph headed “Sales, distribution network and customers – Sales of our own brand products” in the section headed “Business” on page 165 of this prospectus.

### **PROCUREMENT AND SUPPLIERS**

The principal raw materials used in our products include fresh fruit, sugar and packaging materials. We do not own any farms and we primarily procure fresh fruit from a variety of independent suppliers in the PRC, with a majority of them located in Anhui, Shandong and Hebei Provinces. For other raw materials used in our production, such as sugar and packaging materials, we mainly source from independent suppliers in the PRC.

Given that fresh fruit, one of our major raw materials, are agricultural products and their prices are subject to fluctuations, we generally do not fix any purchase price of fresh fruit with our farmer suppliers in advance.

To better control the purchase cost of our raw materials, we formulate a maximum purchase price list of our key raw materials and such list is reviewed from time to time. Our procurement staff are required to strictly follow such maximum purchase price list in the negotiations and determination of the purchase price of raw materials with our suppliers.

We usually pay our suppliers for fresh fruit on a cash on delivery basis. Our other suppliers generally grant us a credit term ranging from 30 to 60 days. We have adopted a stringent procedures in selecting our suppliers and conducted annual evaluation of them. For suppliers of raw materials of fresh fruit, we make site visits to potential farmer suppliers to assess the environment of the farm before we decide to place orders. We obtain information from the suppliers on the source, type, amount and application method of pesticides and fertilisers used in growing the fruit. We maintain close monitoring on the farmer suppliers to ensure they do not use any pesticides which is prohibited under the relevant PRC regulations, international standards and the relevant requirements of the quality control certifications. During the harvest period of the fruit, we obtain samples of fresh fruit from the farmer suppliers and deliver the samples to Independent Third Party inspection centre to perform test on the fresh fruit on items including the hygiene standard, level of bacteria and harmful chemicals such as lead and cadmium, pesticides such as DDT contained in the fruit. We will place orders for the fresh fruit from the farmer suppliers only if the inspection report from the Independent Third Party inspection centre shows satisfactory testing results. When the fresh fruit are delivered to our production facilities, we also implement an inspection and testing procedure where each batch of fresh fruit is sampled for inspection. For suppliers of raw materials other than fresh fruit, we maintain a list of qualified suppliers who have met our selection criteria. Before the raw materials are accepted for our production, our staff from the quality control team will conduct inspections and sample testing on

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## SUMMARY

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the raw materials based on specific criteria, such as the appearance, hygiene standards, and the chemical and impurity content of the raw materials. Raw materials which fail to comply with our standards and the national standards are returned to the suppliers. For further information of our quality control measures, please refer to the paragraph headed “Raw materials and major suppliers – Our suppliers” in the section headed “Business” on page 153 of this prospectus and paragraph headed “Quality control” in the section headed “Business” on page 177 of this prospectus. During the Track Record Period, we did not experience any material dispute with our suppliers nor shortage or delay of supply which materially and adversely affect our operation. We did not engage in any hedging activities or enter into any futures contracts to manage price fluctuations of raw materials.

For the years ended 31 December 2012, 2013 and 2014, purchases from our five largest suppliers accounted for approximately 29.0%, 24.4% and 29.2%, respectively, of our total purchases for the same period.

### PRODUCTION FACILITIES AND EXPANSION PLAN

We produce our OEM products and our own brand products in the production facilities located in Linyi City, Shandong Province, the PRC. As at the Latest Practicable Date, our existing production facilities consisted of two workshops and six production lines, which are interchangeable to manufacture products in different packaging. The table below sets out the designed production capacity, the actual production volume and the average utilisation rate of our processed fruit products by our production facilities during the Track Record Period:

Year ended	Number of production lines in operation	Designed annual production capacity (Note 1) (tonnes)	Actual production volume (tonnes)	Average utilisation rate (Note 2) (%)
31 December 2012	3	31,758 <sup>(Note 3)</sup>	27,538	86.7
31 December 2013	3	32,489	28,327	87.2
31 December 2014	5	48,514 <sup>(Note 4)</sup>	44,357	91.4

*Notes:*

- (1) The designed annual production capacity of our processed fruit product production facilities for the years ended 31 December 2012, 2013 and 2014 is estimated based on the weight of semi-products in tonnes that had completed the pasteurisation process per hour multiplied by 10 working hours per day multiplied by 350 days in 2012, 2013 and 2014.
- (2) Average utilisation rate is derived by dividing the actual production volume by the designed production capacity in the relevant year.
- (3) One new production line commenced operation in mid-January 2012. The calculation of designed production capacity of production facilities took into account the actual timing of the commencement of the operation of this production line.
- (4) Two new production lines commenced operation in the year ended 31 December 2014. The calculation of designed production capacity of our production facilities took into account the actual timing of the commencement of the operation of these two production lines. The designed production capacity on an annualised basis as at 31 December 2014 would be approximately 53,000 tonnes if the five production lines were in full operation during the year.

## SUMMARY

To cater for the expected increase in demand for processed fruit products and in light of the high level utilisation rate of our existing production facilities, we intend to build four new workshops, two of which will be located next to our existing production facilities (the “**No. 3 and 4 Workshops**”). We intend to identify and acquire a parcel of land strategically close to our existing production facilities to accommodate the other two workshops (the “**No. 5 and 6 Workshops**”).

These four new workshops are intended to be established in two phases. We are in the process of constructing No. 3 and 4 Workshops, which is expected to be completed in the third quarter of 2015 and are expected to commence operation in the first quarter of 2016. The expected total gross floor area for No. 3 and 4 Workshops is approximately 8,815 square metres. Construction of No. 5 and 6 Workshops is expected to commence in the second quarter of 2016 and completed in the first quarter of 2017.

The table below shows further information of our expansion plan:

Phase	Maximum designed annual production capacity (tonnes)	Actual/ Expected date	Expected completion date of construction	Expected commencement date of operation	Estimated total investment costs (RMB million)	Amount incurred as at the Latest Practicable Date (RMB million)	Source of fund
		of commencement of construction					
No. 3 and 4 Workshops	20,000	July 2014	September 2015	January 2016	36.8	24.1	Internally generated fund
No. 5 and 6 Workshops	45,000	May 2016	March 2017	July 2017	178.2	Nil	Net proceeds of the Global Offering and internally generated fund

Please refer to the paragraph headed “New production facilities” in the section headed “Business” on page 144 of this prospectus for further details on our expansion plan.

### RISK FACTORS

There are risks associated with our business and investment in the Global Offering. These risks include (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to doing business in China; and (iv) risks relating to the Global Offering. Some of the particular risks are set out in the section headed “Risk factors” from page 29 of this prospectus.

The following highlights some of the risks which our Directors consider to be material:

- We rely on third party suppliers for supplies of fresh fruit and are vulnerable to increase in the price of our raw materials and other operating costs, and we may not be able to entirely offset these increasing costs by increasing the prices of our products



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## SUMMARY

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- A significant portion of our sales during the Track Record Period were attributable to trading entities and we have no direct control over the relationship between the trading entities and brand owners
- We may be unable to anticipate and respond to changes in tastes, preferences and perceptions of consumers for processed fruit products, which may result in decreased demand for our products. Other forms of fruit which are perceived by the consumers as healthier than our processed fruit products in the future may reduce the demand for our processed fruits products in the long run
- We rely on trading entities and distributors to sell our products and if there are any changes in the relationship with these entities or distributors and we fail to identify new trading entities or distributors, this may adversely affect our sales, results of operations and financial conditions
- We may not have effective control over the practice and manner of the sales of our own brand products by our distributors

You should read that entire section carefully before you decide to invest in the Offer Shares.

### **OUR COMPETITIVE STRENGTHS AND BUSINESS STRATEGIES**

We believe the following strengths contribute to our success and distinguish us from our competitors:

- dedication to quality control, maintaining high standards of hygiene and food safety with recognised quality control system and committing on producing processed fruit products as a quality and healthy food without the addition of any preservatives
- proximity of our production facilities to sufficient supply of raw materials
- strong customer base with long-term business relationship with most of our major customers
- offering of a diversified portfolio of processed fruit products which enable us to satisfy different requirements of customers, broaden our customer base and minimise the seasonality impact
- highly experienced and incentivised management with proven track record to lead the development and growth, building of our corporate culture and establishing loyalty of mid-level management

We intend to pursue the following business strategies:

- increase our sales and market share by enhancing our existing products and expanding our product offering through continuing product development
- increase the sales of our own brand products and our market share through the expansion of our distribution and sales network

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## SUMMARY

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- develop on-line sales channel through third party on-line shopping platform
- increase recognition and awareness of our own brands by increasing marketing and promotional activities
- acquire more advanced production and quality control equipment to increase our production capacity, enhance our production efficiency and ensure high quality and safety of our products

### SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables present the summary consolidated financial information of our Group. The summary of consolidated income statement information for the years ended 31 December 2012, 2013 and 2014, the summary of consolidated statements of financial position information as at 31 December 2012, 2013 and 2014 and the summary of consolidated cash flows information for the years ended 31 December 2012, 2013 and 2014 are derived from, and should be read in conjunction with, our consolidated financial information, including the notes thereto, set out in the accountant's report in Appendix I to this prospectus.

#### Summary of consolidated income statement information

	Year ended 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	300,340	370,493	447,678
Cost of sales	<u>(209,630)</u>	<u>(258,506)</u>	<u>(312,307)</u>
Gross profit	90,710	111,987	135,371
Profit before income tax	73,647	90,006	113,517
Profit and total comprehensive income for the year attributable to owners of the Company	57,985	70,900	89,311

We have achieved a track record of continuous growth in revenue and profit. For the years ended 31 December 2012, 2013 and 2014, we recorded a total revenue of approximately RMB300.3 million, RMB370.5 million and RMB447.7 million, respectively, representing a CAGR of 22.1% over the same period. Such increase was primarily due to the increase in the sales volume of our products, especially our plastic cup products which was launched in 2012 and also our processed peach products and processed mixed fruit products packaged in metal containers. The increase in the sales of these products was primarily attributable to the strong demand for these products in the markets to which our customer sold. Our gross profit for the years ended 31 December 2012, 2013 and 2014 amounted to approximately RMB90.7 million, RMB112.0 million and RMB135.4 million, respectively, representing a CAGR of 22.2% over the same period. Our gross profit margin remained stable at approximately 30.2% for the years ended 31 December 2012, 2013 and 2014 as we are generally able to pass on the increase in purchase costs of raw

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## SUMMARY

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materials to our customers as we have been adopting a cost-plus pricing strategy. Our net profit for the years ended 31 December 2012, 2013 and 2014 amounted to approximately RMB58.0 million, RMB70.9 million and RMB89.3 million, respectively, representing a CAGR of 24.1% over the same period. Our net profit margin remained stable at approximately 19.3%, 19.1% and 19.9%, respectively, for the years ended 31 December 2012, 2013 and 2014. Please refer to the paragraph headed “Principal income statement items” in the section headed “Financial information” on page 227 of this prospectus for further details.

### Summary of consolidated statements of financial position information

	As at 31 December		
	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>
Total current assets	102,338	84,701	122,301
Total current liabilities	85,628	84,674	76,485
Net current assets	16,710	27	45,816

As at 31 December 2012, 2013 and 2014, we had net current assets of approximately RMB16.7 million, RMB27,000 and RMB45.8 million, respectively. Our net current assets decreased significantly from approximately RMB16.7 million in 2012 to approximately RMB27,000 in 2013 primarily due to the payment of RMB90 million cash dividend to our then shareholders offset by the accumulation of profit for the year and changes in working capital. Our net current assets increased significantly from approximately RMB27,000 in 2013 to approximately RMB45.8 million in 2014 primarily due to increase in cash and cash equivalents as result of the capital injection by our Controlling Shareholders in 2014 following completion of two rounds of pre-IPO investments, accumulation of profit and changes in working capital for the year offset by the payment of RMB70 million cash dividends to our then shareholders. For details of the pre-IPO investments, please refer to the paragraph headed “Pre-IPO investments” in the section headed “History, development and reorganisation” on page 116 of this prospectus.

### Summary of consolidated cash flows information

	Year ended 31 December		
	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>
Net cash generated from operating activities	46,136	90,991	77,505
Net cash (used in)/generated from investing activities	(4,001)	1,366	(34,482)
Net cash used in financing activities	(36,591)	(81,221)	(29,482)
Net increase in cash and cash equivalents	5,544	11,136	13,541
Cash and cash equivalents at beginning of year	1,374	6,918	18,054
Cash and cash equivalents at end of year	6,918	18,054	31,595

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## SUMMARY

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We had a net cash generated from operating activities of approximately RMB77.5 million for the year ended 31 December 2014, resulting from cash generated from operations of approximately RMB103.8 million, offset by interest paid of approximately RMB3.3 million and income tax paid of approximately RMB22.9 million. We had a net cash outflow from investing activities of approximately RMB34.5 million for the year ended 31 December 2014, primarily due to the purchases of property, plant and equipment of approximately RMB36.0 million, of which RMB24.1 million represents the costs spent on the Phase I Expansion Plan. We had a net cash outflow from financing activities of approximately RMB29.5 million for the year ended 31 December 2014, primarily due to the payment of dividends of approximately RMB70.0 million, the net repayment of bank borrowings of approximately RMB7.5 million and the net repayment to director of approximately RMB11.4 million, offset by contributions from owners of approximately RMB59.5 million, following completion of two rounds of Pre-IPO investments. Please refer to the paragraph headed “Liquidity and capital resources” in the section headed “Financial information” on page 262 of this prospectus for further details.

Below sets out our key financial ratios for the periods indicated:

	2012	Year ended 31 December	
		2013	2014
Return on equity (%)	98.9	179.4	75.5
Return on total assets (%)	40.2	57.1	45.8
Interest coverage ratio ( <i>times</i> )	22.6	24.8	47.5

	2012	As at 31 December	
		2013	2014
Gearing ratio (%)	86.4	150.4	34.2
Net debt to equity ratio (%)	74.6	104.7	7.5
Current ratio	1.2	1.0	1.6
Quick ratio	0.6	0.6	1.1

Our Directors confirm that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus, taking into account the financial resources presently available to us, including the estimated net proceeds from the Global Offering, available banking facilities and cash flows from our operations.

### RECENT DEVELOPMENTS SUBSEQUENT TO THE TRACK RECORD PERIOD

On 19 March 2015, we entered into a land and properties transfer agreement with Yuanyu, a company controlled by our Controlling Shareholders, pursuant to which Yuanyu has agreed to transfer to Shandong Tiantong a parcel of land (the “**Land**”) in Linyi City, Shandong Province, the PRC together with our existing production facilities located thereon comprising production plants, ancillary facilities, offices, dormitories and canteens (the “**Production Facilities**”) with a total gross floor area of approximately 40,181.7 square metres (the Land and the Production Facilities together as the “**Properties**”) at a consideration of RMB80.0 million, which was determined with reference to the fair value of the Properties after arm’s length negotiations. The consideration will be financed by our internal resources and bank loans and will be settled prior to the Listing.

Since January 2015, we have adopted a new distributorship system, under which we started to enter into distribution agreements with our distributors. As at the Latest Practicable Date, we had 33 distributors, all of which had entered into distribution agreements with us. Among these distributors, eight of them were also our distributors as at 31 December 2014.

We continue to develop and expand our customer base and diversify and enhance the products we offer. As a result of this effort, we achieve a growth in our number of customers, sales volume and financial performance. Based on the unaudited management accounts of our Group for the four months ended 30 April 2015, our revenue is expected to increase when compared with the same over the corresponding period in 2014.

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## SUMMARY

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Our Directors confirm that, since 31 December 2014 and up to the date of this prospectus, save as disclosed above, there has been no adverse change in our financial or trading position or prospects and no event has occurred that would materially affect the information shown in the Accountant's Report set forth in Appendix I to this prospectus.

### SHAREHOLDERS' INFORMATION

Immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares that may be allotted and issued upon exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme), Wealthy Active, Wealthy Maker, Tiger Star and Sino Red will be directly interested in 43.7%, 12.0%, 7.6% and 7.6%, respectively, of the issued Shares of our Company.

Our Directors are of the view that as of the Latest Practicable Date, none of our substantial shareholders or any of their respective associates had any interests in any business, apart from the business operated by members of our Group, that competes or is likely to compete, directly or indirectly, with the business of our Group.

### GLOBAL OFFERING STATISTICS

We have prepared the following offer statistics on the basis of indicative Offer Prices without taking into account the 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee. We have also assumed the Over-allotment Option is not exercised.

	Based on Offer Price per Share of HK\$1.28	Based on Offer Price per Share of HK\$1.68
Market capitalisation of our Shares (Note 1)	HK\$1,280 million	HK\$1,680 million
Unaudited pro forma adjusted net tangible asset value per Share (Note 2)	RMB0.34 (HK\$0.43)	RMB0.42 (HK\$0.52)

*Notes:*

- (1) The calculation of our market capitalisation upon completion of the Global Offering is based on the assumption that 1,000,000,000 Shares will be in issue and outstanding immediately following the completion of the Global Offering.
- (2) The unaudited pro forma adjusted net tangible asset value per Share is calculated after the adjustments referred to in the section headed "Unaudited pro forma financial information – Unaudited pro forma adjusted consolidated net tangible assets" set out in Appendix II on page II-1 in this prospectus and on the basis of a total of 1,000,000,000 Shares in issue immediately following the Global Offering.

### DIVIDENDS DECLARED DURING THE TRACK RECORD PERIOD AND DIVIDEND POLICY

During the Track Record Period, we declared dividends of nil for the year ended 31 December 2012, RMB90.0 million for the year ended 31 December 2013, RMB70.0 million for the year ended 31 December 2014.

Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the BVI Companies Act, including the approval of our Shareholders for declaration of final dividends. Any future declarations of dividends after the year ending 31 December 2015 may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors. For details regarding dividends paid by us and the factors taken into account for

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## SUMMARY

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declarations of dividends, please refer to the paragraph headed “Dividends declared during the Track Record Period and dividend policy” in the section headed “Financial information” on page 279 of this prospectus.

### USE OF PROCEEDS

We estimate that the net proceeds from the Global Offering (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering, and assuming an Offer Price of HK\$1.48 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$1.28 to HK\$1.68 and the Over-allotment Option is not exercised) are approximately HK\$326.6 million (or approximately HK\$380.5 million assuming the Over-allotment Option is exercised in full) (to be received upon the Listing). Our Directors intend to apply the net proceeds from the Global Offering for the following purposes:

<b>Amount of proceeds (%)</b>	<b>Use of proceeds</b>
HK\$163.3 million (50%)	As capital expenditures on our expansion plan
HK\$49.0 million (15%)	To expand our distribution and sales network and our scale of operation
HK\$49.0 million (15%)	To enhance our brand awareness and promote the on-line shopping platform of our own brand products
HK\$16.3 million (5%)	To enhance our research and development capabilities to improve our existing products and to develop new products and packaging design
HK\$16.3 million (5%)	To enhance the information technology systems and infrastructure
HK\$32.7 million (10%)	As general working capital and general corporate purposes

For details of our future plans and use of proceeds, please refer to the section headed “Future plans and use of proceeds” from pages 282 to 284 of this prospectus.

### NON-COMPLIANCE

During the Track Record Period, we did not fully comply with the laws and regulations in respect of social insurance contributions and housing provident fund contribution. Please refer to the paragraph headed “Non-compliance” in the section headed “Business” from pages 188 to 191 of this prospectus for detailed information of these non-compliance incidents.

### LISTING EXPENSES

All incremental costs that are directly attributable to the issue of new shares are recognised directly deducted from equity while any expenses attributable to listing of existing shares are charged to the profit and loss accounts in which the expenses are incurred. Assuming an Offer Price of HK\$1.48 per Share (being the mid-point of the indicative offer price range stated in this prospectus) and the Over-allotment Option is not exercised, the total estimated listing expenses in relation to the Global Offering is HK\$43.4 million, of which HK\$2.1 million were charged to profit or loss during the Track Record Period. For the remaining expenses, we expect to charge an amount of HK\$22.1 million to our profit or loss for the year ending 31 December 2015 and the balance of HK\$19.2 million to be capitalised.



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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.*

“Application Form(s)”	<b>White</b> application form(s), <b>Yellow</b> application form(s) and <b>Green</b> application form(s), or where the context so requires, any of them that is used in connection with the Hong Kong Public Offer
“Articles of Association” or “Articles”	the amended and restated articles of association of our Company, approved on 16 June 2015 to take effect prior to Listing
“associate”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of our Board
“Board”	the board of Directors
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“BVI Companies Act”	BVI Business Companies Act
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of certain sum standing to the credit of any distributable reserve of our Company as referred to in the paragraph headed “Resolutions in writing of the sole Shareholder passed on 16 June 2015” in Appendix V to this prospectus
“Cayman Tiantong”	Tiantong Fruit Co., Ltd. (天同果業有限公司), a company with limited liability incorporated in the Cayman Islands on 25 August 2011
“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 participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

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“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China and, except where the context otherwise requires and only for the purpose of this prospectus, references in this prospectus to China or the PRC exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Chinese Government” or “PRC Government”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
“Circular 37”	the PRC Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investment by Domestic Residents via Special Purpose Vehicles (國家外匯管理關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) promulgated by SAFE on 4 July 2014
“Circular 75”	the PRC Circular on Relevant Issues concerning Foreign Exchange Administration of Financing and Return Investments Undertaken by Domestic Residents through Overseas Special Purpose Vehicles (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) promulgated by SAFE on 21 October 2005, which was replaced by the Circular 37
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

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## DEFINITIONS

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“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, including any person or group of persons who are entitled to exercise 30% or more of the voting power at our general meeting or are in a position to control the composition of a majority of our Board, and in the case of our Company upon Listing, namely Wealthy Active and Mr. Yang
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
“Deed of Indemnity”	a deed of indemnity dated 16 June 2015 entered into by the Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries) as referred to in the paragraph headed “Other information – Tax and other indemnities” in Appendix V to this prospectus
“Deed of Non-competition”	a deed of non-competition dated 16 June 2015 given by each of the Controlling Shareholders in favour of our Company as set out in the paragraph headed “Deed of Non-competition” in the section headed “Relationship with our Controlling Shareholders” of this prospectus
“Director(s)”	the director(s) of our Company as at the date of this prospectus
“Frost & Sullivan Report”	the Fruit Processing Market Study in China, 2014 dated 17 June 2015 compiled by Frost & Sullivan, a private independent research firm
“GDP”	gross domestic product
“Global Offering”	the Hong Kong Public Offer and the International Placing
“Green application form(s)”	the application form(s) to be completed by the <b>HK eIPO White Form</b> Service Provider designated by our Company
“HK\$” or “Hong Kong dollars” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited

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## DEFINITIONS

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“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	25,000,000 Offer Shares being initially offered by our Company pursuant to the Hong Kong Public Offer, subject to reallocation as described in the section headed “Structure of the Global Offering” of this prospectus
“Hong Kong Public Offer”	the offer for subscription or for sale of Offer Shares to the public in Hong Kong (subject to adjustment as described in the section headed “Structure of the Global Offering”) at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) and on and subject to the terms and conditions described in this prospectus and the Application Forms, as further described in the section headed “Structure of the Global Offering” of this prospectus
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offer whose names are set out in the paragraph headed “Hong Kong Underwriters” in the section headed “Underwriting” of this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 23 June 2015 relating to the Hong Kong Public Offer entered into, among others, our Company, the Sole Global Coordinator, the Sole Lead Manager, the Sole Sponsor and the Hong Kong Underwriters
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any directors, chief executive or substantial shareholders of our Company, our subsidiaries or any of their respective associates
“International Placing”	the offer of International Placing Shares to institutional, professional and other investors as further described in the section headed “Structure of the Global Offering” in this prospectus

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## DEFINITIONS

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“International Placing Shares”	225,000,000 Offer Shares being initially offered by our Company pursuant to the International Placing, together with any additional Shares offered pursuant to any exercise of the Over-allotment Option, subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the underwriters of the International Placing and parties to the International Underwriting Agreement as described in the paragraph headed “Underwriting arrangements and expenses – International underwriting agreement” in the section headed “Underwriting” of the prospectus
“International Underwriting Agreement”	the underwriting agreement relating to the International Placing, which is expected to be entered into among our Company, the Controlling Shareholders, the Sole Global Coordinator and the International Underwriters on or around the Price Determination Date
“Latest Practicable Date”	15 June 2015, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	the date expected to be on or about 7 July 2015, on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company, approved on 16 June 2015 to take effect prior to Listing
“Ministry of Finance” or “MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Sun”	Sun Xingyu (孫興宇), our executive Director and a Substantial Shareholder

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## DEFINITIONS

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“Mr. Yang”	Yang Ziyuan (楊自遠), our chairman, executive Director and a Controlling Shareholder
“M&A Rules”	the Rules on the Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), jointly promulgated by MOFCOM, SASAC, SAT, SAIC, CSRC and SAFE on 8 August 2006 and was amended by MOFCOM on 22 June 2009
“NDRC”	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)
“Nomination Committee”	the nomination committee of our Board
“NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“Offer Price”	the final price per Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) of no more than HK\$1.68 at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering, to be determined as further described in the paragraph headed “Determining the Offer Price” in the section headed “Structure of the Global Offering” of this prospectus
“Offer Shares”	the Hong Kong Offer Shares and the International Placing Shares, together, where relevant, with any additional Shares issued pursuant to the Over-allotment Option
“Over-allotment Option”	the option granted by us to the Sole Global Coordinator on behalf of the International Underwriters exercisable by the Sole Global Coordinator pursuant to the International Underwriting Agreement, to be exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offer, to require our Company to allot and issue up to an aggregate of 37,500,000 additional Offer Shares representing approximately 15% of the initial Offer Shares, at the same price per Share under the International Placing to cover, over-allocation in the International Placing, if any
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC



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## DEFINITIONS

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“PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法), as enacted by the Standing Committee of NPC on 29 December 1993 and effective on 1 July 1994
“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 Legal Adviser”	Jingtian & Gongcheng, our legal adviser as to the laws of the PRC
“Pre-IPO Investors”	Sino Red, Topbiz Investments and Yuanta Securities
“Price Determination Date”	the date, expected to be on or around 29 June 2015 but no later than 3 July 2015, on which the Offer Price is to be fixed by agreement between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) for the purposes of the Global Offering
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of our Board
“Reorganisation”	the reorganisation arrangements we have undergone in preparation for the listing of Shares on the Stock Exchange which are more particularly described in the section headed “History, development and reorganisation” of this prospectus and the paragraph headed “Further information about our Group” in Appendix V to this prospectus
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to our Directors by the Shareholders, particulars of which are set out in the paragraph headed “Further information about our Group – Repurchases of our Shares” in Appendix V to this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“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
“SAIC”	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)

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## DEFINITIONS

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“Sanctions Laws Legal Adviser”	Squire Patton Boggs (US) LLP, an international law firm, our legal adviser as to U.S., European Union and Australian sanctions laws in connection with export of our Group’s products to Russia and Ukraine
“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)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shandong Tiantong”	山東天同食品有限公司 (Shandong Tiantong Food Co., Ltd.), a limited liability company established in the PRC on 21 January 2003 and is our indirect wholly-owned subsidiary
“Shareholder(s)”	holder(s) of Share(s)
“Share Option Scheme”	the share option scheme of our Company conditionally adopted on 16 June 2015, the principal terms of which are summarised in the paragraph headed “Share option scheme” in Appendix V to this prospectus
“Share(s)”	ordinary share(s) of our Company
“Sino Red”	Sino Red Limited, a company incorporated in the BVI on 20 May 2014 and is an investment holding company and is one of the Pre-IPO Investors, which is controlled by Ocean Equity Partners L.P., an Independent Third Party
“Sole Global Coordinator” or “Sole Bookrunner” or “Sole Lead Manager” or “Stabilising Manager”	Guotai Junan Securities (Hong Kong) Limited, a licenced corporation under the SFO to engage in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities
“Sole Sponsor”	Guotai Junan Capital Limited, a licenced corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activity
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Strategic Development Committee”	the strategic development committee of our Board
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Tianyi Hong Kong”	Tianyi Holding Hong Kong Limited (天翌集團香港有限公司), a company with limited liability incorporated in Hong Kong on 26 September 2011 and is our direct wholly-owned subsidiary
“Tiger Star”	Tiger Star International Limited (虎星國際有限公司), a company incorporated in the BVI on 10 February 2010 and one of our Shareholders, which is wholly-owned by Ms. Yeung Yik Hing Annie, an Independent Third Party
“Tongtai”	臨沂同泰食品機械製造有限公司 (Linyi Tongtai Food Machine Manufacture Co., Ltd.), a wholly-foreign owned enterprise with limited liability established in the PRC on 8 March 1995 and is our indirect wholly-owned subsidiary
“Topbiz Investments”	Topbiz Investments Limited, a company incorporated in the BVI on 30 October 2014 and is one of the Pre-IPO Investors, which is controlled by an Independent Third Party
“Track Record Period”	the period comprising the three financial years ended 31 December 2014
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America
“United States Person”	any national or resident of the United States, or any corporation, pension, profit-sharing or other trust or other entity organised under the laws of the United States or of any political subdivision thereof (other than a branch located outside the United States), and shall include any United States branch of a person who is otherwise not a United States Person
“U.S. dollars” or “US\$” or “USD”	United States dollars, the lawful currency of the United States

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## DEFINITIONS

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“U.S. Securities Act”	United States Securities Act of 1933 and the rules and regulations promulgated thereunder
“VAT”	value-added tax in the PRC
“Wealthy Active”	Wealthy Active Limited (富為有限公司), a company incorporated in the BVI on 5 July 2011 and is a Controlling Shareholder, which is wholly-owned by Mr. Yang
“Wealthy Maker”	Wealthy Maker Limited (致富有限公司), a company incorporated in the BVI on 28 July 2011 and is our Substantial Shareholder, which is wholly-owned by Mr. Sun
“we”, “us”, “our”, “our Company”, and “our group”	Tianyun International Holdings Limited 天韻國際控股有限公司 (formerly known as Tianyun International Limited 天韻國際有限公司), a business company with limited liability incorporated in the BVI on 8 September 2011 and, unless the context otherwise requires, all of its subsidiaries, or where the context refers to any time prior to its incorporation, the business in which the predecessors of its present subsidiaries were engaged and which were subsequently assumed by such subsidiaries pursuant to the Reorganisation
“ <b>White</b> Application Form(s)”	the application form(s) to be completed in accordance with the instructions in paragraph headed “Applying for Hong Kong Offer Shares – Which application channel to use” in the section headed “How to apply for Hong Kong Offer Shares” of this prospectus
“ <b>HK eIPO White Form</b> ”	the application process for Hong Kong Offer Shares with applications issued in the applicant’s own name and submitted online through the designated website of <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“ <b>HK eIPO White Form</b> Service Provider”	the <b>HK eIPO White Form</b> Service Provider designated by our Company
“ <b>Yellow</b> Application Form(s)”	the application form(s) to be completed in accordance with the instructions in paragraph headed “Applying for Hong Kong Offer Shares – Which application channel to use” in the section headed “How to apply for Hong Kong Offer Shares” of this prospectus

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## DEFINITIONS

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“Yuanta Securities”	Yuanta Securities (Hong Kong) Company Limited, a limited liability company incorporated in Hong Kong on 22 October 1992 and is one of the Pre-IPO Investors and the Underwriters, which is wholly-owned by Yuanta Securities Asia Financial Services Limited, an Independent Third Party to the knowledge of our Directors
“Yuanyu”	臨沂遠宇貿易有限公司 (Linyi Yuanyu Trading Co., Ltd.), a company with limited liability established in the PRC on 24 January 1995 and is owned by Mr. Yang as to 50%, Mr. Sun as to 25% and an Independent Third Party as to 25%
“%”	per cent

*Unless expressly stated or the context otherwise requires, all data in this prospectus is as at the date of this prospectus.*

*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.*

*Unless otherwise specified, all references to any shareholdings in our company assume no exercise of the Over-allotment Option.*

*In this prospectus, unless otherwise stated, certain amounts denominated in Hong Kong dollars have been translated into Renminbi at the exchange rate of RMB0.80 = HK\$1.00. The exchange rates used in this prospectus is for illustration purpose only. Such conversions shall not be construed as representations that amounts in Hong Kong dollars were or could have been or could be converted into Renminbi at such rates or any other exchange rates on such date or any other date.*

*The English names of PRC nationals, enterprises, entities, departments, facilities, licences, permits, certificates, titles, awards and the like are translations of their Chinese names and for identification purpose only.*

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## GLOSSARY

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*This glossary contains an explanation of certain technical 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. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.*

“BRC Certificate”	UK Retail Industry Global Food Safety Standards promulgated by the British Retail Consortium (“ <b>BRC</b> ”) in 1998 to conduct a comprehensive specification for safety standards for food and food packaging sold in the United Kingdom. The BRC standard has become the basic standard for food safety management, and the proof of exported food to the European market complying with local laws and regulations. The BRC Global Standard is recognised by the Global Food Safety Initiative (GFSI) and is common in Europe, parts of Asia and the United States. GFSI is an industry-driven initiative providing thought leadership and guidance on food safety management system controls necessary to assure the safety of the food supply chain
“CFIA”	Canadian Food Inspection Agency
“Commercial sterility”	the condition where canned food contains no pathogenic microorganisms and non-pathogenic microorganisms which can be propagated at ordinary temperature after moderate thermal sterilisation
“DDT ”	Dichlorodiphenyltrichloroethane, a colourless, crystalline, tasteless and almost odorless organochloride insecticides which usage is widely prohibited
“FCE”	Food Canning Establishment, a registration required by the FDA on companies producing low-acid canned foods and acidified foods to obtain a FCE registration before exporting or distributing their food products in the U.S.
“FDA”	the US Food and Drug Administration
“Food additives”	Synthetic or natural substances added into the food for the purpose of improving the quality, colour, smell and taste of food, preservation and processing
“FSMA”	FDA Food Safety Modernisation Act

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## GLOSSARY

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“HACCP”	Hazard Analysis and Critical Control Points, a systematic preventative approach to food safety. HACCP is used in the food industry to identify potential food safety hazards, so that key actions, known as Critical Control Points can be taken to reduce to eliminate the risk of the hazards being identified. HACCP principles have been promoted and incorporated into food safety legislation in many countries around the world
“HALAL”	a recognition that the products are permissible under Islamic law and these products are edible, drinkable and usable by Muslims
“IFS Food” or “IFS Food (high)”	International Featured Standard – Food Safety (IFS -Food) is a recognised standard jointly promulgated by two European retailers, FCD in France and HDE in Germany for auditing food safety and quality of processes of food manufactures. It sets forth the requirements for food suppliers importing to the EU retail market. IFS standards are set by food suppliers supplying goods to huge retailers, providing specific management standards and requirements especially for “own-brand” food manufacturers. Companies which achieve 75% of score issue assessment will be certified at the IFS Food at foundation level and companies which achieve 95% will be certified at the IFS Food (high)
“ISO”	the International Organisation for Standardisation, a non-governmental organisation having a central secretariat based in Geneva. Switzerland, which gives world-class specifications for products, services and systems to ensure quality, safety and efficiency
“ISO 9001”	Quality Management: a member of the ISO 9000 family, standards of which are set by ISO for quality management systems when an organisation needs to demonstrate its ability to provide products that fulfil customers and applicable regulatory requirements and aim to enhance customer satisfaction
“ISO 22000”	Food Safety Management: ISO 22000 is an international certification standard, which defines the requirements for food safety management system. It applies to all organisations throughout the supply chain from farmers to food service providers, processing, transportation, storage, retail and packaging



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## GLOSSARY

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“KOSHER”	Kosher food certification is a recognition that the food meets the Jewish dietary law
“PPI-Fruit”	producer price index of fresh fruit, indicating the development of manufacturers in terms of manufacturing price of fresh fruit, i.e. cost price or factory price at which the original manufacturer sells the products to its customers, compiled and published by the National Bureau of Statistics of China
“Preservatives”	substances used to inhibit the propagation of microorganisms in food to prevent food spoilage and extend shelf life of food
“QS”	a quality control certification for, among other, production of food throughout the production process

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains forward-looking statements, including, without limitation, words and expressions such as “expect”, “believe”, “plan”, “intend”, “project”, “anticipate”, “seek”, “may”, “will”, “would” and “could” or similar words or statements, in particular, in the sections headed “Business” and “Financial information” of this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus, and the following:

- our business and prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to control or reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- certain statements in the section headed “Financial information” of this prospectus with respect to trend in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

We caution you that, subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

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

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## RISK FACTORS

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*You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making any investment decisions in relation to our Company. You should pay particular attention to the fact that we conduct our operations in the PRC, the legal and regulatory environment of which may differ in some respects from that which prevails in other countries. Our business, financial condition, operating results or growth prospects could be materially and adversely affected by any of these risks and uncertainties. The market price of the Shares could significantly decrease due to any of these risks and uncertainties and you may lose all or part of your investment. For more information concerning the PRC and certain related matters discussed below, please refer to the section headed "Summary of principal legal and regulatory provisions" of this prospectus.*

### RISKS RELATING TO OUR BUSINESS

**We rely on third party suppliers for supplies of fresh fruit and are vulnerable to increases in the price of our raw materials and other operating costs, and we may not be able to entirely offset these increasing costs by increasing the prices of our products**

Fresh fruit is the principal raw materials used in our production. We do not have our own farms to grow the fresh fruit for our production use. We purchase fresh fruit for use in our production process from third party suppliers. For the years ended 31 December 2012, 2013 and 2014, the raw materials costs in relation to fresh fruit used in our production accounted for approximately 46.4%, 46.7% and 53.2%, respectively, of our total cost of sales. The supply of fresh fruit are subject to fluctuations which are attributable to a number of factors such as the output volume and quality which may be affected by events beyond our control, such as natural disasters, volume of rainfall, sunshine, infectious diseases, pest infestations, farming techniques, quality, harvest volume and other inclement factors. We currently procure a substantial amount of fresh fruit from suppliers in the PRC, with a majority of them located in Anhui, Shandong and Hebei. For the years ended 31 December 2012, 2013 and 2014, our costs of purchase of fresh fruit from suppliers in the PRC amounted to approximately 99.6%, 98.0% and 99.0%, respectively, of our total costs of purchase of fresh fruit for the corresponding years, respectively. Our suppliers may not be able to continue to provide fresh fruit in sufficient quantities, of suitable quality or at an acceptable price to satisfy our present and future production needs. Any interruptions to or decline in the amount or quality of our fresh fruit supply could materially disrupt our production and adversely affect our business. Additionally, if the nearby suppliers are unable to provide fresh fruit of a quality which meets our requirements and we have to source from distant locations, this will increase our transportation costs and could materially affect our financial results.

Given the perishable nature of fresh fruit, we are unable to fix the prices of fresh fruit with our suppliers in advance and the prices will only be fixed shortly before the purchase with reference to the prevailing market price. For the years ended 31 December 2012, 2013 and 2014, the costs of raw materials (including fresh fruit and packaging materials comprising mostly metal containers) accounted for approximately 85.1%, 85.0% and 86.2%, respectively, of our total cost of sales. We did not undertake any hedging activities to minimise the volatility in the prices of fresh fruit and mitigate risks associated with the fluctuations in prices of other raw materials. According to the Frost & Sullivan Report, the PPI-Fruit decreased from 106.2 in 2011 to 103.9 in 2012, and rebounded to 106.2 in 2013. For sensitivity analysis on the impact of hypothetical

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## RISK FACTORS

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fluctuations in the average unit purchase price of fresh fruit, please refer to the paragraph headed “Key factors affecting our results of operations – Our ability to maintain our competitive advantages that differentiate us from our competitors” in the section headed “Financial information” of this prospectus.

While we had been adopting a cost-plus basis in pricing our products during the Track Record Period and we were generally able to pass on the increase in purchase costs of raw materials and other operating costs such as labour costs and transportation costs to our customers during the same period. If the costs of raw materials or other costs of production increase in the future, we may not be able to entirely offset these increases by raising prices of our products, our profitability could be adversely affected.

**A significant portion of our sales during the Track Record Period were attributable to trading entities and we have no direct control over the relationship between the trading entities and brand owners**

Our OEM products are sold to trading entities located in the PRC and overseas, who, to our Directors’ knowledge, may further sell our products to their own customers comprising brand owners or their agents. During the Track Record Period, our revenue attributable to trading entities amounted to approximately 65.1%, 55.0% and 63.8%, respectively, of our total revenue for the years ended 31 December 2012, 2013 and 2014.

During the Track Record Period, we produced our OEM products for the trading entities based on the design and specifications provided by our customers. We arranged for the packaging materials, labels and logos according to the trading entities’ instructions and confirmations. We have obtained written confirmations from all of our trading entity customers that all the specifications, packaging materials and production instructions they provide to us fall within the scope of the contracts made between such trading entities and their respective customers and that the trading entity customers shall bear the risks associated with the product specification packaging styles and brand trademark used. The trading entities further confirm that in providing us the instructions to manufacture the products, they do not and are not aware of any infringement of third party intellectual property rights. For commercial reasons, the trading entities do not disclose to us details of their customers nor their authorisation from the brand owners. Though we have adopted control measures to satisfy ourselves that our trading entity customers have been properly authorised by the brand owners and maintained business relationship with a majority of these trading entities for years, we have no direct control over the relationship between these trading entities and their customers and are not involved in their business relationship. We are unable to ascertain that all the trading entities have been duly authorised by the brand owners. If any of such trading entities have not been duly authorised by the brand owners or carry out any activities which infringe the intellectual property rights of any third party, our manufacture of the products pursuant to their instructions may constitute an infringement of third party intellectual property rights. In such case, we may be subject to third party’s claim on infringement.

Additionally, should there be any material change in the relationship between the trading entities and the brand owners, including any material change to the terms of such engagement and authorisation granted by any of these brand owners to these trading entities in relation to any or all brands of the brand owners for which we are engaged, or any termination of such engagement and authorisation, or the cessation of their relationship, we may not be able to continue to manufacture

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## RISK FACTORS

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products for such brands on the same or comparable terms or at all, and our business, financial condition and operating results would be materially and adversely affected. If any of the above materialises, our profitability and financial condition would be materially and adversely affected.

**We may be unable to anticipate and respond to changes in tastes, preferences and perceptions of consumers for processed fruit products, which may result in decreased demand for our products. Other forms of fruit which are perceived by the consumers as healthier than our processed fruit products in the future may reduce the demand for our processed fruits products in the long run**

Our business and financial performance depends on factors such as the tastes and preferences of consumers and their perceptions of quality and safety of our products. The processed fruit product manufacturers in the PRC face intense competition from both domestic and foreign companies, and consumers are tempted to shift their choices and preference whenever there are new products launched or promoted by various marketing and pricing campaigns of different brands. In light of the highly competitive environment, we will need to continuously develop and launch new products in order to respond to consumers' demand and maintain our competitiveness and market share. Our continued success in the fruit processing market is, to a large extent, dependent on our ability to anticipate and develop products in a timely manner that satisfy the tastes, preferences and perceptions of consumers which change from time to time.

Currently, as a result of the improving living standards of consumers in China, the demand for healthy and nutritious food is expected to increase continuously. Consumers prefer healthier diets and increase the consumption of fruit. There is no assurance that other forms of fruit may be perceived by the consumers as healthier than processed fruit products and the preference of the consumers to move away from processed food or sugary products may reduce the demand for our processed fruits products in the long run.

If we are not able to anticipate and identify new consumers' trends on spending and develop new products accordingly, or if consumers lose confidence in the safety and quality of our products, demand for our products may decline and our operating results may be adversely affected. Whilst we have in the past successfully developed, promoted and achieved market acceptance for our new products, we cannot assure you that we will be able to continuously develop new products or our new products in the future will attract sufficient consumer demand or gain sufficient market share to be profitable. In addition, whilst we have adopted and will continue to adopt strict quality control procedures, we cannot assure you that the quality of our products in the future will always be able to compete with those of other market competitors. Failure to generate enough revenue to cover the development, production and marketing costs of our new products or maintain the high quality of our products in the future could adversely affect our market share, profitability and financial condition.

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## RISK FACTORS

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**We rely on trading entities and distributors to sell our products and if there is any changes in the relationship with these trading entities or distributors and we fail to identify new trading entities or distributors, this may adversely affect our sales, results of operations and financial condition**

During the Track Record Period, our sales were principally conducted through Independent Third Party trading entities and distributors. For further information of our sales, distribution network and customers, please refer to the paragraph headed “Sales, distribution network and customers” in the section headed “Business” of this prospectus. Our revenue derived from the Independent Third Party trading entities represented approximately 65.1%, 55.0% and 63.8%, respectively, of our total revenue for the years ended 31 December 2012, 2013 and 2014. Our revenue derived from the Independent Third Party distributors represented approximately 7.4%, 14.9% and 10.4%, respectively, of our total revenue for the years ended 31 December 2012, 2013 and 2014. Any one of the following events could cause fluctuations or declines in our revenue and could have an adverse effect on our financial condition and results of operations:

- our failure to maintain the existing business relationship with our existing trading entities or distributors including the failure to renew the distribution agreements entered into with our distributors;
- preferences or increased sales by our trading entity customers or retailers of our competitors’ products;
- inability to timely identify and appoint additional or replacement trading entity customers, distributors or retailers upon the loss of any of our major trading entity customers, distributors or retailers; and
- reduction, delay or cancellation of orders from our trading entity customers, distributors or retailers.

We may not be able to compete successfully against the larger and better-funded sales and marketing campaigns of some of our current or future competitors, especially if these competitors offer more favourable arrangements with those trading entities or distributors. We cannot assure you that we will not lose any trading entity customers, distributors or retailers in the future, which may cause us to lose some or all of our arrangements with them and may even result in the termination of our business relationship with them. In addition, we may not be able to successfully manage our trading entity customers, distributors or retailers and they may engage in activities having negative impact on our reputation, brandname and image. The occurrence of any of these matters would result in a significant decrease in the sales volume of our products and therefore adversely affect our financial condition and results of operation.

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## RISK FACTORS

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### **We may not have effective control over the practice and manner of the sales of our own brand products by our distributors**

Some of our own brand products are sold to distributors for their further and onward sales. For the years ended 31 December 2012, 2013 and 2014, revenue from the sales to our distributors was approximately 7.4%, 14.9% and 10.4%, respectively, of our total revenue. As at 31 December 2012, 2013 and 2014, we had six, nine and 17 distributors, respectively. The performance and the ability of our distributors to distribute our products following our sales strategy, upholding our brand, expanding their business and sales network are crucial to our business growth. Although we have started to implement a new monitoring system on our distributors from January 2015, it is difficult to monitor all aspects of their practices from time to time. More importantly, we have no ownership or managerial control over any of our distributors. Though we have direct contractual relationship with our distributors, we cannot assure you that our distributors will at all times strictly adhere to the terms and conditions of the relevant distribution or sales agreement, or that they will not compete with each other for market share in respect of our products. In addition, we cannot assure you that our distributors will at all times strictly adhere to the PRC laws and regulations, including the laws and regulations relating to food safety, product quality and intellectual property rights.

Further, our distributors are not restricted from appointing sub-distributors or selling our products to retailers. As we do not have any contractual relationship with these sub-distributors or retailers, we have no control over the onward or ultimate sales of our products. There may be instances where these sub-distributors may carry out activities which are inconsistent with our business strategy and pricing policy. If any of our distributors fail to procure their sub-distributors and retailers to adhere to the terms and conditions of the distribution and sales agreements or the applicable PRC and overseas laws and regulations, our reputation and consumers' perception of our products could be tarnished and our business, financial condition and results of operations may be adversely affected.

### **The loss of any of our major customers could have an adverse effect on our business**

For the years ended 31 December 2012, 2013 and 2014, the aggregated sales to our five largest customers amounted to approximately RMB193.1 million, RMB175.7 million and RMB196.6 million, respectively, representing approximately 64.3%, 47.4% and 43.9%, respectively, of our total revenue over the same period. Our five largest customers for the year ended 31 December 2012 included four trading entity customers and one distributor, with their respective length of relationship with our Group as at 31 December 2014 ranging from three to 12 years. Our five largest customers for the year ended 31 December 2013 included four trading entity customers and one distributor, with their respective length of relationship with our Group as at 31 December 2014 ranging from two to 12 years. Our five largest customers for the year ended 31 December 2014 were all trading entity customers, with their respective length of relationship with our Group as at 31 December 2014 ranging from two to 12 years. Our Directors confirm that all our five largest customers during the Track Record Period were Independent Third Parties. For further information on our five largest customers during the Track Record Period, please refer to the paragraph headed "Relationship with our major customers" of the section headed "Financial information" of this prospectus. We have not entered into any long term sales contract with our five largest customers during the Track Record Period. Although we will continue to endeavour to diversify and expand our customer base, we expect our present key customers will continue to



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account for a relatively material portion of our sales going forward. It is important to maintain a close and mutually beneficial relationship with our key domestic and overseas customers. Our growth in revenue is also subject to our customers' business, product quality, sales strategies, industry conditions and the overall economic market environment. We have not entered into long-term supply contracts with any of these major customers. Therefore, there can be no assurance that we will be able to maintain or improve the relationships with these customers, or that we will be able to continue to supply to these customers at current levels or at all. If we cannot maintain long-term relationships with our major customers, the loss of a significant portion of our sales to them could have an adverse effect on our business, financial condition and results of operation.

**We may encounter difficulties in maintaining and developing our domestic sales and overseas sales and if the fruit processing market in the PRC and the overseas markets in which we sell or intend to develop does not grow as we expect, our results of operation and financial conditions may be adversely affected**

As part of our growth and development strategy, we commenced domestic sales of our own brand products in 2012. For the years ended 31 December 2012, 2013 and 2014, our sales under our own brand amounted to approximately RMB24.7 million, RMB59.3 million and RMB50.3 million, respectively, representing approximately 8.2%, 16.0% and 11.2%, respectively, of our total revenue over the same period. We will continue to develop and increase domestic sales under our own brand through the expansion of our distribution and sales network and through third party on-line shopping platform. We will also continue to develop our business in the domestic and overseas markets for our OEM products. Such development and expansion plan is subject to a number of factors, such as:

- our ability to negotiate for commercially favourable terms with our customers
- the existence and availability of suitable regions and location for expansion of our distribution and sales network
- the availability of suitable distributors and trading entities
- the availability of adequate management and financial resources
- our ability to train, hire and retain skilful personnel
- the adaptability of our logistics and other operational and management system to an expanded distribution and sales network
- our ability to timely respond to consumers' preferences, tastes and perception of processed fruit products
- the general purchasing power of consumers
- competition from other similar products
- our ability to produce new types of products

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- marketing campaigns and promotional activities of us or our distributors

We cannot assure you that the continuous development of the domestic and overseas markets and the expansion of our distribution and sales network will be successful. If the processed fruit products in the PRC and overseas markets does not grow as we expect, our business may be harmed, we may need to adjust our growth strategy and our results of operation may be adversely affected.

### **The adoption of our new distributorship system and distribution agreements with our distributors may not be successful**

During the Track Record Period, sales contracts were entered into between our distributors and us from time to time whenever the distributors placed orders with us. In January 2015, we had a new distributorship system, under which we started to enter into distribution agreements with our distributors to manage and monitor our distributors and distribution network in order to ensure our policy and strategy are being followed by our distributors. For further information on our distributorship system adopted since January 2015, please refer to the paragraph headed “Sales, distribution network and customers – Principal terms of our distribution agreements” in the section headed “Business” of this prospectus. As at the Latest Practicable Date, we had 33 distributors of which all distributors had entered into distribution agreements with us. Amongst these distributors, eight of them were also our distributors as at 31 December 2014. There can be no assurance that the terms of our distribution agreements will be accepted by all of our existing distributors or the adoption and implementation of our distribution agreements will be successful. Additionally, there is no assurance on the sales amount to be generated from the new distributors. In the event that our existing distributors do not accept the new distribution arrangement and discontinue to place purchase orders with our Group, and our new distributors fail to place purchase orders in the amount similar to or more than that of our existing distributors, our financial condition, operation results and growth prospects may be materially and adversely affected.

### **Our on-line sales depend on the proper operation of third party on-line shopping platform and any serious interruption of the platform could affect our operations**

The development of e-commerce is part of our strategies. We have launched our on-line shop for our processed fruit products in April 2015. Our on-line shop is operated through a third party on-line shopping platform. We do not have control over the operation of the on-line shopping platform and such platform may be vulnerable to damage or interruption from human error, natural disasters, power loss, computer viruses, intentional acts of vandalism and similar events. Any serious interruption or breakdown of the on-line shopping platform may have an adverse effect on our business, financial condition and results of operations.

Moreover, as our current Directors and senior management members do not have extensive experience in e-commerce, they may not be able to provide the necessary knowledge and skills or and effectively oversee the implementation of our e-commerce strategy by our middle management comprising new and existing employees. There is no assurance that our e-commerce strategy will be implemented in accordance with our plan or at all. If we are not able to carry out our strategies effectively, we may not be able to implement our future plans, and our business and results of operations may be adversely affected.

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### **Any food safety problems relating to our raw materials, production process and our products could adversely affect our reputation and financial performance**

The quality of our products could be adversely affected if our raw materials are spoiled, contaminated or tampered with. Contamination of our raw materials may occur during their production, transportation or distribution due to reasons unknown to us or beyond our control. Some of the raw materials may also contain harmful chemicals or substances of which we are not aware of due to adulteration by our suppliers. Consumption of such raw materials may cause undesirable side effects to consumers of our products. We cannot assure you that the raw materials supplied to us are not contaminated, adulterated or otherwise of substandard quality.

We source our major raw materials, fresh fruit, from third party suppliers. Despite that we have established a monitoring system on our suppliers and measures to control the quality of our raw materials, including conduct regular on-site inspection of farms, restrict the use of harmful chemical fertilisers and pesticides, sample testing on incoming raw materials, we cannot assure you that our monitoring and control system is always able to detect defective raw materials. Any failure to detect defective raw materials could adversely affect the quality of our products and we could be required to recall our products and subject to product liability claims, adverse negative publicity, investigation and imposition against us of penalties by the relevant authorities. These in turn could adversely affect consumers' perception of our products, and therefore demand for our products, our reputation and our operational results.

Our business requires certain packaging materials such as metal containers, plastic cups, glass containers, container caps, sealing films, labels, cartons and wrapping materials. Some of the packaging materials we use in our production may contain harmful chemicals or substances of which we are not aware of and may cause undesirable side effects or injuries to our consumers. We have a quality control system for the procurement of our packaging materials. However, we cannot assure you that the packaging materials supplied to us are not contaminated or otherwise of substandard quality that adversely impact the quality of our products. If we experience any quality or safety problems in relation to our packaging materials, our reputation, our ability to sell our products and our financial performance could suffer.

Further, we are subject to risks posed by contamination during various stages of the production process of our processed fruit products, including the manufacturing, packaging and inventory storage. We have systems in place designed to monitor food safety risks throughout all stages of our production process. However, we cannot assure you that such systems, even when working effectively, will eliminate the risks related to food safety. In addition to the risks caused by our processing operations and the subsequent handling of the products, we may encounter the same risks if any third party tampers with our products. We could be required to recall certain of our products in the event of contamination or adverse test results. Any product contamination could also subject us to product liability claims, adverse publicity and government scrutiny, investigation or intervention, resulting in increased costs and any of these events could have a material and adverse impact on our reputation, business, financial condition, results of operations and prospects.

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### **Our operations are working capital intensive and our business could be adversely affected if we fail to maintain sufficient levels of working capital**

We require a significant amount of working capital in our operations, principally to fund our raw material procurement. Our suppliers, in particular, suppliers of fresh fruit, generally require payment in full upon delivery. For the years ended 31 December 2012, 2013 and 2014, our costs of procurement of raw materials accounted for approximately 85.1%, 85.0% and 86.2%, respectively, of our total cost of sales.

On the other hand, during the Track Record Period, most of our customers, in particular those overseas customers, settled our payment on credit terms of 30 days to 60 days. We generally fund our working capital requirements out of cashflow generated from operations and short term bank borrowings. If we fail to generate sufficient revenue from our sales, or if we experience difficulties in collecting our accounts receivables, we may have to fund our operating costs by additional borrowings and thus incur additional finance costs which may adversely affect our operating results and financial position. Moreover, we cannot assure you that we will always be able to obtain the required borrowings as the availability of which is subject to the condition of the capital and credit markets and our financial condition at the material time.

### **We export some of our products to overseas countries and any decrease in the market demand for our products in these countries or adverse event or circumstance happened in these countries would adversely affect our business**

For the years ended 31 December 2012, 2013 and 2014, revenue from our sales to customers located in overseas countries including Canada, the United States, the United Kingdom, Germany, France, New Zealand, Japan, South Africa, the Netherlands and Malaysia accounted for approximately 9.7%, 11.6% and 7.7%, respectively, of our total revenue. As such, our business may be affected by natural, economic or social events and circumstances in these countries. If events of circumstances arise in any of these countries that cause detrimental effect to us, our business, financial condition, operation results and growth prospects may be adversely affected.

### **Delays in delivery or poor handling of our products by third party logistics services providers may affect the quality of our products, our sales and reputation**

We rely on third party logistics providers to provide transportation services for the distribution of our products to our customers. Delivery disruptions by our logistics services providers may occur for various reasons beyond our control, including transportation bottlenecks, earthquakes and other natural disasters, labour strikes and political events and could lead to delayed or lost deliveries. In addition, poor handling by the logistics services providers could also cause damage to our products. If our products are not delivered to our customers on time, or are delivered damaged, even though the third party logistics providers are responsible for the risks associated with delivery according to our agreement with them, we may have to pay compensation and could lose business as well as suffer harm to our reputation. Furthermore, our processed fruit products have limited storage life ranging from 18 to 36 months. As a result, delay in getting a product to market for any reason, including transportation disruptions or bad weather, may result in reduced sales and adversely affect our results of operations.

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### **Our customers may not pay us for their purchases in a timely manner or at all**

We require our customers to make payment according to terms of our agreements. We generally grant a credit period of up to 60 days to our customers depending on their credit history, historical sales performance, relationship history with us and business scale.

In the event that any material portion of such trade receivables becomes bad debt and cannot be collected by us, our operations and financial condition may be adversely affected. In addition, in the event that our trade receivables could not be collected in a timely manner, we may need to finance our working capital requirement by internal resources or borrowings, and any increase in interest rate may adversely affect our financial condition due to increase in finance costs.


### **Any failure to maintain an effective quality control system could have a material and adverse effect on our business, financial condition and operating results**

We focus on the consistency in the quality of our products as product quality is essential to the success of our business. The quality of our products is dependent on the effectiveness of our quality control system, which in turn depends on a number of factors, including the design of the quality control system, the effectiveness of quality control training programme, and our ability to ensure that our employees adhere to our quality control policies and guidelines. For further details of our quality control system, please refer to the paragraph headed “Quality control” in the section headed “Business” of this prospectus. Any failure of our quality control system could result in the production of defective or substandard products, which in turn may impair our reputation, result in delays in the delivery of our products and the need to replace defective or substandard products, which could have a material and adverse impact on our business, financial condition and operating results.

### **Our results of operation may fluctuate from period to period due to seasonality**

Our business is subject to seasonal fluctuations. There are seasonal patterns for consumer purchases of our processed fruit products and the supply of fresh fruit as our principal raw material. In China, consumer purchases of our processed fruit products usually peak around the Chinese Lunar New Year and Mid-autumn festival. In addition, the types of fresh fruit available for supply are also subject to seasonality and certain types of fresh fruit such as strawberry is mainly available from March to June, apricot is mainly available from May to June and peach is mainly available from June to September. Due to the seasonality of our business, the results of any period of a year are not necessarily indicative of the results that may be achieved for the full year.

### **Inappropriate use of trade names of our own brand or our OEM customers by other entities could negatively affect our business**

We market and sell our own brand products under our brand  (“天同時代”) since 2012. For the years ended 31 December 2012, 2013 and 2014, our revenue derived from sales of our own brand products amount to approximately RMB24.7 million, RMB59.3 million and RMB50.3 million, respectively, representing approximately 8.2%, 16.0% and 11.2%, respectively, of the total revenue over the same period. Our products target at mid-to-high end market and are positioned with high quality. If any third parties infringe our trade names and sell products with substandard or unsafe quality, this will adversely affect our reputation and we could suffer harm,

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which in turn could have a material adverse effect on our financial condition and results of operations. Also, substantial costs may be incurred in any proceedings with such third parties.

A substantial portion of our products are produced and sold under the brands of our OEM customers. We cannot assure you that counterfeiting, imitation or infringement of the trade names of our OEM customers by third parties, which is out of our control, will not occur in the future. Any occurrence of counterfeiting, imitation or infringement of the trade names of our OEM customers could negatively affect our OEM customers' reputation, brand image, leading to a loss of consumer confidence in brands of our OEM customers and decrease in demand for their products and as a consequence, adversely affect our results of operations and financial conditions.

**Third parties may claim that we are infringing their intellectual property, and we could suffer significant litigation expenses or licensing expenses or be prevented from selling certain of our products if these claims are successful**

We may from time to time receive claims of infringement or otherwise become aware of potentially relevant patents or other intellectual property rights held by other parties. Third parties may claim that we are infringing or contributing to the infringement of their intellectual property rights. We may be required to obtain licences for such patents and if we need to obtain licence for such patents, we could be required to pay royalties on certain of our products. There can be no assurances that if we are required to obtain patent licences to develop and sell our products, we will be able to obtain such patent licences on commercially reasonable terms or at all. Our inability to obtain these patent licences on commercially reasonable terms or at all could have a material adverse impact on our business, operating results, financial condition or prospects.

Any litigation regarding patents or other intellectual property could be costly and time consuming and could divert our management and key personnel from our business operations. In addition, any intellectual property litigation involves significant risks. If there is a successful claim of intellectual property infringement against us, we might be required to pay substantial damages to the party claiming infringement, refrain from further sale of our products, develop non-infringing technology or enter into costly license agreements on an on-going basis. However, we may not be able to obtain royalty or license agreements on terms acceptable to us or at all. Any intellectual property litigation or successful claim could have a material adverse effect on our business, operating results or financial condition.

**We may not be able to protect our intellectual property rights successfully**

We have developed and are developing trademarks, know-how, product formula, processes, technologies and other intellectual property rights that are of significant value to us. There can be no assurance that any of our intellectual properties will not be challenged, misappropriated or circumvented by third parties. In addition, the legal regime governing intellectual properties in the PRC is still evolving and the level of protection of intellectual property rights in the PRC may differ from those in other jurisdictions. Occurrence of counterfeiting or imitation could impact our reputation, which may lead to loss of consumer confidence, reduced sales or higher administrative costs in respect of detection and prosecution. In the event that we become aware of counterfeit products sold under our brand in the PRC or through on-line platform, we will report to the relevant authorities in the PRC. Legal proceedings against such infringement of our trademarks or other intellectual property rights may be time consuming and we may face great difficulties and

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costly in order to fully protect our intellectual property rights. If we fail to timely identify illicit use of our trade names and trademarks or if we are unsuccessful in legal proceedings against any infringements of our intellectual property rights, it could damage the reputation of our brand and products and have a material adverse effect on our business, financial condition, results of operations and prospects. In the event that the steps we have taken and the protection provided by law do not adequately safeguard our intellectual property rights, our business, financial condition and operating results may be materially and adversely affected.

### **Our success depends on our ability to retain our senior management and key personnel**

Our continued success is dependent on the ongoing efforts of our senior management and key personnel. We rely on our management team comprising our executive Directors and senior management as set out in the section headed “Directors and senior management” of this prospectus, for their extensive knowledge of and experience in the fruit processing industry as well as their in-depth understanding of the market, business environment and regulatory regime. The loss of any of these key personnel could adversely affect our ability to sustain and develop our business.

We cannot assure you that we will be able to hire additional qualified employees to strengthen our management team or integrate new employment into our existing operations in order to keep pace with the proposed growth of our business. Furthermore, competitors may also seek to hire away our personnel. Competition for experienced individuals is intense in the PRC, and we may not be able to attract or retain suitably qualified personnel. Our failure to attract and retain qualified personnel may hinder our ability to grow our business, which could materially and adversely affect our business, financial condition and operating results.

### **We are dependent on a skilled workforce to run our production facilities**

As we expand our operations and invest in other production facilities, we will have to continuously recruit qualified employees for our operation needs. If the regions near our production facilities do not have a sufficiently sizable workforce or if the cost of labour increases, we may need to expend additional resources to attract and recruit suitable employees. In addition, our operations depend on the experience of our employees, the training of whom may require considerable resources. We cannot assure you that we will be able to recruit or retain employees with the requisite skills, or that we will have the necessary resources to adequately train our employees, or that we will be able to do so at reasonable costs.

### **Malfunction or breakdowns of our machinery and equipment may cause disruptions to our usual business operations**

We use machinery and equipment in our production process, which may be subject to malfunction or breakdowns. There is no assurance that we will not require machinery replacement or that all suitable replacements will be readily available. We may also require maintenance services of our machinery from external vendors which may or may not provide timely maintenance services. Under such circumstances, our financial resources will need to be deployed or diverted to the servicing and replacement of machinery, which, in turn, may cause disruption to our usual business operations.



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### **Our workers are subject to risks of serious injury caused by the use of production equipment**

We use machinery and equipment in our production such as gas furnaces, air compression machines, refrigerating compressors and pressure vessels, which are potentially dangerous to human being if not used properly. Any severe accident caused by the use of such equipment or machinery could interrupt our operations and result in legal and regulatory liabilities. While we provide personal injury insurance for our employees, insurance coverage related to accidents resulting from the proper or improper use of such equipment or tools may be inadequate to offset losses arising from claims related to such accidents.

### **We may be subject to additional social insurance and housing provident fund contributions and late payments and fines imposed by relevant governmental authorities**

In accordance with the applicable PRC laws and regulations, we are obliged to provide our employees in the PRC with the social welfare schemes covering pension insurance, unemployment insurance. However, during the Track Record Period, we were not in strict compliance with the requisite contribution requirements. We have not made contributions in full to the social welfare schemes for our employee based on actual wages of employees. For the years ended 31 December 2012, 2013 and 2014, the difference in the actual amount paid by us in relation to social welfare schemes and the amount which should have been paid by us pursuant to the relevant requirements were approximately RMB3.4 million, RMB3.9 million and RMB5.4 million, respectively.

Further, we did not register with the relevant housing provident fund authority and did not make any housing provident fund contributions for our employees during the Track Record Period. For the years ended 31 December 2012, 2013 and 2014, the amount of housing provident fund which should have been paid by us pursuant to the requisite contribution requirements were approximately RMB1.0 million, RMB1.2 million and RMB1.7 million, respectively.

As advised by our PRC Legal Adviser, in the event that the relevant social insurance and housing provident fund authorities demand our Group to pay the shortfall amount of social insurance and housing provident fund contributions, we shall be required to pay such shortfall amount and additional late payments (if applicable), and if our Group does not do so within the prescribed time limit, the relevant authorities may impose fines on us. Please refer to the paragraph headed “Non-compliance” in the section headed “Business” of this prospectus for further information.

### **We have limited insurance coverage and may incur significant losses resulting from product liability claims or business interruptions**

As the insurance industry in China is still in an early stage of development, as at the date of this prospectus, insurance companies in China offer limited business insurance products. We maintain various insurance covering certain of our properties and assets, including our buildings, motor vehicles, fixed assets, machinery equipment, raw materials and finished goods, social insurance for all of our employees and group accident insurance, but do not maintain product liability insurance for all of our sales or business interruption insurance. However, even if we purchase such comprehensive insurance, certain kinds of losses cannot be insured or insured at a commercially reasonable cost, and our insurance policies are subject to liability limits and exclusions. For example, we do not maintain product liability insurance coverage with respect to

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all of our sales. Accordingly, in the event of a successful product liability claim against us, we will be liable for damages and may be ordered to suspend or cease production by the government authorities. This may result in negative publicity and loss of customer confidence and/or goodwill which could lead to a reduction in sales, cancellation of major contracts or cessation of our business. Any claims by customers or the government that our processed fruit products caused injury, illness, or death could have a material adverse effect on our reputation with existing and potential customers and on our business, results of operations and financial position.

In addition, there is no assurance that our insurance policies will be adequate to cover all losses incurred. In the event that we suffer a loss to any of our property in an amount that exceeds our insurance coverage, we may not recover such amount exceeding our insurance coverage. Losses incurred and associated liabilities may have a material adverse effect on our results of operation if such losses or liabilities are not covered by our insurance policies. As a result, we may have to pay out of our own resources for any uninsured financial or other losses, damages and liabilities, litigation or business disruption. The occurrence of certain incidents, including earthquake, fire, severe weather, war, floods, power outages, terrorist attacks or other disruptive events and the consequences, damages and disruptions resulting from such events may not be fully covered by our insurance policies. If our business operations were disrupted or interrupted for a substantial period of time, we could incur significant costs and losses that could materially and adversely affect our business, financial condition and operating results.

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

For the years ended 31 December 2012, 2013 and 2014, we declared nil, RMB90.0 million and RMB70.0 million, respectively, as dividends. Any dividend declared by us will have to be approved by our Board and the amount of any dividend will depend on various factors, including, without limitation, our operating results, financial condition, future prospects and other factors which our Board may determine are important. Accordingly, our historical dividends are not indicative of our future dividend distribution policy. Potential investors should be aware that the amount of dividends paid previously should not be used as a reference or basis upon which future dividends are determined.

### **RISKS RELATING TO OUR INDUSTRY**

#### **The fruit processing industry we operate in are fragmented with a large number of players**

The fruit processing industry we operate in is characterised as fragmented with a large number of players and we compete with a number of existing PRC domestic and international processed fruit product manufacturers, as well as potential new entrants to the market. Some of our competitors may have, in comparison to us, lower costs of operation, more expertise and more extensive technical capabilities, more ample resources to invest in product development and customer support, longer operating histories, greater pricing flexibility and brand recognition, larger customer bases and/or stronger technical, sales and professional teams. In addition, more specialised manufacturers with greater financial resources may enter our market in the future. Our ability to compete successfully in the industry depends on various factors, including our reputation, high quality products, vertically integrated production capabilities and strong relationships with our customers. We cannot assure you that we will be able to compete effectively against current and future competitors. Intensified competition may result in price reduction of our

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products, a decrease in our profit margins, loss of market share and increased difficulty in market penetration, which may have a material and adverse effect on our business, prospects, financial condition and results of operation.

**We require various licences and permits to operate our business. Some of our customers also require our production facilities to obtain certain certifications. The loss of or failure to renew any or all of these licences and permits and maintain the certifications could materially and adversely affect our business**

In accordance with PRC laws and regulations, we are required to maintain various licences and permits in order to operate our business including, without limitation, production permits, we are required to comply with applicable food safety standards in relation to our production processes. According to the Measures for the Administration of Industrial Products Production Licensing (《工業產品生產許可證管理條例》), for food processing companies in the PRC, the production permits is to be renewed every three years after passing the assessment and evaluation. For exporting our products to certain overseas countries, we may be required to obtain certain certifications. In obtaining such certifications, our production facilities and processes have to meet the standards required for such certifications. If the standards qualifying for the certifications change and we are unable to meet these requirements or we may have to make huge investment in our production facilities to meet the revised standards, our ability to export may be restricted and our operation results may be adversely affected. We also cannot assure you that we will be able to adjust to any changes in the qualifications requirement for the existing certifications we have in a timely manner. If we fail to do so, we may not be able to supply products to certain OEM customers which may adversely affect our results of operations and financial condition.

Some of our customers require us to obtain certain certifications in relation to our production facilities, production process and quality control before we are qualified to supply our products to these customers. If we fail to maintain such certifications or meet the requirements of our customers, we will not be able to secure further business from these customers and our financial condition and results of operations could be adversely affected. For further information on our licences and permits, please refer to the paragraph headed “Licences and permits” in the section headed “Business” of this prospectus.

The loss of or failure to renew our licences and permits, could require us to temporarily or permanently suspend some or all of our production or distribution operations, which could disrupt our operations and adversely affect our business. During the Track Record Period, our operations have not been materially affected due to any of the above circumstances. However, we cannot assure you that any of the above circumstances will not occur in the future, which may materially and adversely affect our business operations, production and financial performance. In addition, our customers may lose confidence in us and we may have a decline in the number of orders for our products which in turn could materially and adversely affect our business, results of operations and financial condition.

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### **We and entities with which we collaborate to export our products may not be able to meet regulatory requirements imposed by the governments of the PRC or our export destinations**

We export certain amount of our products from China to our foreign customers under OEM arrangements. Certain countries to which we export our products may impose technical, hygienic, environmental or other requirements on the import, distribution and sales of our products, which may be different from or more stringent than the standards imposed by the PRC government authorities. In addition to requirements imposed by the PRC government, other countries may also require us and entities with which we collaborate to export our products to obtain various approvals, certificates, registrations or other documentation to conduct our export sales.

During the Track Record Period and up to the Latest Practicable Date, although we had in all material respects complied with all laws and regulations applicable to us and relevant to our export sales in the PRC and in the destination countries to which we export our products by completing all necessary procedures to obtain all relevant health and food safety approvals, certificates, registrations or any other legally required documentation from the relevant government authorities in the PRC and in the destination countries with respect to the relevant exported products, we rely on our PRC export agents and our foreign customers to complete all such relevant procedure, and they are responsible for complying with other aspects of the relevant PRC and foreign laws and regulations. As such, we cannot assure you that all of our PRC export agents, our foreign customers or any other entities which we rely on are in compliance with all other aspects of PRC or foreign laws and regulations relevant to our export sales, or that they can meet the relevant standards or obtain the approvals, certificates, registrations or other documentation necessary to our export sales. If we or other entities with which we collaborate with to export our products fail to satisfy the relevant standards adopted by the PRC or the destination countries or obtain the requisite approvals, certificates, registrations or other documentation now or in the future, our ability to export to these markets could be materially and adversely affected. We may also face regulatory actions or claims for significant damages, and there may be a material adverse effect on our business, results of operations and financial condition.

### **We may be exposed to claims in respect of product quality and safety standard made by the end-consumers of our products**

We face an inherent risk of exposure to product liability claims in the event that the use of our products results in health or safety issues or damages. The end-consumers of our products may have the right to bring an action under tort and we may also be subject to tortious liabilities for any damages caused by defects of our products. According to the Tort Law of the PRC (中華人民共和國侵權責任法) which was promulgated by the Standing Committee of the NPC on 26 December 2009 and became effective since 1 July 2010, if financial damages or physical injuries are incurred to an individual due to substandard product quality, the manufacturer of the product and the seller shall assume civil liability in accordance with the laws.

In addition, we export certain amount of our products from China to our foreign customers under OEM arrangements and we rely on other entities such as our PRC export agents and our foreign customers to comply with the relevant procedures and regulations. Since our export contracts do not address risk allocation regarding product liability, and which party is at fault would be determined based on facts and circumstances of each claim and relevant PRC and foreign laws and regulations, we may be exposed to product liability claims in the PRC or overseas.

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As of the Latest Practicable Date, although there had not been any product liability claim against us, there is no assurance that we would not be named as a defendant in a lawsuit or proceedings brought by end consumers in the future in respect of our products in the event that our processed fruit products are found to be harmful for human consumption or detrimental to human health, resulting in illnesses or deaths of any persons. A successful claim against us in respect of our products or a material recall of our products may result in (i) significant financial costs to be incurred and management efforts to be spent in defending against such claim or other adverse allegations or rectifying such defects or making payment for damages; (ii) deterioration of our brand and corporate image; and (iii) material adverse effect on our business, operating results, financial condition and prospects.

### **Negative publicity about the safety and quality of fresh fruit and processed fruit products may adversely affect the sales of our products and our financial performance**

Consumer demand may be affected by factors such as negative publicity resulting from news report, publication of industry findings, research reports or health concerns concerning the safety and quality of fresh fruit and processed fruit products. Although we have not been affected by any safety or quality concerns on fresh fruit or processed fruit products or any actual or alleged counterfeiting or imitation of processed fruit products in the past, adverse publicity and news about the safety and quality of Chinese fresh fruit and domestically produced processed fruit products, and counterfeiting and imitation of processed fruit products in the future, regardless of its merits, may lead to a loss of consumer confidence, reduction in the demand of our products, and consequently our business operations, financial performance and prospects may be adversely affected.

### **Recent reports on food safety issues and regulatory enforcement crackdowns on illegal or sub-standard food processing companies in the PRC could adversely affect our businesses**

There has been frequent reports in the media on food quality and safety issues in the PRC. The PRC government authorities have taken certain measures to maintain the PRC food market in good order and to improve the integrity of the PRC food industry, such as enforcing full compliance with industry standards and closing certain illegal or sub-standard food processing companies in the PRC that did not meet regulatory standards. The general reports of sub-standard and unsafe processed food produced in the PRC may cause concern among the general public on the food safety and quality of processed food. We cannot assure you that our business and operations will not be affected as a result of any deterioration of reputation of the food industry in the PRC and any scandals or negative reports regarding food products manufactured in the PRC.

### **Changes in existing food safety laws may expose us to additional cost for compliance and affect our business operations**

As a manufacturer of products intended for direct human consumption, we are subject to extensive government laws and regulations in relation to food safety in the PRC and countries of our export sales. For instance, the PRC Food Safety Laws (中華人民共和國食品安全法) requires all enterprises engaged in the production of food products to obtain food production licence for safety of their production facilities. They also set out safety standards with respect to food and food additives, packaging and containers, information to be disclosed on packaging as well as safety requirements for food production and sites, facilities and equipment used for the transportation and sale of food.

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Failure to comply with food safety laws in the PRC and countries of our export sales may result in fines, suspension of operations, loss of food production licences, and in more extreme cases, criminal proceedings against us and our management. Any of these events will have an adverse impact on our production, business, results of operations and financial condition.

There can be no assurance that the PRC government or the governmental authorities of countries of which we or our customers export to will not impose additional or stricter laws or regulations on food hygiene in the future, providing for stricter or more comprehensive monitoring and regulation of food manufacturers and distributors in areas including, but without limitation, food production and distribution, which may lead to increase in costs of complying such regulations. We may be unable to pass these additional costs to our customers, which may result in an adverse effect on our results of operations.

### **Production facilities might be affected by natural disaster or other events, which may severely disrupt production and businesses**

Our production plants are located in Hedong District, Linyi City, Shandong Province, the PRC. In the event of a fire or flood or other natural disasters, political instability, localised extended outages of critical utilities or transportation systems, terrorist attacks or other events that limit our ability to operate these facilities, we may need to incur substantial additional expenses to repair or replace the damaged equipment or facilities. Our ability to manufacture and supply products and ability to meet delivery obligations to our customers would be adversely affected, and relationships with our customers and suppliers could be damaged, in which case our business, results of operations and financial condition would be adversely impacted.

### **We are subject to environmental regulations and may be exposed to liability and potential costs for environmental compliance**

Our operations are subject to national, provincial and local environmental laws, rules and regulations which, among other things, require manufacturers to conduct an environmental impact assessment before engaging in new construction projects, pay fees in connection with activities that discharge waste materials, properly manage and dispose of hazardous substances, and impose fines and other penalties on activities that threaten the environment. Any violation of these regulations may result in fines, revocation of operating permits, shutdown of our facilities and obligation to take corrective measures. Any violation of those regulations which is criminal in nature may result in criminal sanction.

Further, the government may adopt more stringent environmental regulations and there is no assurance that we will be in full compliance with these regulatory requirements at all times. Due to the possibility of unanticipated regulatory developments, the amount and timing of future environmental expenditures may vary substantially from those currently anticipated. If there is any unanticipated change in environmental regulation, we may be required to incur additional capital expenditures to, among other things, install, replace, upgrade or supplement our equipment relating to pollution control and the use, storage, handling and disposal of hazardous materials and chemicals, or make operational changes to limit any adverse impact or potential adverse impact on the environment in order to comply with new environmental protection laws and regulations. If such costs become prohibitively expensive, we may be forced to modify, curtail or cease certain aspects of our business operations.



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### RISKS RELATING TO DOING BUSINESS IN CHINA

**Changes in political and economic policies of the Chinese government could have an adverse effect on the overall economic growth of China, which could reduce the demand for our service and adversely affect our competitive position**

Our business is conducted, and our operations are located in China. Accordingly, our business, financial condition, results of operations and prospects are affected significantly by the economic, political and legal developments in China. The Chinese economy differs from the economies of most developed countries in many respects, including the degree of government involvement, the level of development, the growth rate, the control of foreign exchange, access to financing, and the allocation of resources.

While the Chinese economy has grown significantly in the past 30 years, the growth has been uneven, both geographically and among various sectors of the economy. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall Chinese economy, but may also have a negative effect on us. For example, our financial condition and results of operations may be adversely and materially affected by government control over capital investments or changes in tax regulations that are applicable to us.

The Chinese economy has been transformed from a planned economy to a more market oriented economy. However, the Chinese government still exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Furthermore, as the Chinese economy has become increasingly linked with the global economy, China is affected in various respects by downturns and recessions of major economies around the world. Any adverse change in the economic conditions in China, in policies of the Chinese government or in laws and regulations in China, could have an adverse effect on the overall economic growth of China and market demand for our service and our competitive position.

**Chinese regulation of loans and direct investment by offshore holding companies to Chinese entities may delay or prevent us from using the proceeds of the Global Offering to advance loans or make additional capital contributions to our PRC subsidiaries, which could adversely affect our liquidity and our ability to fund and expand our business**

To use the proceeds from the Global Offering or any future offerings, as an offshore holding company of our PRC subsidiaries, we may advance loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries are subject to Chinese regulations and approvals. For example, loans by our Company to our wholly-owned PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with SAFE or its local counterparts. Any capital contributions to our PRC subsidiaries must be approved by MOFCOM or its local counterparts.



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In addition, on 29 August 2008, SAFE promulgated Notice of the General Affairs Department of the State Administration of Foreign Exchange on the Relevant Operating Issues Concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-funded Enterprises (Hui Zong Fa [2008] No. 142) (“**Circular 142**”) (國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知(匯綜發[2008]142號)). The notice requires that the capital of a foreign-invested company converted from foreign currencies and settled in Renminbi may not be used for equity investments within China but may only be used for purposes within the company’s business scope, as approved by the authorities in charge of foreign investment or by other competent authorities, and as registered with the relevant administration for industries and commerce. In addition, SAFE strengthened its oversight of the flow and use of the capital of a foreign invested company settled in Renminbi and converted from foreign currencies. The use of such Renminbi capital may not be changed without SAFE’s approval and may not in any case be used to repay Renminbi denominated loans if the proceeds of such loans have not been used. Violations of Circular 142 may significantly limit our ability to transfer the net proceeds from the Global Offering to our PRC subsidiaries or to convert the net proceeds from the Global Offering into Renminbi to invest in or acquire any other Chinese companies, which may adversely affect our ability to expand our business.

### **The enforcement of labour related laws in China could adversely affect our results of operations**

A substantial majority of our employees are located in the PRC. The Standing Committee of the NPC adopted the PRC Labour Contract Law (中華人民共和國勞動合同法) on 29 June 2007, which became effective on 1 January 2008 and was amended on 28 December 2012. The PRC Labour Contract Law imposes requirements relating to, among other things, minimum wage, severance payment and non-fixed term employment contracts, and establishes time limits for probation periods as well as the duration and the number of times that an employee can be placed on a fixed-term employment contract. For example, under the PRC Labour Contract Law, an employer is obligated to sign an unlimited-term labour contract with any employee who has worked for the employer for 10 or more consecutive years, if the employee requests or agrees to renew the labour contract except that the employee demands a limited term. Furthermore, if an employee requests or agrees to renew a fixed-term labour contract that has already been consecutively entered into twice, the resulting contract must have an unlimited term, with certain exceptions. The PRC Labour Contract Law also requires employers to pay severance to an employee whose labour contract is terminated or expires, with certain exceptions. It also provides that social insurance is required to be paid for employees and that employees are entitled to unilaterally terminate the labour contract if such requirement is not satisfied. In addition, the PRC government has continued to introduce new labour-related regulations. Among other things, such new regulations require that annual leave ranging from five to 15 days be made available to employees and that employees be compensated for any untaken annual leave days in the amount of three times of their daily salary, subject to certain exceptions. As a result of such labour-related PRC laws and regulations, which are designed to enhance labour protection, we expect our labour costs to increase, as the continued success of our business depends significantly on our ability to attract and retain qualified employees.

There exists uncertainties as to the interpretation, implementation and enforcement of these obligations under the relevant PRC labour laws. If relevant government authorities determine that we have not complied fully with such obligations, we could be in violation of applicable PRC

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labour laws and we cannot assure you that PRC governmental authorities will not impose penalties on us for any alleged failure to comply with such labour laws. If we become subject to severe penalties or incur significant liabilities in connection with labour disputes or investigations, our business and results of operations may be adversely affected. In addition, in case we decide to change our employment or labour practices, the labour-related laws in the PRC may limit our ability to effect such changes in a manner that we believe to be cost-effective.

### **Uncertainties with respect to the Chinese legal system could have an adverse effect on our business**

The Chinese legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the Chinese government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation since then has significantly enhanced the protections afforded to various forms of foreign investments in China. We conduct our business primarily through our subsidiaries established in China. These subsidiaries are generally subject to laws and regulations applicable to foreign investment in China. However, the Chinese legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit legal protections available to us.

In addition, some regulatory requirements issued by certain Chinese government authorities may not be consistently applied. For example, we may have to resort to administrative and court proceedings to enforce the legal protection that we enjoy either by law or contract. However, since Chinese administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy as compared with those in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into with our business partners and customers.

Such uncertainties, including the inability to enforce our contracts, together with any development or interpretation of Chinese law that is adverse to us, could materially and adversely affect our business and operations. Furthermore, intellectual property rights and confidentiality protections in China may not be as effective as in the more developed countries. We cannot predict the effect of future developments in the Chinese legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. These uncertainties could limit the legal protections available to us and other foreign investors, including you. In addition, any litigation in China may be protracted and result in substantial costs and diversion of our resources and management attention.

### **Companies having business in China may have a chance to be classified as a “resident enterprise” for PRC enterprise income tax purposes, and such classification could result in unfavourable tax consequences to us and our non-PRC Shareholders**

The PRC EIT Law provides that enterprises established outside of China whose “de facto management bodies” are located in China are considered PRC “tax resident enterprises” and will generally be subject to the uniform 25.0% PRC enterprise income tax rate on their global income. Under the implementation rules to the PRC EIT Law, a “de facto management body” is defined as

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a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and other assets of an enterprise. However, the circumstances under which an enterprise's "de facto management body" would be considered to be located in China are currently unclear. A tax circular issued by the State Administration of Taxation on 22 April 2009 ("**Circular 82**"), provides that certain foreign enterprises controlled by a PRC company or a PRC company group will be classified as "resident enterprises" if the following are located or resident in China: senior management personnel and departments that are responsible for daily production, operation and management; financial and personnel decision making bodies; key properties, accounting books, company seal, and minutes of board meetings and shareholders' meetings; and half or more of the senior management or directors having voting rights.

If our Company or any of our overseas subsidiaries is considered a PRC tax resident enterprise for PRC tax purposes, a number of unfavourable PRC tax consequences could follow. First, our Company or our overseas subsidiary will be subject to the uniform 25.0% PRC enterprise income tax rate as to our global income as well as tax reporting obligations. Second, we cannot assure you that such dividends, which would normally qualify as "tax-exempted income" under applicable rules, will not be subject to a 10.0% withholding tax, as the PRC taxation authorities, which enforce the withholding tax, have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC tax purposes. Finally, dividends payable by us to our investors that are non-resident enterprises and gain on the sale of our Shares may become subject to PRC withholding tax, if such dividends and gains are regarded by PRC tax authorities to be sourced from China.

**The heightened scrutiny over acquisitions from the PRC tax authorities may have an adverse impact on our business, acquisition or restructuring strategies or the value of your investment in us.**

On 3 February 2015, the PRC State Administration of Taxation issued the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) ("**Circular 7**"), which abolished certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on Non-Resident Enterprises (關於加強非居民企業股權轉讓企業所得稅管理的通知) ("**Circular 698**"), which was previously issued by the State Administration of Taxation on 10 December 2009, as well as certain other rules providing clarification on Circular 698. Circular 7 provided comprehensive guidelines relating to, and also heightened the PRC tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise ("**PRC Taxable Assets**").

For example, Circular 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets, when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets, by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC enterprise income taxes and without any other reasonable commercial purpose. Although Circular 7 contains certain exemptions (including, (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding

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company which holds such PRC Taxable Assets on a public market; and (ii) where there is an indirect transfer of PRC Taxable Assets, but if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from enterprise income tax in the PRC under an applicable tax treaty or arrangement), it remains unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of the PRC involving PRC Taxable Assets, or whether the PRC tax authorities will reclassify such transaction by applying Circular 7. Therefore, the PRC tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of the PRC involving PRC Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional PRC tax reporting obligations or tax liabilities.

**Failure by the Shareholders or beneficial owners who are PRC residents to make any required applications and filings pursuant to regulations relating to offshore investment activities by PRC residents may prevent us from distributing profits and could expose us and our PRC resident Shareholders to liabilities under PRC law**

Circular 37 which was promulgated by SAFE and became effective on 4 July 2014, requires a PRC individual resident (“**PRC Resident**”) to file a “Registration Form of Overseas Investments Contributed by Domestic Individual Residents” and register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (“**Overseas SPV**”), that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing. Following the initial registration, the PRC Resident is also required to register with the local SAFE branch for any major change in respect of the Overseas SPV, including, among other things, any major change of the Overseas SPV’s PRC Resident shareholder, name of the Overseas SPV, term of operation, or any increase or reduction of the SPV’s registered capital, share transfer or swap, and merger or division.

The failure to comply with registration procedures set forth in SAFE Circular 37 may result in restriction being imposed on the foreign exchange activities of our PRC subsidiaries, including the payment of dividends and other distributions to us and the capital inflow from us and may also subject the relevant PRC Residents and our PRC subsidiaries to penalties under PRC foreign exchange administration regulations. Further, failure to comply with various SAFE registration requirements described above would result in liability for foreign exchange evasion under PRC laws. As SAFE Circular 37 was recently promulgated, it remains unclear how this regulation, and any further regulation concerning offshore or cross-border transaction, will be interpreted, amended and implemented by the relevant government authorities, we cannot predict how these regulations will affect our business operation or future strategies.

**We are a holding company that relies principally on dividend payments from our subsidiaries for funding.**

We are a holding company and rely principally on dividends paid by our PRC subsidiaries for cash requirements, including the funds necessary to service any debt we may incur. If any of our subsidiaries incurs debt in its own name in the future, the instruments or agreements governing the debt may restrict dividends or other distributions from our PRC subsidiaries to us. Furthermore, applicable PRC laws, rules and regulations permit payment of dividends by our PRC subsidiaries only out of their accumulated retained earnings, if any, determined in accordance with

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PRC accounting standards. Our PRC subsidiaries are required to set aside a certain percentage of their after tax profits based on PRC accounting standards each year to their statutory reserves in accordance with the requirements of relevant PRC laws and provisions in their respective articles of associations. As a result, our PRC subsidiaries are restricted in their ability to transfer a portion of their net income to us whether in the form of dividends, loans or advances. These restrictions and requirements could reduce the amount of distributions that we receive from our subsidiaries, which would restrict our ability to fund our operations, generate income, pay dividends and service our indebtedness.

### **PRC tax laws on dividend distribution may adversely affect dividends payable by us to our foreign investors and gains on the sale of our Shares may be subject to withholding taxes under PRC tax laws**

Under the PRC EIT Law and the Enterprise Income Tax Implementation Regulations (中華人民共和國企業所得稅法實施條例) (the “EITIR”), PRC income tax at a rate of 10% is applicable to dividends payable by a PRC resident enterprise to investors that are non-resident enterprises (and those enterprises that do not have an establishment or place of business in the PRC, or those that have such an establishment or place of business but the relevant income of which is not effectively connected with the establishment or place of business) to the extent such dividends have their source within the PRC. Such dividends payable to non-resident individual Shareholders may be subject to PRC income tax at a rate of 20%. Similarly, any gain realised on the transfer of our Shares by such enterprises is also subject to 10% PRC income tax (20% in the case of non-resident individual Shareholders) if such gain is regarded as income derived from sources within the PRC. If we are regarded as a PRC resident enterprise, it is unclear whether the dividends we pay with respect to our Shares, or the gain you may realise from the transfer of our Shares, will be treated as income derived from sources within the PRC and be subject to PRC income tax. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC EIT Law and the EITIR. If we are required under the PRC EIT Law to withhold PRC income tax on our dividends payable to our foreign Shareholders, or if you are required to pay PRC income tax on the transfer of your Shares, the value of your investment in our Shares may be materially and adversely affected.

Under the PRC EIT Law, the profits of a foreign-invested enterprise that are distributed to its immediate holding company outside the PRC are subject to a withholding tax rate of 10%. Pursuant to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於所得避免雙重徵稅和防止偷稅漏稅的安排) effective from 1 January 2007 in the Mainland, this rate is lowered to 5% if a Hong Kong resident enterprise owns more than 25% of the PRC company distributing the dividends. However, according to the Circular of the State Administration of Taxation on Printing and Issuing the Administrative Measures for Non-resident Individuals and Enterprises Regarding Favourable Treatment Under Taxation Treaties (國家稅務總局關於印發《非居民享受稅收協議待遇管理辦法(試行)》的通知), which was issued by the State Administration of Taxation and became effective on 1 October 2009, the 5% withholding tax rate does not automatically apply and approvals from competent local tax authorities are required before an enterprise can enjoy any benefits under the relevant taxation agreements or treaties. Moreover, according to the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (國家稅務總局關於執行稅收協定股息條款有關問題的通知) issued by the State



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Administration of Taxation and effective on 20 February 2009, if the main purpose of an offshore arrangement is to obtain preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible. There is no assurance that the PRC tax authorities will grant approvals on the 5% withholding tax rate on dividends paid by our PRC subsidiaries and received by our subsidiary in Hong Kong.

### **We may be affected by the changes in or cessation of income tax incentives and financial subsidies**

Under the PRC EIT Law, enterprises in the PRC are generally subject to a uniform 25% enterprise income tax rate on their worldwide income. Our PRC subsidiaries are subject to 25% enterprise income tax rate during the Track Record Period. However, according to the Notice on Releasing the Primary Processing Ranges of Agricultural Products Entitled to Preferential Policies on Enterprise Income Tax (Trial) (關於發佈享受企業所得稅優惠政策的農產品初加工範圍(試行)的通知) issued by MOF and SAT, no income tax would be charged on sales of fruits and vegetables of primary processing. During the Track Record Period, we were also awarded government grants which are primarily related to model project subsidies (示範項目補貼), environmental and waste treatment project (環境污染治理工程專項), development of special products at city-level (市級地方特色產品發展專項) and agricultural pioneer subsidies (農業龍頭企業貼息). For the years ended 31 December 2012, 2013 and 2014, the amount of financial subsidies we received were approximately RMB760,000, RMB98,000 and RMB1.4 million, respectively. There is no assurance that these preferential enterprise income tax rates, tax incentives and financial subsidies will continue to apply to our subsidiaries. These tax incentives and financial subsidies are given at the discretion of the applicable governmental authorities and there is no assurance that any of our subsidiaries will continue to enjoy such tax incentives or financial subsidies in the near future.

Any removal, loss, suspension or reduction of such tax incentives, other tax benefit or relief or financial subsidies may have an adverse effect on our financial condition and results of operation. Furthermore, any future increase in the enterprise income tax rate applicable to our subsidiaries or other adverse tax treatments, such as discontinuation of preferential tax treatments, may have an adverse effect to our financial condition and results of operation.

### **We are exposed to foreign exchange rate fluctuations**

We conduct all of our operations in the PRC and our functional currency is Renminbi. Our revenues and cost of sales were mainly dominated in Renminbi during the Track Record Period. However, some of our products are exported to overseas countries and some of our raw materials are imported from overseas countries. Our foreign currency denominated assets and liabilities are expected to increase if we further expand our production facilities and increase our export sales. We are therefore subject to risks associated with foreign exchange rate fluctuations.

Changes in the value of foreign currencies could affect our costs, revenues, the prices of our imported production facilities and the prices of our exported products. Any fluctuation in foreign exchange rates also affects the value of our monetary assets and liabilities denominated in foreign currencies. Generally, an appreciation of Renminbi against the U.S. dollar and other relevant foreign currencies could result in a foreign exchange loss for monetary assets denominated in the U.S. dollar and other foreign currencies. On the other hand, a devaluation of Renminbi against the

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U.S. dollar and other relevant foreign currencies could result in a foreign exchange gain for monetary assets denominated in U.S. dollars and other foreign currencies and a foreign exchange loss for liabilities denominated in U.S. dollars and other foreign currencies.

The value of Renminbi is subject to changes in PRC governmental policies and to international economic and political developments. There can be no assurance that the exchange rate of Renminbi will remain stable against the U.S. dollar or other foreign currencies in the market. While the international reaction of Renminbi revaluation has been generally positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of Renminbi against U.S. dollar or other foreign currencies. Further appreciation of Renminbi against these currencies may lead to a decline in the revenues of our overseas sales. Fluctuations in exchange rates may adversely affect the value, translated into Renminbi, of our net assets, earnings and any declared dividends.

**Any catastrophe, including outbreaks of health pandemics and other extraordinary events, could severely disrupt our business operations**

Our operations are vulnerable to interruption and damage from natural and other types of catastrophes, including earthquakes, tsunamis, fire, floods, hail, windstorms, severe winter weather (including snow, freezing water, ice storms and blizzards), environmental accidents, power loss, communications failures, explosions, man-made events such as terrorist attacks, and similar events. Due to their nature, we cannot predict the occurrences, timing and severity of catastrophes. In addition, changing climate conditions, primarily rising global temperatures, may be increasing, or may in the future increase, the frequency and severity of natural catastrophes. If any such catastrophe or extraordinary event were to occur in the future, our ability to operate our business could be seriously impaired. Such events could make it difficult or impossible for us to deliver our products and services to our customers and could decrease demand for our services. Our national footprint may expose us to potential catastrophes of all types in a broad geographic area in China. As our property insurance only covers property damages caused by a limited number of enumerated natural disasters and accidents and significant time could be required to resume our operations, our financial position and operation results could be materially and adversely affected in the event of any major catastrophic event.

In addition, our business could be materially and adversely affected by the outbreak of influenza A (H1N1), commonly referred to as “swine flu”, avian influenza, severe acute respiratory syndrome, or SARS, or other pandemics. Any occurrence of these pandemic diseases or other adverse public health developments in China could severely disrupt our staffing and otherwise reduce the activity levels of our work force, causing a material and adverse effect on our business operations.

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### **It may be difficult to effect service of process upon us or our Directors or senior management who reside in the PRC or to enforce non-PRC judgement in the PRC against us**

Substantially all of our assets and the assets of our Directors are located in the PRC. Therefore, it may not be possible for investors to effect service of process upon us or those persons inside the PRC, including our Directors or senior management. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgement made by courts of most other jurisdictions. On 14 July 2006, the Supreme People's Court of the PRC and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》). Under such arrangement, where any designated people's court of the PRC or any designated Hong Kong court has made an enforceable final judgement requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant people's court of the PRC or Hong Kong court for recognition and enforcement of the judgement. The arrangement came into effect on 1 August 2008, but the outcome and enforceability of any action brought under the arrangement is still uncertain. In addition, the PRC is not a party to any treaties providing for the reciprocal recognition and enforcement of judgements of courts with the United States, the United Kingdom, most other Western countries or Japan, and therefore enforcement in the PRC of judgements of a court in any of these jurisdictions may be difficult or impossible.

### **RISKS RELATING TO THE GLOBAL OFFERING**

#### **The interests of our Controlling Shareholders may differ from those of our other Shareholders**

Immediately following the Global Offering and the Capitalisation Issue, our Controlling Shareholders will beneficially own 43.7% of our outstanding Shares on a fully diluted basis, or approximately 42.1% if the Over-allotment Option is exercised in full. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. If the interests of our Controlling Shareholders conflict with the interests of our other Shareholders, or if our Controlling Shareholders choose to cause us to pursue strategic objectives that conflict with the interests of our other Shareholders, those Shareholders may be disadvantaged by the actions that our Controlling Shareholders choose to cause us to pursue.

Our Controlling Shareholders may have significant influence in determining the outcome of any corporate transaction or other matter submitted to our Shareholders for approval, including mergers, consolidations and the sale of all, or substantially all, of our assets, election of Directors, and other significant corporate actions. Our Controlling Shareholders have no obligation to consider our interests or the interests of our other Shareholders.



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## RISK FACTORS

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### **There has been no prior public market for our Shares, and the liquidity, market price and trading volume of our Shares may be volatile**

Prior to the Global Offering, there was no public market for our Shares. The indicative range of the Offer Price was determined as a result of negotiations between the Sole Global Coordinator and our Company. The Offer Price may differ significantly from the market price for the Shares following the Global Offering. We have applied for the listing of and permission to deal in our Shares on the Stock Exchange. However, even if approved, being listed on the Stock Exchange does not guarantee that an active trading market for our Shares will develop following the Global Offering or that our Shares will always be listed and traded on the Stock Exchange. We cannot assure you that an active trading market will develop or be maintained following the completion of the Global Offering, or that the market price of our Shares will not decline below the Offer Price.

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flows and announcements of new investments, strategic alliances and/or acquisitions, fluctuations in market prices for our products and services or fluctuations in market prices for comparable companies could cause the market price of our Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade.

In addition, stock markets and the shares of companies listed on the Stock Exchange have experienced substantial price and volume fluctuations from time to time that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of our Shares.

### **Investors for our Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future**

As the Offer Price is higher than the net tangible asset value per Share immediately prior to the Global Offering, investors of our Shares in the Global Offering will experience an immediate dilution in pro forma consolidated net asset value of RMB0.38 per Share (assuming an Offer Price of HK\$1.48, being mid-point of the indicative range of the Offer Price stated in this prospectus).

If we issue additional Shares in the future, investors of our Shares in the Global Offering may experience further dilution in their shareholding percentage. We may need to raise additional funds in the future to finance expansion of or new developments relating to our existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the shareholding percentage of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by our Offer Shares.

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## RISK FACTORS

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### **Future offerings or sales could adversely affect the prevailing market price of our Shares**

Future offerings or sales of our Shares by us or our Controlling Shareholders, or other Shareholders in the public market, or the perception that such offerings or sales could occur, may cause the market price of our Shares to decline. Following the expiration of their respective lock-up periods, the market price of our Shares may decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares (including the issuance of new Shares pursuant to the exercise of share options granted by us) or the perception that such sales or issuances may occur. This could also have a material and adverse effect on our ability to raise capital in the future at a time and at a price deemed appropriate. In addition, if we issue additional Shares or share options or other securities in the future, you may experience further dilution.

### **Future sales by our existing 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 assure you that our existing Shareholders or our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after completion of the Global Offering. We cannot predict the effect, if any, that any future sales of Shares by any Substantial Shareholder or Controlling Shareholder, or the availability of Shares for sale by any Substantial Shareholder or Controlling Shareholder may have on the market price of our Shares. Sales of substantial amounts of Shares by any Substantial Shareholder or Controlling Shareholder or the market perception that such sales may occur, could materially and adversely affect the prevailing market price of the Shares.

### **Certain industry statistics contained in this prospectus are derived from various publicly available government or official sources and may not be accurate or reliable**

Certain facts and statistics in this prospectus related to the PRC, its economy and the industries in which we operate within the PRC are derived from official government publications generally believed to be reliable. We believe that the sources of these facts and statistics 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 in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. These facts and statistics have not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Lead Manager, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and therefore we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up-to-date. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable from period to period or to statistics produced for other economies and should not be unduly relied upon. Further, we cannot assure you that they are stated with the same degree of accuracy as may exist elsewhere. In all cases, investors should give consideration as to how much weight or importance they should place on all such facts and statistics.

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## WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

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### WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

For the purpose of the Listing, we have sought a waiver from the Stock Exchange in relation to strict compliance with Rule 8.12 of the Listing Rules.

Rule 8.12 of the Listing Rules requires that a new applicant for a primary listing on the Stock Exchange to have a sufficient management presence in Hong Kong, which normally means that at least two of the new applicant's executive directors must be ordinarily resident in Hong Kong.

Our headquarters is in Shandong Province, the PRC and our operations are all managed and conducted in the PRC. We do not have two executive Directors who are ordinarily resident in Hong Kong and our executive Directors are based at our headquarters in Shandong Province, the PRC, to oversee our business and operation. Given that our headquarters is in Shandong Province, the PRC, it would be practically difficult and commercially unfeasible for our Company to comply with the requirements of Rule 8.12 of the Listing Rules.

We have applied to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules and have been granted a waiver subject to the following conditions:-

- (a) our Company will appoint two authorised representatives, namely Mr. Sun, an executive Director, and Mr. Ho Ho Tung Armen, our company secretary, to act as our principal channel of communication with the Stock Exchange and will ensure our full compliance with the Listing Rules at all times. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time-frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and e-mail. Each of the authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange;
- (b) in compliance with Rule 3A.19 of the Listing Rules, we have appointed a compliance adviser acceptable by the Stock Exchange for a period commencing on the Listing Date and ending on the date on which we distribute the annual report for the first full financial year commencing after the Listing Date in accordance with Rule 13.46 of the Listing Rules. The compliance adviser will provide us with advice on the obligation in compliance with the Listing Rules, all other applicable laws, rules, codes and guidelines and will act as an additional channel of communication with the Stock Exchange;
- (c) the two authorised representatives have means of contacting all of our Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. To enhance communication with the Stock Exchange, we will implement a policy whereby:-
  - (i) each Director will have to provide their respective mobile phone numbers, office phone numbers, fax numbers and e-mail addresses to our authorised representatives;

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## WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

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- (ii) in the event that a Director expects to travel and be out of office, he/she will provide to our authorised representatives the phone number of the place of his accommodation or other means of communication; and
- (iii) all of our Directors will provide their respective mobile phone numbers, office phone numbers, fax numbers and email addresses to the Stock Exchange; and
- (d) all of our Directors (including our independent non-executive Directors) who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and all of our Directors and authorised representatives can meet with the Stock Exchange within a reasonable time.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus contains particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) (as amended) and the Listing Rules for the purpose of giving information to the public with regard to our Company. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus. Our Directors confirm that, having made all reasonable enquiries and 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 facts the omission of which would make any statement in this prospectus misleading.

### **INFORMATION ON THE GLOBAL OFFERING**

The Hong Kong 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 authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the relevant Application Forms and any information or representation not contained herein and therein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Lead Manager, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely 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 Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" and the procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to apply for Hong Kong Offer Shares" in this prospectus and in the relevant Application Forms.

### **UNDERWRITING**

This prospectus is published solely in connection with the Hong Kong Public Offer which forms part of the Global Offering. The listing of the Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement on a conditional basis. One of the conditions is that we and the Sole Global Coordinator (for itself and on behalf of the Underwriters) have agreed on the Offer Price. For applicants under the Hong Kong Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offer. The International Placing will be fully underwritten by the International Underwriters under the terms of the International Underwriting Agreement. The Global Offering is managed by the Sole Global Coordinator.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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The Offer Price is expected to be fixed by agreement among the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, 29 June 2015 and, in any event, not later than Friday, 3 July 2015. If, for any reason, the Offer Price is not agreed among us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed. For more information about the Underwriters and the underwriting arrangements, please see the section headed “Underwriting” in this prospectus.

### **RESTRICTIONS ON SALE OF OFFER SHARES**

We offer the Hong Kong Offer Shares 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 contained in this prospectus and the Application Forms.

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offer will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit an offering of the Hong Kong Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, 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 an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

We have applied to the Listing Committee of the Stock Exchange for the approval for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Capitalisation Issue and the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and any Shares which may be issued upon the exercise of any options granted under the Share Option Scheme. None of our Shares or loan capital of our Company is listed on or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek such listing or permission to deal in our Shares on any other stock exchange.

### **OUR SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange and we comply 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 any other date as determined by HKSCC.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second trading day after a trading transaction. You should seek advice from your stockbroker or other professional advisers for details of such settlement arrangements as such arrangements will affect your rights and interests.

We have made all necessary arrangements for our Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in, our Shares (or exercising rights attaching to them) under the laws of Hong Kong and the place of your operations, domicile, residence, citizenship or incorporation. We emphasise that none of the Sole Global Coordinator, the Sole Sponsor, the Sole Lead Manager, the Underwriters, us and any of our or their respective directors or any other person or party involved in the Global Offering accepts responsibility for your tax effects or liabilities resulting from your subscription for, purchasing, holding or disposing of, or dealing in, our Shares or your exercise of any rights attaching to our Shares.

### **HONG KONG REGISTER OF MEMBERS AND STAMP DUTY**

All Shares issued by us pursuant to applications made in the Hong Kong Public Offer will be registered on our register of members to be maintained in Hong Kong. Our Company's principal register of members will be maintained in our Company's principal share registrar in the BVI. Our register of members will be maintained by our Hong Kong share registrar, Tricor Investor Services Limited.

No stamp duty is payable by applicants in the Global Offering.

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

### **PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES**

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



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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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### EXCHANGE RATE CONVERSION

For the purpose of illustration only and unless otherwise specified in this prospectus, the translations of Renminbi into U.S. dollars and of Hong Kong dollars into U.S. dollars have been made at the rates of RMB6.2 to US\$1.00 and HK\$7.75 to US\$1.00, and the translation of Renminbi into Hong Kong dollars has been made at the rate of RMB0.80 to HK\$1.00. No representation is made that (i) Renminbi amounts could have been, or could be, converted into U.S. dollars; (ii) that Hong Kong dollars could have been, or could be, converted into U.S. dollars; or (iii) the RMB amounts could have been, or could be, converted into Hong Kong dollars at such rates or at any other rate on such date or on any other date.

### ROUNDING

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

### COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Tuesday, 7 July 2015. The Shares will be traded in board lots of 2,000 Shares each. The stock code of the Shares will be 6836.

### WEBSITE

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

### STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager may choose to borrow up to 37,500,000 Shares from Wealthy Active. Such stock borrowing arrangements will comply with the requirements set out in Rule 10.07(3) of the Listing Rules.

### OVER-ALLOTMENT AND STABILISATION

Details of the arrangement relating to the Over-allotment Option and stabilisation are set out under the section headed “Underwriting” this prospectus.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### DIRECTORS

Name	Residential address	Nationality
<b>Executive Directors</b>		
Yang Ziyuan (楊自遠)	Flat 1108, Unit 4, Block 9 Champs Elysees 4 Zhongqiu Street Lanshan District, Linyi City Shandong Province, the PRC	Chinese
Sun Xingyu (孫興宇)	Flat 502, Unit 5, Block 2 39 Yinqueshan Street Lanshan District, Linyi City Shandong Province, the PRC	Chinese
<b>Non-executive Directors</b>		
Chu Yinghong (褚迎紅)	Flat 1108, Unit 4, Block 9 Champs Elysees 4 Zhongqiu Street Lanshan District, Linyi City Shandong Province, the PRC	Chinese
Wong Yim Pan (黃炎斌)	Room 1403, Po Chui House Po Pui Court Kwun Tong Kowloon Hong Kong	Chinese
<b>Independent non-executive Directors</b>		
Liang Zhongkang (梁仲康)	Flat 1002, Unit 9 Block 3, Zone 3 No.305 Yard Guanganmenwai Avenue Xicheng District Beijing, the PRC	Chinese
Tsang Yuen Wai (曾苑威)	Flat D, 17/F Hong Fook Court Bedford Garden 153 Tin Hau Temple Road Hong Kong	Chinese
Hui Yung Yung Janet (許蓉蓉)	Flat 2002 Tower 6, Seasons Park No. 36 Dongzhimenwai Avenue B Dongcheng District Beijing, the PRC	Chinese

Further information of our Directors is disclosed in the section headed “Directors and senior management” of this prospectus.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### PARTIES INVOLVED IN THE GLOBAL OFFERING

<b>Sole Sponsor</b>	Guotai Junan Capital Limited 27th Floor, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
<b>Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager</b>	Guotai Junan Securities (Hong Kong) Limited 27th Floor, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
<b>Co-Lead Manager</b>	Yuanta Securities (Hong Kong) Company Limited 23rd Floor, Tower 1 Admiralty Centre 18 Harcourt Road Admiralty, Hong Kong
<b>Co-Managers</b>	Ever-Long Securities Company Limited 18th Floor, Dah Sing Life Building 99-105 Des Voeux Road Central Hong Kong
	Great Roc Capital Securities Limited Suite 3712, 37/F, West Tower Shun Tak Centre 168-200 Connaught Road Central Hong Kong
	Hong Kong International Securities Limited 23rd Floor, Arion Commercial Centre 2-12 Queen's Road West Hong Kong
	Luk Fook Securities (HK) Limited Units 502-6, 5/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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**Auditor and Reporting  
Accountant**

PricewaterhouseCoopers  
*Certified Public Accountants*  
22nd Floor, Prince's Building  
Central  
Hong Kong

**Legal adviser to our Company**

*as to Hong Kong law:*

Squire Patton Boggs  
29th Floor  
Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

*as to U.S., European Union and Australian Sanctions law  
related to Russia and Ukraine*

Squire Patton Boggs (US) LLP  
2550 M Street, NW  
Washington, DC20037  
U.S.

*as to PRC law:*

Jingtian & Gongcheng  
34/F., Tower 3  
China Central Place  
77 Jianguo Road  
Chaoyang District  
Beijing 100025  
the PRC

*as to BVI law:*

Conyers Dill & Pearman  
2901 One Exchange Square  
8 Connaught Place  
Central, Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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<b>Legal adviser to the Sole Sponsor, the Sole Global Coordinator, the Sole Lead Manager and the Underwriters</b>	<i>as to Hong Kong law:</i> F. Zimmern & Co. Rooms 1002-1003, 10th Floor York House The Landmark 15 Queen's Road Central Hong Kong  <i>as to PRC law:</i> Zhong Lun Law Firm 36-37/F., SK Tower 6A Jianguomenwai Avenue Chaoyang District Beijing 100022 the PRC
<b>Property valuer</b>	Jones Lang LaSalle Corporate Appraisal and Advisory Limited 6/F, Three Pacific Place 1 Queen's Road East Hong Kong
<b>Compliance adviser</b>	Guotai Junan Capital Limited 27th Floor, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
<b>Receiving Bank</b>	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong

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## CORPORATE INFORMATION

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<b>Registered office in the BVI</b>	Commerce House Wickhams Cay 1 PO Box 3140, Road Town Tortola British Virgin Islands, VG1110
<b>Headquarters and principal place of business in China</b>	Middle Phoenix Street Hedong District Linyi City, Shandong Province the PRC
<b>Principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance</b>	Room A, 3/F, Cheong Sun Tower 116-118 Wing Lok Street Sheung Wan Hong Kong
<b>Company's website</b>	<a href="http://www.tianyuninternational.com">http://www.tianyuninternational.com</a> ( <i>the information contained in this website does not form part of this prospectus</i> )
<b>Company secretary</b>	Ho Ho Tung Armen (何浩東) CPA Flat F, 3/F, Tower 15 Yee Wan Court South Horizons 15 South Horizon Drive Hong Kong
<b>Authorised representatives</b>	Sun Xingyu (孫興宇) Flat 502, Unit 5, Block 2 39 Yinqueshan Street Lanshan District, Linyi City Shandong Province, the PRC  Ho Ho Tung Armen (何浩東) Flat F, 3/F, Tower 15 Yee Wan Court South Horizons 15 South Horizon Drive Hong Kong

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## CORPORATE INFORMATION

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<b>Audit Committee</b>	Tsang Yuen Wai (曾苑威) ( <i>Chairman</i> ) Liang Zhongkang (梁仲康) Hui Yung Yung Janet (許蓉蓉)
<b>Nomination Committee</b>	Yang Ziyuan (楊自遠) ( <i>Chairman</i> ) Liang Zhongkang (梁仲康) Tsang Yuen Wai (曾苑威) Hui Yung Yung Janet (許蓉蓉)
<b>Remuneration Committee</b>	Liang Zhongkang (梁仲康) ( <i>Chairman</i> ) Yang Ziyuan (楊自遠) Tsang Yuen Wai (曾苑威) Hui Yung Yung Janet (許蓉蓉)
<b>Strategic Development Committee</b>	Yang Ziyuan (楊自遠) ( <i>Chairman</i> ) Sun Xingyu (孫興宇) Chu Yinghong (褚迎紅) Wong Yim Pan (黃炎斌) Liang Zhongkang (梁仲康)
<b>Principal share registrar and transfer office in the BVI</b>	Codan Trust Company (B.V.I.) Ltd. Commerce House, Wickhams Cay 1 PO Box 3140, Road Town Tortola, British Virgin Islands, VG1110
<b>Hong Kong share registrar</b>	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Principal bankers</b>	Bank of China Limited, Beiyuan Branch 131 Suhe North Street Lanshan District, Linyi City Shandong Province, the PRC  Agricultural Bank of China Branch of Lanshan District, Linyi City 173 Yimeng Road Lanshan District, Linyi City Shandong Province, the PRC  Linshang Bank, Beijiao Branch Kunlun Garden Sideway 276037 Intersection of Yimeng Road and Sanhejiu Street Northern New District, Linyi City Shandong Province, the PRC



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## INDUSTRY OVERVIEW

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*We have extracted and derived the information in the section below, in part, from various government or official sources that are publicly available and the commissioned report from Frost & Sullivan. Unless otherwise specified, information concerning the fruit processing industry in China is derived from the Frost & Sullivan Report. 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. The information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Lead Manager, the Underwriters, any of their respective directors, agents, employees or advisers, or any party involved in the Global Offering and no representation is given as to its accuracy. After taking reasonable care, our Directors confirm that there has been no adverse change in the market information since the date of the Frost & Sullivan Report up to the date of this prospectus which may qualify, contradict or have an impact on the information in this section.*

### SOURCES OF INFORMATION

In connection with the Global Offering, we commissioned a research report from Frost & Sullivan to provide prospective investors with necessary information on the relevant industry. The research report titled “Fruit Processing Market Study in China, 2014” was commissioned by us for the purposes of preparing this prospectus. We paid a total of RMB760,000 to Frost & Sullivan for the preparation and use of the Frost & Sullivan Report.

### ABOUT FROST & SULLIVAN

Frost & Sullivan is a global consulting company founded in 1961 and based in the United States. Its services include technology research, market research, economic research, corporate best practices advisory, training, customer research, competitive intelligence and corporate strategy.

### RESEARCH METHODOLOGY

The methodology used by Frost & Sullivan in the Frost & Sullivan Report is summarised as below:

- Analyse the market to identify past problems faced by industry participants competing in the market, the key challenges they confront now and the opportunities that may arise.
- Conduct primary research obtained from various sources including data obtained directly from industry participants and secondary research.
- Design the data collection process and implement the secondary research phase; sources may include relevant Frost & Sullivan’s syndicated publications, trade journals, government statistics, on-line database/internet searches, Frost & Sullivan’s in-house data and library, relevant annual reports and industry publications.
- Calculate market forecasts and market sizes by interviewing industry competitors and deriving each company’s annual shipments or revenues from the defined market.

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## INDUSTRY OVERVIEW

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### ASSUMPTION FOR GROWTH AND FORECAST

Forecast data was projected on the basis of historical data analyses with reference to macroeconomic data as well as specific industry-related drivers, such as increasing purchase power, accelerating urbanisation and development of food processing industry. Frost & Sullivan developed its forecast on the following bases and assumptions:

- That the social, economic and political environments being examined remain stable during the forecast period;
- Frost & Sullivan has considered related industry key drivers that are likely to drive the fruit processing market in the forecast period; and
- That there will be no natural disasters and climate changes affecting the market severely.

The research may be affected by the accuracy of these assumptions and the choice of these parameters.

### RELIABILITY OF INFORMATION IN THE FROST & SULLIVAN REPORT

Our Directors are of the view that the sources of information used in this section are reliable as the information was extracted from the Frost & Sullivan Report. Our Directors believe the Frost & Sullivan Report is reliable and not misleading as Frost & Sullivan is an independent professional research agency with extensive experience in its profession.

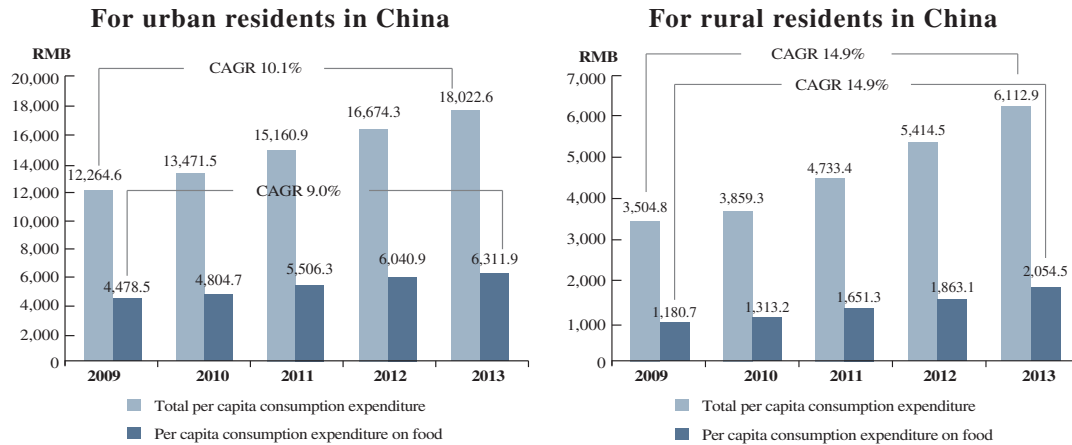
### MACROECONOMIC ENVIRONMENT ANALYSIS

#### Overview of the economy in China

China's economy has experienced a fast growth over the past few years. China's nominal GDP has increased from RMB34,090.3 billion in 2009 to RMB63,646.3 billion in 2014, with a CAGR of approximately 13.3%. China's per capita disposable income has undergone a rapid growth in the said period due to the robust GDP growth and continuous urbanisation. The per capita disposable income of urban household in China has increased from RMB17,174.7 in 2009 to RMB28,844.0 in 2014, with a CAGR of 10.9%, and the per capita net income of rural household in China has grown from RMB5,153.2 in 2009 to RMB10,489.0 in 2014, with a CAGR of 15.3%.

## INDUSTRY OVERVIEW

Per capita consumption expenditure in China has increased both in urban and rural areas over the past few years with the growing disposable income. The following diagrams set forth the per capita consumption expenditure for urban residents and rural residents on food in China, respectively, from 2009 to 2013:



Source: The National Bureau of Statistics of China and Frost & Sullivan

Driven by ongoing urbanisation and the increasing purchasing power of residents in China, the retail sales of consumer goods have undergone rapid development in the recent years. Total retail sales of consumer goods in China have increased from RMB13,267.8 billion in 2009 to RMB26,239.4 billion in 2014, representing a CAGR of 14.6%. Urbanisation also has a tremendous impact on the food consumption patterns of residents in China, which leads to an increasing consumption of processed food including processed fruit products which have longer storage life and are more convenient to consume.

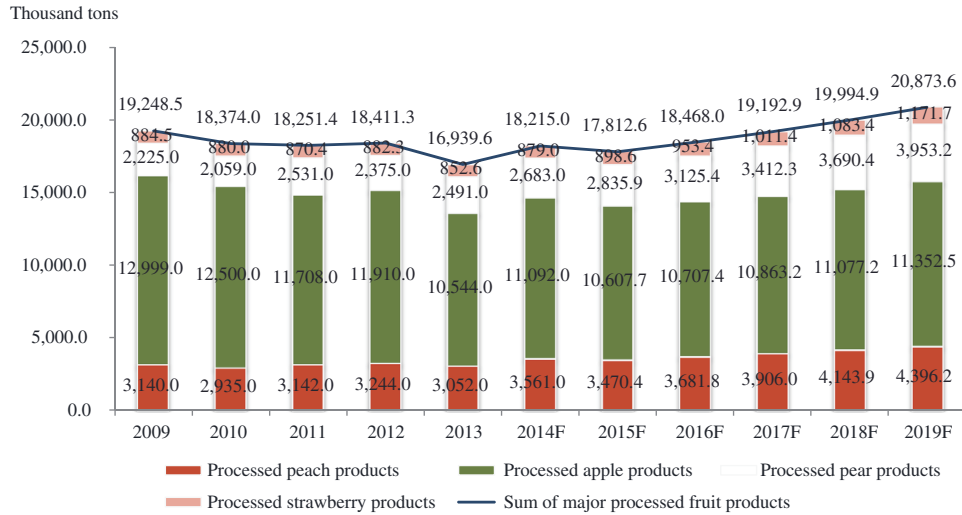
### GLOBAL FRESH FRUIT AND CANNED FRUIT MARKET

#### Supply of fresh fruit and production of processed fruit products

Global supply of major types of fresh fruit (including peach, apple, pear and strawberry) increased in the last decade. The total supply of major fresh fruit increased from 106.7 million tons in 2009 to 120.1 million tons in 2013, showing a CAGR of 3.0%. Around 10% to 20% of the supply of major fresh fruit are processed across the world. Frost & Sullivan expects the total supply of major types of fresh fruit will increase from 123.9 million tons in 2014 to 135.1 million tons in 2019, representing a CAGR of 1.8%.

## INDUSTRY OVERVIEW

The following diagram sets forth the actual and forecast global production volume of major types of processed fruit products from 2009 to 2019:

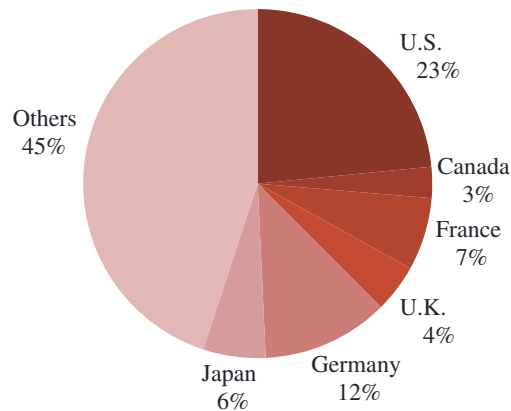


Source: United States Department of Agriculture and Frost & Sullivan

### Canned fruit market

According to Frost & Sullivan, China is the largest manufacturer and exporting country of canned fruit in the world, accounting for 18.5% of the total export value of canned fruit in 2013, while developed countries including those in the North America, Europe and Japan are the major importing countries of canned fruit in the world, accounting for more than 50% of the total import value of canned fruit in the world in 2013.

The following chart sets forth the major importing countries in the world in terms of the total import value of canned fruit in 2013:



Source: The United Nations Commodity Trade Statistics Database (UN Comtrade) and Frost & Sullivan

According to Frost & Sullivan, with the recovery of global economic environment, the total import value of canned fruit is expected to increase and as such, the share contributed by the six major importing countries are expected to also increase. The import value of canned fruit in the U.S., the largest importing country of canned fruit, is expected to increase from approximately USD1,052.8 million in 2014 to approximately USD1,602.4 million in 2019 with a CAGR of 8.8%.

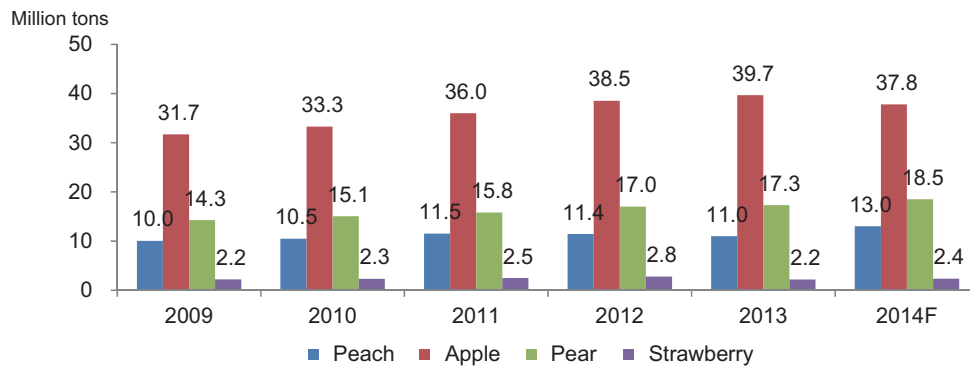
## INDUSTRY OVERVIEW

### FRESH FRUIT MARKET IN CHINA

#### Supply of major types of fresh fruit

China is currently the largest fresh fruit supplier across the world. China's supply of major types of fresh fruit such as peach, apple and pear contributes to more than 50% of the global supply.

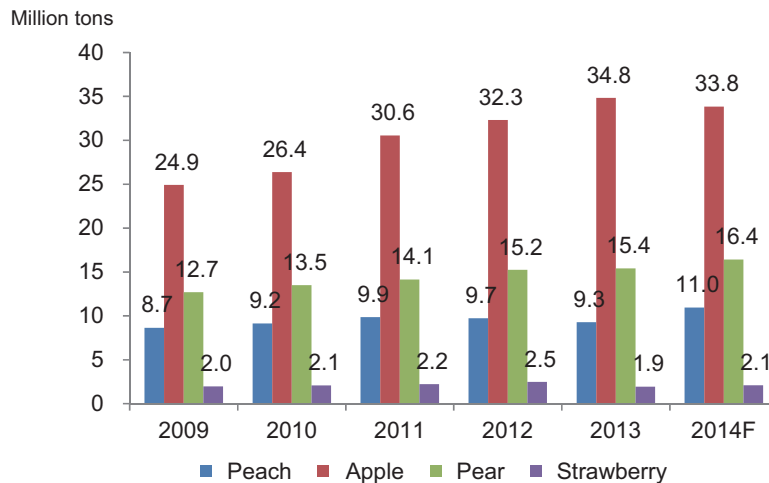
The following diagram sets forth the actual and forecast China's supply of major types of fresh fruit from 2009 to 2014:



Source: Frost & Sullivan

#### Domestic consumption of major types of fresh fruit

The domestic consumption of fresh peach, pear and apple in China showed stable growth in the past five years. The following diagram sets forth the actual and forecast domestic consumption of major types of fresh fruit in China from 2009 to 2014:



Source: The National Bureau of Statistics of China and Frost & Sullivan

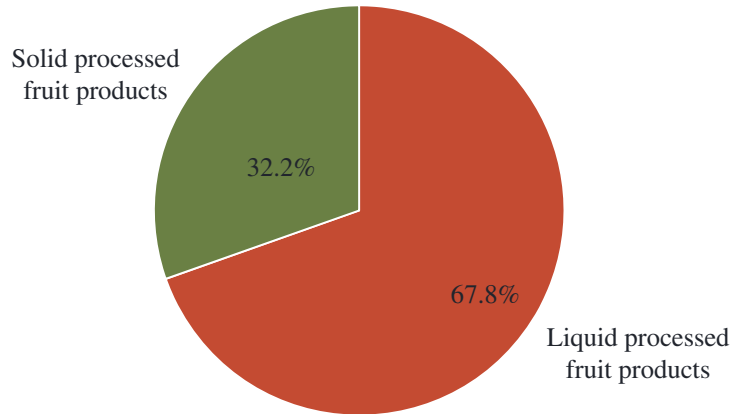
## INDUSTRY OVERVIEW

### FRUIT PROCESSING MARKET IN CHINA

#### Production of processed fruit products

According to Frost & Sullivan, processed fruit products can be classified into solid or liquid processed fruit products. Solid processed fruit products primarily consist of canned fruit, fruit jelly, jam and dried fruit. Liquid processed fruit products primarily include juice, wine and vinegar.

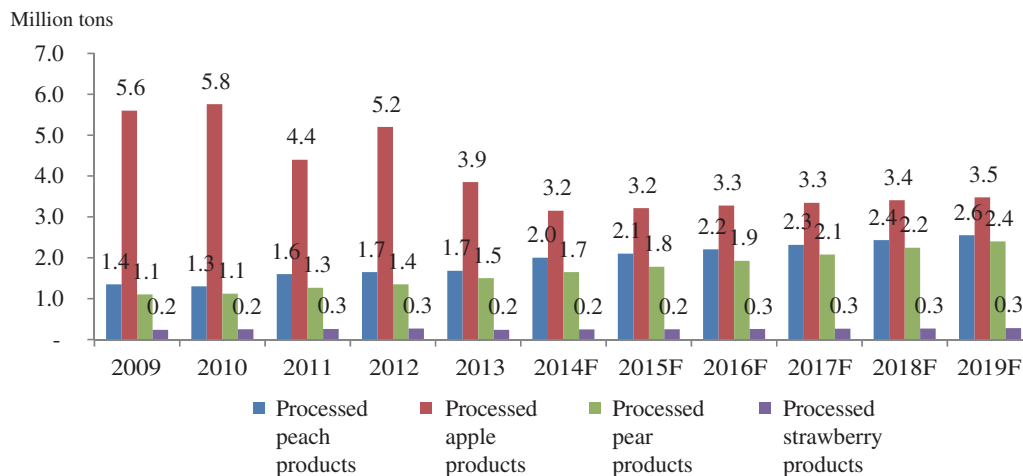
The following chart sets forth the proportion of liquid processed fruit products and solid processed fruit products in terms of production volume by weight in China in 2014:



Source: Frost & Sullivan

According to Frost & Sullivan, the production of processed peach and pear products in China increased from 2009 to 2013 and is expected to continue to increase from 2014 to 2019 as a result of the increase in supply of fresh peach and pear. China's production of processed apple products fell during 2009 and 2013 due to a lower profitability of processed apple products resulting from a significant increase in the price of fresh apples in recent years. Frost & Sullivan expects the production of processed apple products will be stable in the future with the steady supply of fresh apples.

The following diagram sets forth the actual and forecast production of major processed fruit products in China from 2009 to 2019:

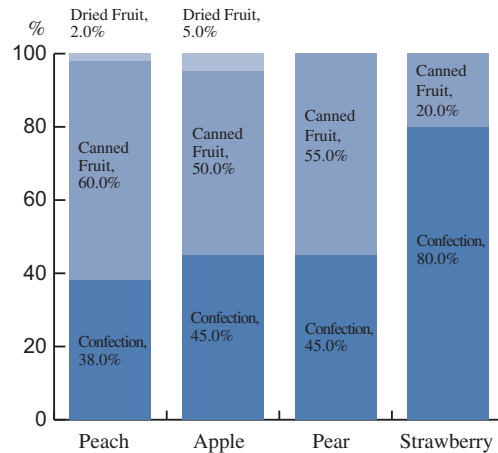


Source: Frost & Sullivan

## INDUSTRY OVERVIEW

### Major processed fruit product categories

The following diagram sets forth the breakdown by categories of solid processed fruits products in terms of production volume for major fruits in China in 2014:



Source: Frost & Sullivan

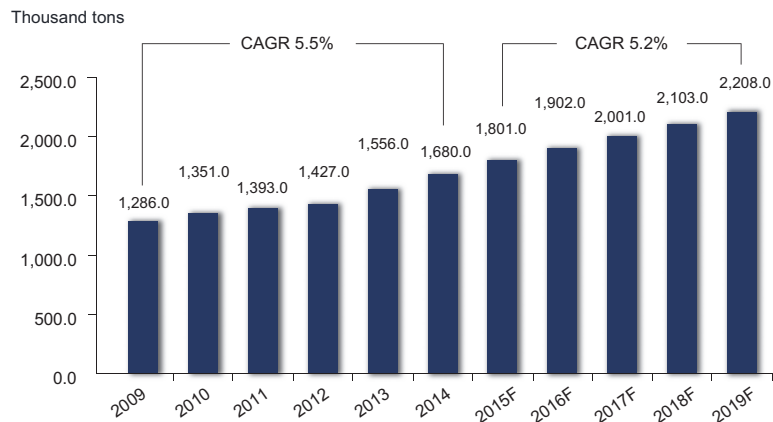
Note: Confection includes preserved fruit, fruit jam, fruit jelly and etc.

### CANNED FRUIT MARKET IN CHINA

#### Production volume

The canned fruit market in China has undergone growth between 2009 and 2014, with the total production volume increasing from 1,286.0 thousand tons in 2009 to 1,680.0 thousand tons in 2014 at a CAGR of 5.5%. Encouraged by the increasing demand of consumer and improvement of production technology, the production volume is projected to further expand from 1,801.0 thousand tons in 2015 to 2,208.0 thousand tons in 2019, with a CAGR of 5.2% from 2015 to 2019.

The following diagram sets forth the actual and forecast production volume of canned fruit products in China from 2009 to 2019:



Source: Frost & Sullivan



## INDUSTRY OVERVIEW

### Consumption of canned fruit products

According to Frost & Sullivan, China has a low per capita consumption of canned fruit products as compared to developed countries such as the U.S., Japan and other western countries. The per capita consumption of canned fruit products in China was 0.7 kg in 2013, whilst that of the U.S. was 6.0 kg in the same period.

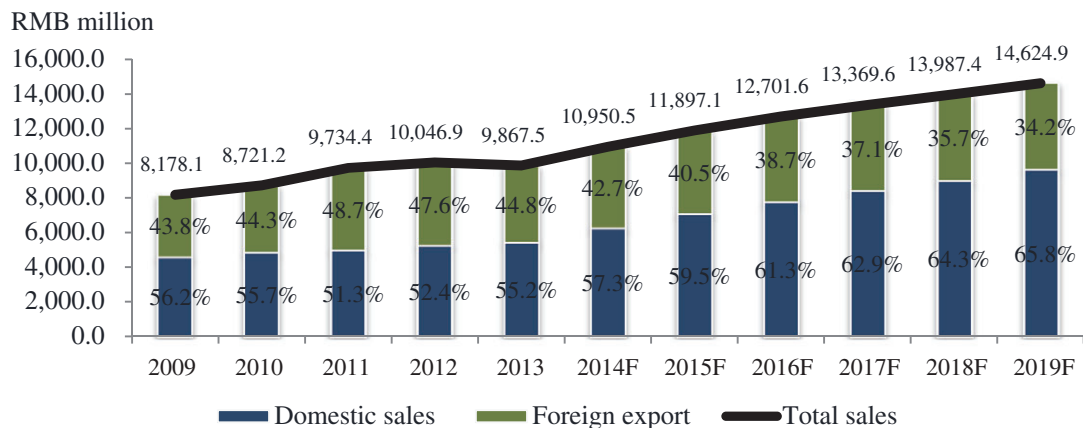
According to Frost & Sullivan, with the relatively low per capita consumption of the canned fruit products in China, the consumption of canned fruit products in China is expected to have considerable room for growth.

### Sales of canned fruit products

According to Frost & Sullivan, canned fruit products manufactured in China are sold in both domestic and overseas markets. Overseas sales destinations of canned fruit products manufactured in China include countries such as the U.S., Japan, Germany, Thailand and Canada, with the U.S. being the largest importing country of canned fruit products manufactured in China in recent years.

For domestic sales of canned fruit products, the total sales value demonstrated an increasing trend from 2009 to 2014. Frost & Sullivan expects the domestic canned fruit market will continue to grow from 2015 to 2019 steadily due to rapid urbanisation, rising per capita disposal income of residents in China and the current low per capital consumption of canned fruit products in China as compared to that of the developed countries.

The following diagram sets forth the actual and forecast breakdown of canned fruit sales in China from 2009 to 2019:



Source: Frost & Sullivan

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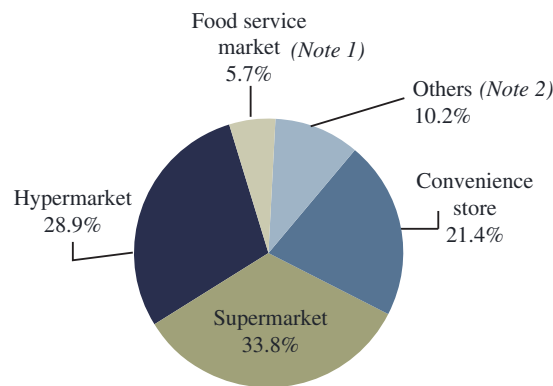
## INDUSTRY OVERVIEW

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### Sales channels of canned fruit products

According to Frost & Sullivan, the major retail sales channels of canned fruit products in China include hypermarkets, supermarkets and convenience stores. Sales through on-line channels are expected to increase due to rising number of smart phone users and the increasing popularity of e-commerce platforms in China.

The following chart sets forth the distribution of sales of canned fruit products in China in terms of sales value in 2014:



Source: Frost & Sullivan

Notes:

1. Food service market includes hotel, restaurant, cafe and others.
2. Others include internet retailing, discounter and food/drink specialist.

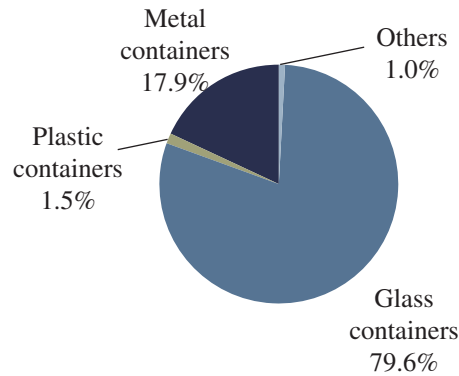
### Major packaging materials of canned fruit products

According to Frost & Sullivan, canned fruit products are generally packed in three types of packaging materials, namely metal containers, glass containers and plastic containers. Glass containers are the major form of packaging for domestic market because such transparent packaging allows consumers to see the contents, and therefore are more appealing to them. Metal containers are commonly used for export products as they are non-brittle and more suitable for shipping over long distance. Packaging in plastic containers is getting more popular for canned fruit products due to its low manufacturing costs, transparent nature and lightness leading to a lower transportation costs.

Manufacturers of canned fruit products are expected to produce products in smaller size as they are easier to be carried around and consumed.

## INDUSTRY OVERVIEW

The following chart sets forth the distribution by form of packaging of canned fruit products in terms of sales value in China in 2014:



Source: Frost & Sullivan

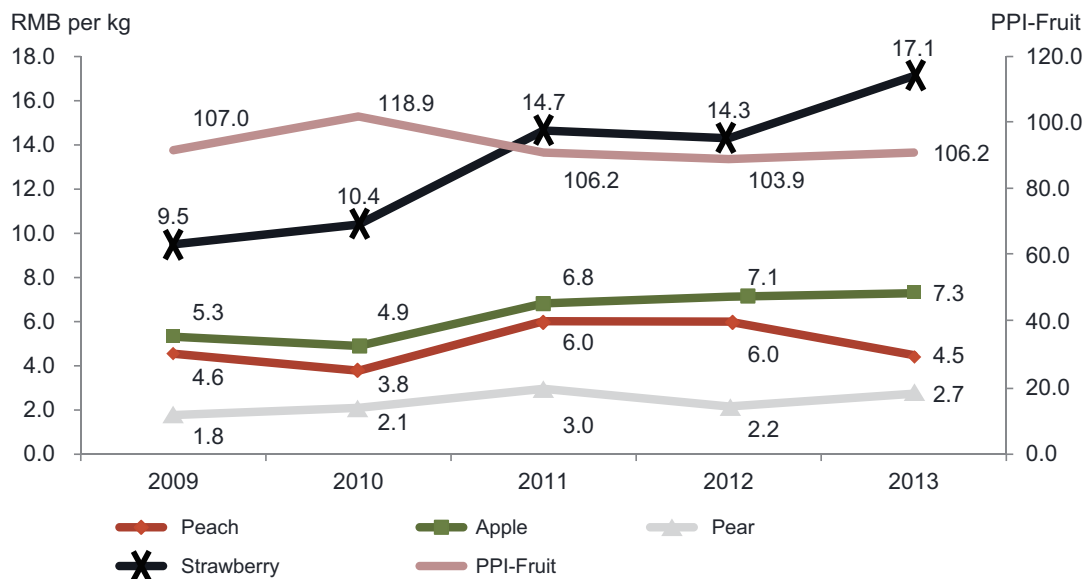
### RAW MATERIALS

#### Historical and future price trend of raw materials in China

##### Major fresh fruit

The PPI-Fruit increased from 107.0 in 2009 to 118.9 in 2010 mainly due to the increase in investment in production and labour cost. The PPI-Fruit decreased from 118.9 in 2010 to 103.9 in 2012 as a result of economy of scale in production and rebounded to 106.2 in 2013 due to increase in cost of production.

The following diagram sets forth the major fruit prices and PPI-Fruit in China from 2009 to 2013:



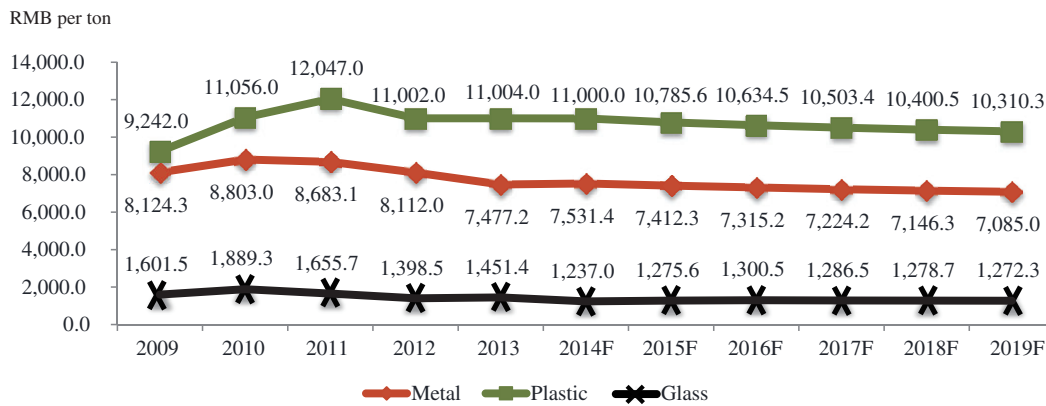
Source: Frost & Sullivan

## INDUSTRY OVERVIEW

### Packaging materials

The major packaging materials of canned fruit products are metal, plastic and glass. Metal used as packaging materials for canned fruit products mainly consists of tinplate. The price of metal and glass has declined from RMB8,124.3 per ton in 2009 to RMB7,477.2 per ton in 2013 and from RMB1,601.5 per ton in 2009 to RMB1,451.4 per ton in 2013, respectively, mainly due to the excess of supply. The price of polypropylene, a polymer of plastic, is relatively stable over the range of RMB9,242.0 per ton in 2009 to RMB11,004.0 per ton in 2013.

The following diagram sets forth the actual and forecast price of the major packaging materials of canned fruit products in China from 2009 to 2019:



*Notes:*

1. Metal refers to tinplate coil (MR 0.21\*800).
2. Plastic refers to polypropylene.
3. Glass refers to float glass.

*Source: Frost & Sullivan*

### White sugar

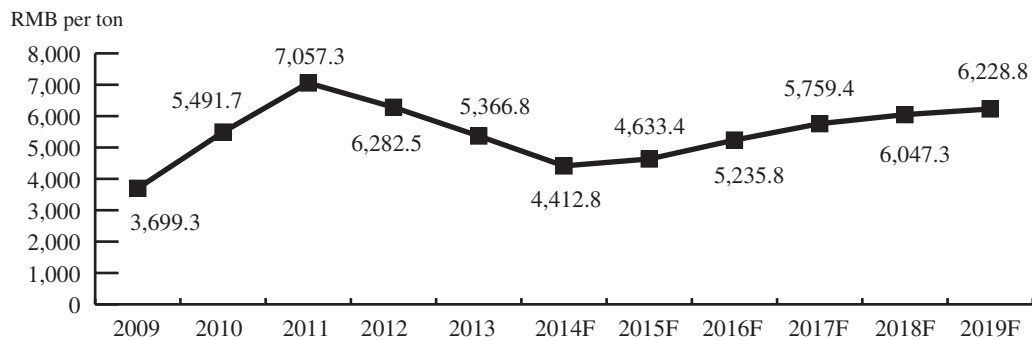
In the past several years, the price of white sugar in China has fluctuated significantly. The price of white sugar increased from RMB3,699.3 per ton in 2009 to RMB7,057.3 per ton in 2011 and decreased to RMB5,366.8 per ton in 2013 mainly because of the change in market demand, production environment and production costs. Frost & Sullivan expects that the price of white sugar will increase from RMB4,412.8 per ton in 2014 to RMB6,228.8 per ton in 2019, representing a CAGR of approximately 7.1%, due to price inflation and increasing sugar production costs such as labour costs.

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## INDUSTRY OVERVIEW

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The following diagram sets forth the actual and forecast price of white sugar in China from 2009 to 2019:



Note: Price of white sugar is calculated based on the average prices of the futures.

Source: Zhengzhou Commodity Exchange and Frost & Sullivan

### MAJOR MARKET DRIVERS AND OPPORTUNITIES IN THE FRUIT PROCESSING MARKET IN CHINA

#### Major market drivers from demand side

##### *Rising disposable income*

With the continuous improvement of people's living standard, their disposable income has witnessed constant growth. Nowadays, the market has a stronger purchasing power than in the past, which can further stimulate the consumption of processed fruit products.

##### *Improving health awareness and high quality food*

Driven by the increasing living standards of consumers in China, the demand for healthy and nutritious food is expected to increase in the future. Consumers prefer healthier diets and increase the consumption of fruit. Processed fruit products (with majority of the contents being fruit juice), preserved fruits, dry fruits and especially canned fruits (which are mainly packaged in glass and tinfoil or sealed in plastic) are generally regarded as a good source of minerals and vitamins. Therefore, the processed fruit products are expected to be widely accepted and favoured among consumers.

##### *Consumers' evolving lifestyles*

Compared to fresh fruit, processed fruit products have much longer preservation periods. For consumers, processed fruit products are easier to carry, consume and preserve. Accordingly, they are more popular with people living in a fast paced city life. In addition, westernisation results in higher acceptance of western food as well as lifestyles, which generally encourages the consumption of processed fruit products.

#### Major market drivers from supply side

##### *Technological and process improvements*

Advances in the manufacturing technology and equipment have led to huge improvements in the food quality and safety control. These advancements have allowed leading processed fruit product manufacturers in China to consolidate their market shares, which typically yield higher margins. The increase in the scale of production will also help to lower the production costs of processed fruit products.

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## INDUSTRY OVERVIEW

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### *Diversified retailing network with multiple choices*

Development in the distribution network, especially in modern trade (such as the expansion of supermarkets and convenience stores in low-tier cities), has provided consumers with easier access to processed fruit products, and therefore stimulated the market demand.

### *Effective industrial cluster*

Nowadays, the fruit processing market in China has developed into a certain scale of industrial clusters, which mainly concentrates in Bohai Rim (環渤海地區) including Shandong and Hebei Province. Such industrial cluster encourage the development of new products and exchange of production technology, which enrich the products offering and enhance the product quality and therefore driving the growth of the fruit processing market in China.

### **Opportunities in the fruit processing market in China**

The increasing disposable income of residents in China and rapid urbanisation will lead to rising demand for safe and convenient food, such as canned fruit products. The current low level of per capita consumption of canned fruit products in China, comparing to that of the developed countries, indicates a great potential for canned fruit market opportunities in China.

## **CHALLENGES IN THE FRUIT PROCESSING MARKET IN CHINA**

### **Slowdown in global economic growth**

China is the largest exporting country of canned fruit products in the world and has become the world manufacturing base of canned food products for well-known western brands. However, the slowing economic growth in Europe and the U.S. coupled with RMB appreciation negatively affected the export growth of canned fruit products in China. The appreciation in RMB would increase the purchasing costs of overseas customers, and thus decrease the demand for canned fruit products manufactured in China.

### **Stricter regulations on production of canned fruit products**

Since food safety becomes a big concern for the community, Chinese government will strengthen supervision on food manufacturing companies by imposing stricter regulations on the manufacturing, quality and export requirements on canned fruit products. Manufacturers would be required to put in more resources in their production process in order to comply with such stricter requirements. This will lead to an increase in production costs of canned fruit products in China.

### **Labour intensive production process**

The fruit processing market in China is labour intensive. The performance of a processed fruit product manufacturer is affected by the labour costs and availability of labour. Low level of automation will restrain production efficiency and thus limit the growth of the processed fruit product manufacturer.

## **COMPETITIVE LANDSCAPE OF THE CANNED FRUIT MARKET IN CHINA**

While China is the largest exporting country of canned fruit products in the world, the canned fruit market in China is fragmented. There are over 1,000 canned fruit manufacturers in China by the end of 2014. The 10 largest canned fruit manufacturers in aggregate, accounted for only approximately 34.1% of the total market share in China in terms of sales in 2014, primarily due to the relatively low entry barriers of the industry. According to Frost & Sullivan, in order to be competitive in the fruit processing market in China, manufacturers need to ensure stable supply of

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## INDUSTRY OVERVIEW

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fresh fruit, equipped with quality control system and qualified manufacturing infrastructure and establish extensive distribution network of products and a well-recognised brand.

The following table sets forth the top 10 canned fruits manufacturers in China in terms of the sales value of canned fruit products in 2014:

Rank	Company	With own brand	Location of headquarter	Market share in terms of sales value (%)
1	Company A	Yes	Zhejiang	4.3
2	Company B	Yes	Fujian	3.8
3	Company C	Yes	Guangdong	3.8
4	Company D	Yes	Shandong	3.7
5	Company E	Yes	Zhejiang	3.6
6	Company F	Yes	Shandong	3.3
7	<b>Our Group</b>	<b>Yes</b>	<b>Shandong</b>	<b>3.2</b>
8	Company G	Yes	Shanghai	3.1
9	Company H	Yes	Anhui	2.8
10	Company I	Yes	Zhejiang	2.5
Total				<b>34.1</b>

Source: China Customs and Frost & Sullivan

### INCREASING ENTRY BARRIERS TO THE FRUIT PROCESSING MARKET IN CHINA

New market entrants are confronted with increasing entry barriers mainly from regulatory compliance, consumers' brand recognition, marketing experience and sales networks and sufficient supply of raw materials.

#### Regulatory compliance

Existing market players are more familiar with the laws, policies, rules and regulations in the fruit processing market, and have established better quality control systems to achieve the hygiene and food safety standards required by regulatory authorities. While experienced market players have accumulated quality authentication in the aspect of hygiene and food safety, it takes considerable time for new entrants to gain the corresponding qualifications.

#### Consumers' brand recognition

Based on their experience in the fruit processing market, existing market players with strong market position usually have better understanding on consumers' preference and taste. Accordingly, they are more capable of reacting to changes in the market demand. It takes a considerable amount of time for new entrants to analyse and capture a good understanding of the consumers' demand and preference of the processed fruit products and gain consumers' recognition.

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## INDUSTRY OVERVIEW

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### **Marketing experience and sales network**

It takes a long time for new entrants to obtain a certain market share, uphold their market position and establishment of sales network. Leading players of the fruit processing market have already formulated their stable distribution channels and effective marketing strategies, which are essential in building brand image. Considering the difference in terms of the extensiveness of sales network and marketing experience, it is more difficult for new entrants to compete with well established market players.

### **Sufficient supply of raw materials**

Leading market players in the fruit processing industry usually have gained competitive advantage in respect of the supply of raw materials, in particular, fresh fruit. This enables them to react quickly in response to changes in market demand and adjust production strategies. Therefore, it is essential for new entrants to establish a reliable supply network of raw materials, which is a key to ensure stable production, in order to compete effectively.



### APPLICABLE LAWS AND REGULATIONS IN THE PRC

#### Foreign investment

The Catalogue for the Guidance of Foreign Investment Industries (2011 Revision) (外商投資產業指導目錄(2011年修訂)) was issued by the NDRC and MOFCOM on 24 December 2011 and became effective on 30 January 2012. The NDRC revised this Catalogue on 10 March 2015 and became effective from 10 April 2015. Pursuant to this Catalogue, foreign invested projects in the PRC are divided into four categories: encouraged, permitted, restricted and prohibited. According to the current business licences of the Group's operating subsidiaries in the PRC, their scope of business is manufacture and sale of food machinery, canned fruits and canned vegetables, sale of fruits and vegetables, and import and export of goods and technologies, which falls within the encouraged and permitted category under the Catalogue and is in compliance with the foreign investment industry policy of the PRC.

Pursuant to the Interim Provisions on the Domestic Investment of Foreign-funded Enterprises (關於外商投資企業境內投資的暫行規定), which was promulgated by the Ministry of Foreign Trade and Economic Cooperation and the State Administration for Industry and Commerce on 25 July 2000, effective from 1 September 2000, and was amended on 26 May 2006, foreign-funded enterprises may invest in the encouraged and permitted category, and shall not invest in the prohibited category. Domestic investment in the restricted category by foreign-funded enterprises shall be approved by the approving authority and registered with relevant administration for industry and commerce.

Pursuant to the PRC Law on Foreign Invested Enterprises (中華人民共和國外資企業法) amended and effective on 31 October 2000, the establishment and subsequent changes of a wholly foreign owned enterprise is subject to the approval by the authority in charge of commerce or foreign trade and investment and registration with the relevant administration for industry and commerce. The investor of the wholly foreign owned enterprise must make payment of the registered capital it subscribes according to its articles of association.

#### Manufacture and sales of food

##### *Licensing System for Food Production and Trading*

Pursuant to Regulations on Food Safety Law of the PRC (中華人民共和國食品安全法) (the “**Food Safety Law**”), which was promulgated on 28 February, 2009, and became effective from 1 June 2009, and was amended on 24 April 2015 and will become effective on 1 October 2015, and Implementing Rules on the Food Safety Law of the PRC (中華人民共和國食品安全法實施條例) (the “**Implementing Rules on the Food Safety Law**”), which was promulgated on 20 July 2009 and became effective from the same date, the state adopts a licensing system for food production and trading. To engage in food production, food circulation, and catering services, the food production licence, food circulation licence, and catering service licence shall be obtained in accordance with the law. Food producers who have obtained food production licence do not need to obtain food circulation licence for selling the food produced by them at their production place; the catering service providers who have obtained the catering service licence do not need to obtain the food production or circulation licence for selling the food produced by them at their catering service place.

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## SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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According to Measures for the Administration of Food Production Licensing (食品生產許可管理辦法), which was promulgated on 7 April 2010, and became effective from 1 June 2010, the validity term for a food production licence is three years. If the enterprise that has the food production licence needs to continue the production upon expiry of the validity term, it shall file an application for renewal of the licence with the original licensing authority within six months prior to the expiry of the validity term of the food production licence. If the replacement is approved, the number of the food production licence shall remain unchanged. Where no application is filed for renewal of licence upon expiry of the validity term, it shall be deemed that the enterprise has no licence. Where the enterprise intends to continue the production of food, it shall file a new application for re-issuance of the licence and a new number of the licence, the validity term of which shall be calculated from the date of permission.

### ***Personnel Health Management System***

In accordance with Food Safety Law as well as Implementing Rules on the Food Safety Law, Food producers and traders shall establish and implement a personnel health management system. The personnel suffering from dysentery, typhoid, viral hepatitis or any other infectious disease of digestive tract or suffering from active tuberculosis, purulent or seeping skin disease or any other disease that affects the food safety shall not engage in work that involves contact with ready-to-eat food. Food producers and traders shall have physical check-up each year and shall obtain healthy certificates prior to working.

### ***Procurement Check Record System and Food Ex-factory Check Record System***

According to Food Safety Law as well as Implementing Rules on the Food Safety Law, Food producers purchasing food raw materials, food additives and food-related products shall check the licenses and food eligibility certification documents of the suppliers. The food raw materials whose eligibility certification documents are unavailable shall be checked in accordance with the food safety standards; no food raw materials, food additives or food-related products inconsistent with the food safety standards may be procured or used. Food production enterprises shall establish a procurement check record system of food raw materials, food additives and food-related products, and truthfully record the names, specifications, quantities, names and contact information of suppliers, dates of purchase, etc. of food raw materials, food additives and food-related products. The procurement check records of food raw materials, food additives and food-related products shall be true, and shall be kept for at least two years. Food production enterprises shall establish a food ex-factory check record system, to check the inspection certificates and the safety conditions of ex-factory food and truthfully record the names, specifications, quantities, dates of production, lot numbers of production, numbers of inspection certificates, names and contact methods of purchasers, dates of sales, etc. of food. The food ex-factory check records shall be true, and shall be kept for at least two years.

Still under Food Safety Law as well as Implementing Rules on the Food Safety Law, food production and trading enterprises may either carry out inspection on the food produced by themselves or entrust the inspection to a food inspection institution complying with the provisions of this Law.

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## SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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According to Implementation Rules for the Supervision and Administration on the Quality Safety of the Food Manufacturing and Processing Enterprises (For Trial) (食品生產加工企業質量安全監督管理實施細則(試行)) promulgated by General Administration of Quality Supervision, Inspection and Quarantine of the PRC (國家質量監督檢驗檢疫總局) (the “AQSIIQ”) on 1 September 2005 and effective from the same date, the market access symbol for food quality safety i.e. the symbol for food manufacturing permit, is a quality symbol, and shall be represented by the English abbreviation of quality safety (hereinafter referred to as the “**QS symbol**”), the QS symbol shall be printed (pasted) on the packaging or label of the food subject to the market access system for food quality safety before leaving factory. Those without the QS symbol shall not leave factory for sale. Where an enterprise uses the QS symbol indicates that it promises that its product has passed the inspection and meets the basic requirements of food quality safety. Where a quality problem, not due to any improper use or storage of customers, occurs to the food with a QS symbol printed (pasted) before its expiration date, the manufacturer and the seller shall assume their liabilities in accordance with their respective duties.

### *The Packages of Pre-packed Food*

Also under Food Safety Law as well as Implementing Rules on the Food Safety Law, The packages of pre-packed food shall bear labels. The labels shall state the following matters, such as name, specifications, net content and date of production; list of ingredients or components; producer’s name, address and contact methods; shelf life; product standard code; storage conditions; the general name of the food additives used in the national standards; category number of food production licence; and other items that must be indicated according to laws, regulations or food safety standards. The labels of the staple and supplementary food exclusively for infants shall also indicate the principal ingredients and their contents.

### *Food Recall System*

Also under Food Safety Law as well as Implementing Rules on the Food Safety Law, The state will establish a food recall system. Where a food producer finds that the food produced by it does not comply with the food safety standards, it shall immediately stop the production, recall the food on the market for sale, notify the relevant producers and traders, as well as consumers, and record the recall and notification. Where a food trader finds that the food traded by it does not comply with the food safety standards, it shall immediately stop the trading, notify the relevant producers and traders, as well as consumers, record the cessation of trading and the notification. Where the food producers consider that the food should be recalled, the food shall be recalled immediately. The food producers shall take such measures as remedy, destruction and harmless treatment for the recalled food, and report the recalling and treatment of the recalled food to the quality supervision department at or above the county level. Where the food producers or traders fail to recall or stop trading of the food failing to comply with the food safety standards in accordance with the provisions of this Article, the quality supervision, administration for industry and commerce, food and drug supervision and administration departments at and above the county level shall order them to recall or stop trading.

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## SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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### *Production Licensing system of Industrial Products*

Pursuant to Administrative Regulations of the PRC on the Production Licence for Industrial Products (中華人民共和國工業產品生產許可證管理條例), which was promulgated on 9 July 2005 and with effect from 1 September 2005, and Implementing Measures for the Regulations for Administration of Production Licence of Industrial Products of the PRC (中華人民共和國工業產品生產許可證管理條例實施辦法), which became effective from 1 August 2014, only enterprises granted with production licence are eligible to produce the important industrial products for which a production licensing system is implemented by the state. Furthermore, the period of validity of a production licence shall be five years, other than for production licences for food processing enterprises, for which the period of validity shall be three years. Where, during the period of validity of a production licence, there is any change in the relevant standards and requirements for the product, the competent authorities may organise a further examination and inspection in accordance with the provisions of relevant Regulations. And where, during the period of validity of a production licence, there is a change in the production conditions, inspection method, production technology or technique of the enterprise, the enterprise shall file an application with the relevant authorities, and the competent authorities shall organise a further examination and inspection in light of the provisions of the relevant Regulations.

### *Food Import and Export*

Also under Food Safety Law as well as Implementing Rules on the Food Safety Law, the imported food, food additives and food-related products shall be consistent with the national food safety standards of China. A food importer shall apply for inspection with the import and export inspection and quarantine institution at the place of customs on the strength of necessary vouchers and relevant documents such as contract, invoices, packing note, bill of lading, etc.. The food imported shall be qualified in the inspection conducted by the import and export inspection and quarantine institution. The customs shall release the imported food on the strength of a customs clearance certificate issued by the import and export inspection and quarantine institution. The imported food shall be subject to the inspection conducted by the institution for import and export inspection and quarantine, and the customs office shall release the imported food on the basis of a customs clearance certificate issued by the institution for import and export inspection and quarantine. For any food that is imported for the first time and has neither been regulated by the requirements of the national food safety standards or a new variety of food additives or a new variety of food-related products imported for the first time, the importer shall file an application with and submit the relevant safety assessment materials to the health administration department under the State Council.

The imported pre-packed food shall be accompanied with labels and instructions in Chinese. The labels and instructions shall be consistent with the provisions of this Law and other relevant laws and administrative regulations of China and the requirements of the national food safety standards, and indicate the origin of food and name, address and contact methods of a domestic agent. Where any pre-packed food is not accompanied with labels or instructions in Chinese or the labels or instructions are not consistent with the requirements, the pre-packed food shall not be imported. The importer shall establish a food import and sale record system to truthfully record the names, specifications, quantities, dates of production, lot numbers of production or import, shelf life, names and contact methods of exporters, names and contact methods of purchasers, dates of delivery, etc. of food. The food import and sale records shall be true, and shall be kept for at least two years.

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The food to be exported shall be subject to supervision and sample inspection of the import and export inspection and quarantine institution. The customs office shall release the food on the basis of a customs clearance certificate issued by the institution for import and export inspection and quarantine. The production enterprises of exported food and the planting and breeding farms of raw materials for exported food shall file a record with the department of entry and exit inspection and quarantine department of the state.

Pursuant to the Measures for the Supervision and Administration of Inspection and Quarantine of Outbound Fruits (出境水果檢驗檢疫監督管理辦法) promulgated by AQSIQ on 25 December 2006 and effective from 1 February 2007, in case of any bilateral agreement or protocol, etc., entered into between China and the importing country or region which clearly stipulates that, or at the requests of any law and regulation of the importing country or region, the orchard and the packing factory of the fruits exporting to that country or region shall be registered, the inspection and quarantine institution shall register the orchard and the packing factory of the fruits exporting to the respective country or region in accordance with legal provisions. The orchard or the packing factory may file an application for registration to the inspection and quarantine institution in the absence of a bilateral agreement or protocol between China and the importing country or region, or when any law or regulation of the importing country or region does not clearly require registration.

### *Food Safety*

Pursuant to Food Safety Law as well as Implementing Rules on the Food Safety Law, Food producers and trading entities shall engage in production and trading activities in accordance with the laws, regulations and food safety standards, be responsible for the society and the public, ensure food safety, accept social supervision, and undertake social responsibility.

### **Food Identification Management System**

Pursuant to the Food Identification Management Requirement (食品標識管理規定) promulgated by AQSIQ on 27 August 2007 and became effective from 1 September 2008, and the amendments dated 22 October 2009, food identification labels should state the name, place and date of production, expiry date, net content, list of ingredients, names and addresses and contact information of producers, and standardisation numbers of national standards, industry standards, local standards or enterprise standards for those who have filed these to the authorities. Food components or ingredients are required to be disclosed on food labels. Nutritional ingredients and their percentage labellings are required with respect to staple and supplementary food for babies, infants or other specified groups of people. Food labels with wordings such as “nutrition” or “strengthened” in their names or descriptions are required to state the nutrition and calories of such food in accordance with the relevant national standards and comply with the quantity identification required by the national standards. Food which is under the production licensing management scheme is required to show its Food Production Licence number and QS symbol on the food label.

### **Supervision on the use of food additives**

Pursuant to the Food Safety Law, no food additive may be used in food unless it is technically considered necessary and has been proven to be safe and reliable after passing risk assessments. The health administrative department of the State Council shall, on the basis of the technical requirements and the results of the food safety risk assessments, revise the varieties,

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scope of use and standard on the dosage of food additives in a timely manner. A food producer should use food additives in accordance with the food safety standards in relation to the varieties, scope of use and dosage of food additives, and should not, during the process of food production, use any chemical substances other than food additives or any other substances which may cause potential harm to human health.

A food producer should inspect the licence and product compliance certification document from the supplier when purchasing raw materials for producing food, food additives and food-related products. For any supplier who is unable to provide a compliance certification document, an inspection on the raw materials for producing food shall be implemented in accordance with the food safety standards. No raw material for food, food additives or food-related products with which the food safety standards have not been complied shall be purchased or used. A food production enterprise shall establish an inspection record system for the raw materials purchased for producing food, food additives and food-related products, which records information such as the names, specifications and quantities of the raw materials for producing food, food additives and food-related products, names and contact information of the suppliers and the date of purchase. Such inspection record must be true and be kept for at least two years.

### **Foreign trade**

The Foreign Trade Law of the PRC (中華人民共和國對外貿易法) was adopted by the Standing Committee of the National People's Congress on 12 May 1994 and amended on 6 April 2004 and took effect as of 1 July 2004. The law provides that any foreign trade business operator that is engaged in the import and export of goods or technologies shall be registered with the administrative department of foreign trade of the State Council or the institution entrusted by it. If the foreign trade business operator fails to complete such registration, the Customs will not process the procedures of declaration, inspection and release for the import or export of goods. Shandong Tiantong is engaged in the import and export of goods as part of their processing trade business. According to our PRC Legal Adviser, they have gone through the registration by submitting the Foreign Trade Operator Registration Forms (對外貿易經營者備案登記表) to the competent authority and obtained the returned forms affixed with the authority's seal.

### **Customs law**

According to the Customs Law of the PRC (中華人民共和國海關法) adopted by the Standing Committee of the National People's Congress, effective on 1 July 1987 and revised on 8 July 2000, 29 June 2013 and 28 December 2013 respectively, and the Regulations of PRC Customs on Administration of Registration of Declaration Entities (中華人民共和國海關報關單位註冊登記管理規定) effective as of 13 March 2014, the import and export of goods are subject to the Customs' control. Consignees of import goods and consignors of export goods have the obligation to make true declarations to the Customs. Duties shall be levied by the Customs in respect of the goods allowed to be imported and exported. Consignees of import goods and consignors of export goods are required to be registered with the local Customs. According to our PRC Legal Adviser, the Group's operating subsidiaries in the PRC have gone through the required registration and obtained the Registration Certificate of Customs Declaration (中華人民共和國海關報關單位註冊登記證書) with local customs.



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### **Environmental protection law**

The Environmental Protection Law of the PRC (中華人民共和國環境保護法) was adopted by the Standing Committee of the National People's Congress, took effect on 26 December 1989, and revised on 24 April 2014. Pursuant to the law, facilities for the prevention and control of pollution must be designed, built and put into operation simultaneously with the principal part of the construction project. Enterprises discharging pollutants must report to and register with the competent environmental protection administration authorities. Enterprises discharging pollutants in excess of the prescribed national or local discharge standards shall pay a fee for excessive discharge and assume the responsibility for eliminating and controlling the pollution.

Enterprises in the PRC must comply with the Law of the PRC on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法) effective from 1 June 2008, the Law of the PRC on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法) effective from 1 September 2000 and the Law of the PRC on the Prevention and Control of Pollution from Environmental Noise (中華人民共和國環境噪聲污染防治法) effective from 1 March 1997. These laws regulate extensive issues in relation to the environment protection including waste water discharge, air pollution control and noise emission. Pursuant to these laws, all the enterprises that may cause environmental pollution in the course of their production and business operation shall introduce environmental protection measures in their plants and establish a reliable system for environmental protection. Enterprises are required to adopt effective measures to prevent and control the level of environmental pollution and hazards produced during the process of production, construction or other activities. Enterprises must obtain the licence for discharge of waste water and atmospheric pollutants and the discharged waste water and atmospheric pollutants shall meet with the applicable State and local standards.

### **Environmental Protection Regulations for Construction Projects**

The Administrative Regulations on the Environmental Protection of Construction Projects (建設項目環境保護管理條例) were promulgated by the State Council and became effective on 29 November 1998. The Law of the PRC on Environmental Impact Assessment (中華人民共和國環境影響評價法) was adopted by the Standing Committee of National People's Congress and became effective on 1 September 2003. The law and regulations require an environmental impact assessment to be completed prior to the construction of a project and establish a three-tier system for the environmental impact assessments. In the case of a construction project that may cause significant environmental impacts, a report of environmental impacts shall be completed by a qualified institution and includes a full assessment of environmental impacts. In the case of a construction project that may cause gentle environmental impacts, a report form shall be completed by a qualified institution and includes an analysis or special assessment of environmental impacts. In the case of a construction project that may cause little environmental impacts, where an environmental impact assessment is unnecessary, a registration form shall be completed. The catalogue for the classified management of environmental impact assessments for construction projects is formulated and issued by the environmental protection administration department of the State Council. The environmental impact assessment documents shall be submitted to the competent administrative department responsible for environmental protection for review and approval. In the absence of such approval, the permission for construction of the project will not be granted and the construction is not allowed to be commenced.

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Pursuant to the Administrative Regulations on the Environmental Protection of Construction Projects and the Administrative Measures on Environmental Protection Inspection and Acceptance for Completion of Construction Projects (建設項目竣工環境保護驗收管理辦法) issued by the Ministry of Environmental Protection of the PRC, effective from 1 February 2002 and revised on 22 December 2010, once a construction project is completed, the entity responsible for the construction shall apply to the competent environmental protection administration authority for the inspection and acceptance of the project. The entity is required to provide the authority with an application report, application form or registration form, together with the applicable environmental protection monitoring or investigation document, depending upon the type of the environmental impact assessment document applicable to it. The authority will carry out the inspection and acceptance within the prescribed time limit and grant its approval on the construction project that satisfies the conditions for acceptance set forth in the aforesaid rules. In the absence of such approval, the construction project shall not be put into production or operation.

### **Work safety**

The Law of the PRC on the Work Safety (中華人民共和國安全生產法) was promulgated by the Standing Committee of the National People's Congress on 29 June 2002 and became effective on 1 November 2002. The said law was subsequently amended on 27 August 2009 and 31 August 2014. Pursuant to the law, enterprises shall meet with the conditions for work safety as required by relevant laws and regulations. Enterprises having more than 100 employees shall establish a department to carry out work safety management or have personnel solely responsible for work safety management. Enterprises shall provide their employees with education and training on the work safety so as to ensure that the employees have necessary knowledge regarding work safety, are familiar with the relevant work safety rules and operating procedures, and possess safe operation skills required for their respective positions. The employees performing special functions as defined by the work safety supervision department of the State Council must receive special training on the work safety and hold the qualification certificate for performing the special functions.

### **Product Quality and Protection of Consumers**

Product liability claims may arise if the products sold have any harmful effects on consumers. The injured party may claim for damages or compensation. The General Principles of the Civil Law of the PRC (中華人民共和國民法通則), which was promulgated by the NPC on 12 April 1986 and became effective from 1 January 1987, as amended on 27 August 2009, states that manufacturers and sellers of defective products causing property damage or injury shall incur civil liabilities.

The Product Quality Law of the PRC (中華人民共和國產品質量法) was promulgated by the Standing Committee of the NPC on 22 February 1993 and became effective from 1 September 1993, as amended on 8 July 2000 and 27 August 2009, to strengthen quality control of products and protect consumers' rights. Under this law, manufacturers and operators who produce and sell defective products may be subject to the confiscation of earnings from such sales, the revocation of business licences and imposition of fines, and in severe circumstances, may be subject to criminal liability.



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The Law of the PRC on the Protection of the Rights and Interests of Consumers (中華人民共和國消費者權益保護法) was promulgated by the Standing Committee of the NPC on 31 October 1993 and became effective from 1 January 1994, as amended on 27 August 2009 and 25 October 2013 respectively, to protect consumers' rights when they purchase or use goods and accept services. All business operators must comply with this law when they manufacture or sell goods and provide services to customers. In extreme situations, pharmaceutical product manufacturers and operators may be subject to criminal liability if their goods or services lead to the death or injuries of customers or other third parties.

On 26 December 2009, the Standing Committee of the NPC of the PRC promulgated the PRC Tort Liability Law (中華人民共和國侵權責任法), which became effective from 1 July 2010. Producers shall bear liability for damage caused to others by their defective products, and for such damage, the injured party may seek compensation from either the producer or the seller. Where the product defect is caused by the producer, the seller may, after paying compensation, claim against the producer for the same. Where the product defect is caused by the seller, the producer may, after paying compensation, claim against the seller for the same. With respect to the environment, the PRC Tort Liability Law highlighted the principle that polluters are to assume liability in respect of harm caused by their environmental pollution, irrespective of whether they have breached national environmental protection regulations or not.

### **Anti-Monopoly Law**

Pursuant to the Anti-Monopoly Law of the PRC (中華人民共和國反壟斷法) (the “**Anti-Monopoly Law**”), which was promulgated on 30 August 2007 and effective from 1 August 2008, “dominant market position” shall refer to a position where in an operator may manipulate the price, volume and other trade conditions of commodity on relevant market, or may obstruct or otherwise effect the entrance of other operators into relevant markets. Operators who hold a dominant market position shall be prohibited from engaging in such practices which may be classified as an abuse of said position as: (a) selling products at unfairly high or unfairly low prices, (b) selling products at a price lower than cost without legitimate grounds, (c) refusing to trade with the other trading party without legitimate grounds, (d) forcing the other trading party to trade only with said operator or other operators specified by said operator without legitimate grounds, (e) conducting tie-in sales or adding other unreasonable conditions on a deal without legitimate grounds, (f) discriminating among trading parties of the same qualifications with regards to trade price, etc. without legitimate grounds, or (g) other practices recognised by the anti-monopoly law enforcement authorities as abuse of dominant market position. Furthermore, where an operator violates the provisions of the Anti-Monopoly Law by abusing dominant market position, the anti-monopoly law enforcement authorities shall order a halt to the offending behaviour, confiscate the illegal earnings, and impose a fine of 1% to 10% of the previous year's sales revenue.

### **Competition Law**

Competitions among the business operators are generally governed by the Law of the PRC for Anti-Unfair Competition (中華人民共和國反不正當競爭法) (the “**Anti-Unfair Competition Law**”). According to the Anti-Unfair Competition Law, when trading on the market, operators shall abide by the principles of voluntariness, equality, fairness, honesty and credibility, and observe generally recognised business ethics. Acts of operators which contravene the provisions of the

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Anti-Unfair Competition Law, with a result of damaging the lawful rights and interests of other operators, and disturbing the socio-economic order shall constitute unfair competition. When the lawful rights and interests of an operator are damaged by the acts of unfair competition, it or he may institute proceedings in a people's court. In comparison, where an operator commits unfair competition in contravention of the provisions of the Anti-Unfair Competition law and causes damage to another operator, it or he shall bear the responsibility for compensating for the damages. Where the losses suffered by the injured operator are difficult to calculate, the amount of damages shall be the profit gained by the infringer during the period of infringement through the infringing act. The infringer shall also bear all reasonable costs paid by the injured operator in investigating the acts of unfair competition committed by the operator suspected of infringing its or his lawful rights and interests.

### **Price Law**

Pursuant to the Price Law of The PRC (中華人民共和國價格法) (the “**Price Law**”), which was promulgated on 29 December 1997 and with effect from 1 May 1998, the operators shall, in determining prices, abide by the principle of fairness, being in conformity with law, honesty and credibility. And production and management costs and market supply and demand situation shall be the fundamental basis for the determination of prices by the operators.

The operators shall, in selling, procuring commodities and providing services, display the clearly marked price in accordance with the provisions of the competent departments of price of the government. And the operators shall not sell commodities with additional price besides the marked price and shall not collect any fee not indicated. Furthermore, the operators shall not commit such unfair price acts as manipulating market price in collusion to the detriment of the lawful rights and interests of other operators or consumers and so on. Any operator who commits any of the unfair price acts prescribed in the Price Law shall be ordered to make a rectification, confiscated of the illegal gains and may be concurrently imposed a fine of less than five times of the illegal gains; where the circumstances are serious, an order shall be issued for the suspension of business operations for consolidation, or the business licence revoked by the agency of industry and commerce administration. In addition, any operator who causes consumers or other operators to pay more prices for illegal price acts should refund the portion overpaid; where damage has been caused, liability for compensation shall be borne according to law. And any operator who violates the provision of clearly marking prices shall be ordered to make a rectification, confiscated of the illegal gains and may be concurrently imposed a fine of less than RMB5,000.

### **Labour and social security**

The Labour Law of the PRC (中華人民共和國勞動法) was promulgated by the Standing Committee of the National People's Congress on 5 July 1994 and became effective on 1 January 1995. The Labour Contract Law of the PRC (中華人民共和國勞動合同法) was promulgated on 29 June 2007 and amended on 28 December 2012 by the Standing Committee of the National People's Congress and became effective as of 1 January 2008. Pursuant to these laws, labour contracts shall be concluded in writing if labour relationships are to be or have been established between enterprises and employees. The salaries paid by enterprises to their employees shall not be lower than the local minimum salary standard. Overtime payments shall be made by enterprises in accordance with the relevant laws and regulations if they arrange for their employees to work overtime. Enterprises shall establish and perfect its system of work place safety and sanitation,

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strictly abide by national rules and standards on work place safety and sanitation, and educate employees for work place safety and sanitation. Enterprises shall maintain work place safety and sanitation conditions in compliance with relevant laws and regulations.

Employers in the PRC are required to make contributions to various social insurances (including medical, pension, unemployment, work-related injury and maternity insurances) and the housing fund for employees in accordance with the Social Insurance Law of the PRC (中華人民共和國社會保險法) adopted by the Standing Committee of the National People's Congress on 28 October 2010 and became effective on 1 July 2011, Regulations on Work-Related Injury Insurance (工傷保險條例) amended on 20 December 2010 and became effective on 1 January 2011, the Interim Measures Concerning Maternity Insurance for Employees in Enterprises (企業職工生育保險試行辦法) became effective on 1 January 1995, the Interim Regulations Concerning Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) became effective on 22 January 1999, the Interim Measures on Administration of Social Insurance Registration (社會保險登記管理暫行辦法) effective as at 19 March 1999 and the Regulations Concerning Housing Fund Administration (住房公積金管理條例) became effective on 3 April 1999 and amended on 24 March 2002.

### **Taxation**

#### *Enterprise income tax*

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) promulgated on 16 March 2007 and the Implementation Regulations of Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) promulgated on 6 December 2007, both of which became effective on 1 January 2008, enterprises in the PRC including domestic and foreign invested enterprises shall pay enterprise income tax at the unified rate of 25%.

According to the Notice Issued by Ministry of Finance and State Administration of Taxation on Releasing the Primary Processing Ranges of Agricultural Products Entitled to Preferential Policies on Enterprise Income Tax (Trial) (財政部國家稅務總局於發佈享受企業所得稅優惠政策的農產品初加工範圍(試行)的通知) on 20 November 2008, enterprise income tax for the sales of fruits and vegetables after primary processing within relevant category shall be waived.

#### *Value-added tax*

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例), which was promulgated by the State Council on 13 December 1993 and amended on 10 November 2008 and which became effective on 1 January 2009, all entities or individuals in the PRC engaged in the sale of goods, processing services, repair and replacement services, and the importation of goods are required to pay value-added tax ("VAT"). VAT payable is calculated as "output VAT" minus "input VAT", and the rate of VAT is 17% or in certain limited circumstances, 13%, depending on the products.

According to the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例), and the Notice on the Annotation of Tax Scope of Agricultural Products (關於印發《農業產品徵稅範圍註釋》的通知) promulgated by the Ministry of Finance and State Administration of Taxation on 15 June 1995 and effected from 1 July 1995, the rate of VAT of the agricultural products within the annotation shall be 13%.

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### ***Business tax***

Pursuant to the Provisional Regulations of the PRC on Business Tax (中華人民共和國營業稅暫行條例) effective from 1 January 1994, as amended on 10 November 2008, and its implementation rules, all institutions and individuals providing taxable services, transferring intangible assets or selling real estate within the PRC must pay business tax. The items and rates of business tax shall be implemented in accordance with the List of Items and Rates of Business Tax (營業稅稅目稅率表) attached to the regulation.

### **Regulations on foreign exchange**

#### ***Foreign Exchange Administration***

Pursuant to the Regulations on Foreign Exchange Control of the PRC (中華人民共和國外匯管理條例) promulgated by the State Council on 29 January 1996, effective on 1 April 1996 and amended on 5 August 2008, RMB is freely convertible without the approval from the State Administration of Foreign Exchange or its local counterpart for current account transactions, including payment of dividends to foreign investors, payment of interests, international trade of goods, service-related foreign exchange transactions, on a basis of true and lawful transactions, while capital account transactions including direct investments and repayment of foreign currency loans are subject to significant foreign exchange control and require the prior approval of the State Administration of Foreign Exchange or its local counterpart and/or registration with the authority.

#### ***Circular 75, Circular 37 and Circular 13***

According to Circular of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and Inbound Investment via Special Purpose Vehicle (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (SAFE “**Circular No. 75**”), promulgated by the State Administration of Foreign Exchange and which became effective on 4 July 2014, a “special purpose vehicle” means an overseas enterprise directly established or indirectly controlled by a domestic resident (including domestic institution and domestic individual residents) for the purpose of engaging in financing with the domestic enterprise assets or interests he legally holds, and special purpose vehicles shall be registered with relevant administration of foreign exchange. Circular No. 75 was replaced by below Circular No. 37.

Administration for PRC Residents to Engage in Overseas Investment and Financing and Inbound Investment via Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (SAFE “**Circular No. 37**”) promulgated by the State Administration of Foreign Exchange and which became effective on 4 July 2014, a “special purpose vehicle” means an overseas enterprise directly established or indirectly controlled by a domestic resident (including domestic institution and domestic individual residents) for the purpose of engaging in investment and financing with the domestic enterprise assets or interests he legally holds, or with the overseas assets or interests he legally holds. And the registration for and the relevant foreign exchange administration over a special purpose vehicle established by a domestic resident shall be subject to the Circular No. 37.

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According to Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (SAFE “**Circular No. 13**”) promulgated by the SAFE on 28 February 2015 and became effective from 1 June 2015, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment, including the registration of PRC residents who engage in overseas investment and financing and inbound investment via special purpose vehicles under the SAFE Circular No. 37, is directly reviewed and handled by banks, and the SAFE and its branches shall perform indirect regulation over the direct investment-related foreign exchange registration via banks. The SAFE Circular No. 13 also simplified handling formalities for certain direct investment-related foreign exchange business, for example, simplifying the administration of the confirmation and registration of foreign investors’ contribution under domestic direct investment, canceling the filing of overseas re-investment foreign exchange, and canceling annual inspection of the direct investment-related foreign exchange.

### *Dividend Distribution*

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅) and the Implementation Regulations of Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), the profits of a foreign-invested enterprise that are distributed to its immediate holding company outside the PRC are subject to a withholding tax rate of 10%.

The PRC and the government of Hong Kong SAR signed Arrangement between the Mainland of the PRC and Hong Kong SAR for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排) on 21 August 2006 (the “**Arrangement**”). According to the Arrangement, the withholding tax rate 5% applies to dividends paid by a PRC company to a Hong Kong resident, provided that such Hong Kong resident directly holds at least 25% of the equity interests of the PRC company. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if such Hong Kong resident holds less than 25% of the equity interests of the PRC company.

Furthermore, pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Treaty Agreements (國家稅務總局關於執行稅收協定股息條款有關問題的通知), which was promulgated and with effect from 20 February 2009, all of the following requirements should be satisfied where a fiscal resident of the other party to the tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (a) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (b) owner’s equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (c) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the twelve months prior to the obtainment of the dividends, reaches a percentage specified in the tax agreement.



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In addition, according to The Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (Trial) (《非居民享受稅收協定待遇管理辦法(試行)》) which came into force on 1 October 2009, where a non-resident enterprise (as defined under the PRC tax laws) that receives dividends from a PRC resident enterprise wishes to enjoy the favourable tax benefits under the tax arrangements, it shall submit an application for approval to the competent tax authority. Without being approved, the non-resident enterprise may not enjoy the favourable tax treatments provided in the tax treaties.

### **Intellectual Property Rights**

#### *Copyright*

According to the Copyright Law of the PRC (中華人民共和國著作權法) (the “**Copyright Law**”), which was amended in 2010 and with effect from 1 April 2010, copyrights include personal rights such as the right of publication and that of attribution as well as property rights such as the right of production and that of distribution. Reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, unless otherwise provided in the Copyright Law, shall constitute infringements of copyrights. The infringer shall, according to the circumstances of the case, undertake to cease the infringement, take remedial action, and offer an apology, pay damages, etc.

#### *Trademark*

Pursuant to the Trademark Law of the PRC (中華人民共和國商標法) (the “**Trademark Law**”), which was revised on 30 August 2013 and with effect from 1 May 2014, the right to exclusive use of a registered trademark shall be limited to trademarks which have been approved for registration and to goods for which the use of trademark has been approved. The period of validity of a registered trademark shall be ten years, counted from the day the registration is approved. And according to the Trademark Law, using a trademark that is identical with or similar to a registered trademark in connection with the same or similar goods without the authorisation of the owner of the registered trademark constitutes an infringement of the exclusive right to use a registered trademark. Where a dispute arises after a party commits any of the acts infringing upon another party's exclusive right to use a registered trademark as enumerated in the Trademark Law, the parties involved shall settle the dispute through consultation. Where the parties refuse to pursue consultation or where consultation has failed, the trademark registrant or any interested party may institute legal proceedings with the People's Court or ask the administrative authorities for industry and commerce to handle the matter upon determining that trademark infringement has taken place.

Additionally, pursuant to the Trademark Law and other relevant PRC laws and regulations, in the event that a company uses trademarks in relation to production in the PRC without the required authorisation, the company may be asked by the infringer to cease the infringement, remove the obstacles, and compensate any losses suffered by the infringer; and in case that any party who uses the same trademark with a registered trademark in the same type of product without authorisation of the registered trademark owner, such party will be subject to the following criminal liabilities, namely, (i) up to three years of imprisonment or criminal detention, and/or a fine, if the circumstances are serious; and (ii) three to seven years of imprisonment and a fine, if the circumstances are exceptionally serious.

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## SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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### *Patent*

Pursuant to the Patent Law of the PRC (中華人民共和國專利法) (the “**Patent Law**”), which was revised on 27 December 2008 and with effect from 1 October 2009, the term “invention” used in it refers to any new technical solution relating to a product, a process or improvement thereof, and the term “utility model” used therein refers to any new technical solution relating to the shape, the structure, or their combination, of a product, which is fit for practical use, while the term “design” used therein refers to any new design of the shape, pattern or their combination and the combination of colour and shape or pattern, of a product, which creates an aesthetic feeling and is fit for industrial application.

After the grant of the patent right for an invention or utility model, except where otherwise provided for in the Patent Law, no entity or individual may, without the authorisation of the patent owner, exploit the patent, that is, make, use, offer to sell, sell or import the patented product, or use the patented process, or use, offer to sell, sell or import any product which is a direct result of the use of the patented process, for production or business purposes. And after a patent right is granted for a design, no entity or individual shall, without the permission of the patent owner, exploit the patent, that is, for production or business purposes, manufacture, offer to sell, sell, or import any product containing the patented design.

Besides, the duration of patent right for inventions shall be twenty years and the duration of patent right for utility models and designs shall be ten years, both commencing from the date of application. Furthermore, where a dispute arises as a result of the exploitation of a patent without the authorisation of the patentee, that is, the infringement of the patent right of the patentee, it shall be settled through consultation by the parties. Where the parties are not willing to consult with each other or where the consultation fails, the patent owner or any interested party may institute legal proceedings with the people's court, or request the administrative authority for patent affairs to handle the matter.

### *Domain Name*

Pursuant to the Measures for the Administration of Internet Domain Names of China (中國互聯網絡域名管理辦法), which was promulgated on 5 November 2004 and effective from 20 December 2004, “domain name” shall refer to the character mark of hierarchical structure, which identifies and locates a computer on the internet and corresponds to the Internet protocol (IP) address of that computer. And the principle of “first come, first serve” is followed for the domain name registration service. After completing the domain name registration, the applicant becomes the holder of the domain name registered by him/it. Furthermore, the holder shall pay operation fees for registered domain names on schedule. If the domain name holder fails to pay the corresponding fees as required, the original domain name registrar shall write it off and notify the holder of the domain name in written form.

### **M&A RULES**

Under the M&A Rules, mergers and acquisitions of domestic enterprises by foreign investors must be reviewed and approved by the MOFCOM or its provincial branches. In particular, the M&A Rules require special purpose offshore companies formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange.

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## SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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According to our PRC Legal Adviser, on the basis that Tongtai was established as a foreign investment enterprise on 8 March 1995, prior to the effective date of M&A Rules, the M&A Rules do not apply to the acquisition of Shandong Tiantong by Tongtai. According to the Admittance Management Guide on Foreign Investment (外商投資准入管理指引手冊) issued by MOFCOM in December 2008, based on which the approval of acquisition of Tongtai by Tianyi Hong Kong was granted, the M&A rules do not apply to the acquisition of Tongtai by Tianyi Hong Kong. Based on the above, the M&A Rules do not apply to the onshore reorganisation of our Group. For further information, please refer to the paragraph headed “Reorganisation” of the section headed “History, development and reorganisation” of this prospectus.

### APPLICABLE LAWS AND REGULATIONS IN THE JURISDICTION(S) TO WHICH WE EXPORT OUR PRODUCTS

#### U.S. Laws and Regulations Relating to our Group’s Business

##### *Trade Restriction of our Group’s Products*

To protect the economy and security of the U.S., to safeguard consumer health and well-being, and to preserve domestic plant and animal life, the importation of certain classes of merchandise may be prohibited or restricted. The importation of plants and plant products, in particular, were regulated by Plant Protection and Quarantine (“PPQ”) under the authority of the Plant Protection Act. PPQ maintains its import program to safeguard U.S. agriculture and natural resources from the risks associated with the entry, establishment, or spread of animal and plant pests and noxious weeds.

As a result, certain agricultural commodities, including fruits, must meet U.S. import requirements relating to grade, size, quality, and maturity. These commodities are inspected, and an inspection certificate must be issued by Food Safety and Inspection Service of the U.S. Department of Agriculture (“USDA”) to indicate import compliance.

In addition, USDA requires a written permit for importing fresh and/or frozen fruits and vegetables (including fresh herbs and sprouts) for consumption from all foreign sources into the U.S. and its territories.

##### *Food Safety Requirements and Standards*

The U.S. Food and Drug Administration (“FDA”) is responsible for (1) protecting the public health by assuring that foods are safe, wholesome, sanitary and properly labeled; human and veterinary drugs, and vaccines and other biological products and medical devices intended for human use are safe and effective; (2) protecting the public from electronic product radiation; (3) assuring cosmetics and dietary supplements are safe and properly labelled; (4) regulating tobacco products; (5) advancing the public health by helping to speed product innovations; and (6) helping the public get the accurate science-based information they need to use medicines, devices, and foods to improve their health.

The FDA Food Safety Modernisation Act (“FSMA”), signed into law by President Obama on 4 January 2011, enables FDA to better protect public health by strengthening the food safety system. It enables FDA to focus more on preventing food safety problems rather than relying



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## SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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primarily on reacting to problems after they occur. The law also provides FDA with new enforcement authorities designed to achieve higher rates of compliance with prevention- and risk-based food safety standards and to better respond to and contain problems when they do occur. The law also gives FDA important new tools to hold imported foods to the same standards as domestic foods, and directs FDA to build an integrated national food safety system in partnership with state and local authorities.

Specially, the FSMA gives FDA unprecedented authority to better ensure that imported products meet U.S. standards and are safe for U.S. consumers. These authorities include:

- **Importer accountability:** Importers have an explicit responsibility to verify that their foreign suppliers have adequate preventive controls in place to ensure that the food they produce is safe.
- **Third party certification:** The FSMA establishes a program through which qualified third parties can certify that foreign food facilities comply with U.S. food safety standards. This certification may be used to facilitate the entry of imports.
- **Certification for high risk foods:** FDA has the authority to require that high-risk imported foods be accompanied by a credible third party certification or other assurance of compliance as a condition of entry into the U.S.
- **Voluntary qualified importer program:** FDA must establish a voluntary program for importers that provides for expedited review and entry of foods from participating importers. Eligibility is limited to importers offering food from certified facilities.
- **Authority to deny entry:** FDA can refuse entry into the U.S. of food from a foreign facility if FDA is denied access by the facility or the country in which the facility is located.

### Canadian Laws and Regulations Relating to our Group's Business

#### *Trade Restriction of our Group's Products*

Canada has a range of goods over which it imposes import controls. These goods are listed in the Import Control List (“**ICL**”) of the Export and Import Permits Act (“**EIPA**”). The list is modified periodically to include or remove items. Pursuant to authority granted by the EIPA, Canada's Minister of Foreign Affairs has designated the Trade Controls and Technical Barriers Bureau as responsible for issuing import permits and certificates for various products included on the ICL. Currently, processed fruit products are not listed in the ICL. Consequently, there are no licensing restrictions on the importation of processed fruit products in general.

However, Canada prohibits such importation from a sanctioned country (e.g. Syria, Russia, Iran) or sanctioned individual or company. China is not a sanctioned country, Regarding sanctioned individuals and companies. Canada prohibits anyone in Canada “dealing” with property owned by or on behalf of such sanctioned persons or using banks to provide financial services (e.g. letters of credit) for such transactions. Tianyun International Holdings Limited is a British Virgin Islands company. It is currently a private company and intends to be publicly traded in Hong Kong. If any of the current shareholders are Canadian sanctioned persons and either own or control Tianyun International Holdings Limited. Canada would prohibit anyone in Canada importing processed fruit products from the company.

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## SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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### Food Safety Requirements and Standards

As a science-based regulator, the Canadian Food Inspection Agency (“**CFIA**”) helps protect Canadians from preventable food safety hazards, and helps effectively manage food safety emergencies. At any time, the CFIA may randomly inspect any food product (including imports) to ensure that minimum requirements (including grade names, labelling requirements, standard container sizes and health standards) are met.

Upon inspection, the CFIA verifies that processed fruit products, which are regulated under both the Canada Agricultural Products Act (“**CAPA**”) and the Food and Drugs Act, imported into Canada are safe for consumption, wholesome and properly packaged and labelled. Processed fruit products and vegetables include those that are canned, cooked, frozen, concentrated, pickled or otherwise prepared to ensure their preservation in transport, distribution and storage. These products are regulated under the Food and Drug Regulations and, specifically, by the Processed Products Regulations (“**PPR**”) under the CAPA.

Under the PPR, for importation of a processed food product, the following standards must be respected:

- Schedule I to the PPR prescribes grades for certain processed products. In order to import a processed product for which a grade is prescribed, the product must meet at least the minimum grade prescribed. Some products included in the PPR do not have grades established for them; rather, standards of identity apply. In order for such products to be imported, the standard of identity must be met.
- The PPR specify prescribed or standard container sizes to be used for certain processed products. Specific dimensions for metallic containers and/or container net quantities are prescribed.
- Processed fruit products are also subject to specific labelling requirements.
- Processed foods must be sound, wholesome, edible and packed under sanitary conditions.

Under the Food and Drugs Act, food products (including processed products) cannot (i) contain any poisonous or harmful substance; (ii) be unfit for human consumption; (iii) consist in whole or in part of any filthy, putrid, disgusting, rotten, decomposed or diseased animal or vegetable substance; (iv) be adulterated; or (v) have been manufactured, prepared, preserved, packaged or stored under unsanitary conditions. Furthermore, the Food and Drug Regulations impose various health and safety requirements, including in relation to nutrition labelling, ingredient listing, allergen declarations, date markings and storage instructions.

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## SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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### The EU Laws and Regulations Relating to our Group's Business

#### *Trade Restriction of our Group's Products*

##### *Regulation (EC) No 260/2009*

Regulation (EC) No 260/2009 of 26 February 2009 sets out the common rules for imports. This regulation aims to establish common rules for imports into the European Union (“EU”) based on the principle of the freedom of import, and to define the procedures enabling the EU to implement the surveillance and safeguard measures required to protect its interests where necessary. In application of this regulation, in the EU no import licences are required except where specific products are subject to quantitative restrictions, safeguard measures against injurious imports pursuant to either GATT Article XIX or international commitments. There are also a number of products subject to EU surveillance (see below) with the purpose of improving transparency of import trends of the products concerned, but with no limits on access to the EU market. On this basis, statistical controls and further controls on the origin of the products may be performed. This can apply to the import of food and agricultural products into the EU.

Licences are issued by the competent authorities in the EU Member States or by the European Commission depending on the goods and products. Import licences are valid for a certain period which varies depending upon the different products. In particular, for agricultural products, import licences are valid until the end of the relevant quota import period.

This regulation applies to imports into the EU of products originating in non-EU countries, except for textile products covered by special rules for imports and products originating from certain non-EU countries which are subject to that country's own import rules.

#### Surveillance measures

Imports of products may have to undergo EU checks on the basis of a decision by the Council of the European Union (“**the Council**”) or the European Commission (“**the Commission**”) if market trends in this product threaten to cause injury to the EU producers of like or competing products, and the EU's interests require such checks.

The decision to introduce surveillance measures is normally taken by the Commission. Such surveillance may involve retrospective checks of imports or prior checks. In the latter case, products under prior surveillance may only be put into free circulation within the EU on production of an import document. This import document is issued by the EU countries, free of charge, for any quantity requested and within a maximum of five days of receipt of a declaration by the importer, regardless of their place of business in the EU. The import document is valid throughout the EU, regardless of the EU country of issue.

#### Safeguard measures

Safeguard measures may be applied where products are imported into the EU in such greatly increased quantities and/or on such terms or conditions as to cause, or threaten to cause, serious injury to EU producers.

Where these conditions are fulfilled, the Commission may change the period of validity of the import documents issued in respect of surveillance or establish an import authorisation procedure and, in particular, a quota system for imports.

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## SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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When establishing a quota, consideration is given to the desirability of maintaining traditional trade flows and to the volume of goods exported under contracts concluded before the entry into force of the measure. In principle, the quota should not be set lower than the average level of imports over the last three years.

### *Food Safety Requirements and Standards*

The objective of the EU's food safety policy is to protect consumer health and interests while guaranteeing the smooth operation of the single market.

In order to achieve this objective, the EU ensures that control standards are established and adhered to as regards food and food product hygiene, animal health and welfare, plant health and preventing the risk of contamination from external substances. It also lays down rules on appropriate labelling for these foodstuffs and food products. This policy underwent reform in the early 2000s, thereby guaranteeing a high level of safety for foodstuffs and food products marketed within the EU, at all stages of the production and distribution chains. This reform involves both food products produced within the EU and those imported from third countries.

All food imported into the EU for placing on the market shall comply with the requirements of food law recognised by the EU, or if there is a specific agreement between the EU and the exporting country, with those requirements. Labelling, advertising and presentation, including the setting in which the food is displayed, of food shall not mislead consumers. Food business operators shall keep records of food, food substances and food-producing animals supplied to their business, and also other businesses to which their products have been supplied. In each case, the information shall be made available to competent authorities on demand. Article 19 of the Regulation requires food business operators to withdraw food which is not in compliance with food safety requirements, if it has left their control and to recall the food if it has reached the consumer. Withdrawal is when a food is removed from the market up to and including when it is sold to the consumer, recall is when customers are asked to return or destroy the product. Food businesses must also notify the competent authorities (their local authority and the Food Standards Agency). Retailers and distributors must help with the withdrawal of unsafe food and pass on information necessary to trace it. Where food business operators have placed a food on the market that is injurious to health, they must immediately notify the competent authorities. There are also similar provisions for animal feed.

### *Regulation (EC) No 178/2002*

Regulation (EC) No 178/2002 of the European Parliament and of the Council of 28 January 2002 lays down the general principles and requirements of food law. Not only does this Regulation strengthen the rules applicable to the safety of food and feed circulating in the internal market, but it also establishes a framework for controlling and monitoring the production, prevention and management of risks. In addition, it creates the European Food Safety Authority, which is the reference point for the scientific control and evaluation of food and feed.

Under this Regulation, no food stuff dangerous to health and/or unfit for consumption may be placed on the market. To determine whether a foodstuff is dangerous, the following will be considered: (1) the normal conditions of use; (2) the information provided to the consumer; (3) the probable immediate or delayed effect on health; (4) the cumulative toxic effects; and (5) the specific sensitivity of certain consumers. Where any food which is unsafe is part of a batch, lot or consignment, it is assumed that the whole batch, lot or consignment is unsafe.

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## SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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For food and feed imported into the EU for placing on the market within the EU, they must comply with the relevant requirements of food law or conditions recognised by the EU or, where a specific agreement exists between the EU and the exporting country, with requirements contained in such agreement.

### *Microbiological criteria for foodstuffs*

In the EU, suppliers and exporters of ready-to-eat seeds and pre-cut (fresh cut or minimally processed) which are known to be higher risk products for consumers must meet a number of food safety and hygiene criteria specified in EU Regulation 853/2004. These standards applied to third-country suppliers who must comply with a combination of good hygienic practices (GHP) and Hazard Analysis Critical Control Point (HACCP) to ensure

- that supply, handling, and processing of raw materials and foodstuffs under the control are carried out in such a way that process hygiene criteria are met;
- that food safety criteria applicable throughout the shelf-life of products can be met under reasonably foreseeable conditions of distribution storage and use; and
- in the event of unsatisfactory results to make the necessary improvements in production hygiene to meet a number of microbiological criteria.

### *Food labelling*

EU Regulation 1169/2011 lays down a number of provisions relating to food information to consumers and food labelling including:

- Mandatory nutrition information on processed foods
- Mandatory origin labelling of certain types of processed food
- Highlighting allergens e.g. peanuts or milk in the list of ingredients
- Better legibility i.e. minimum size of text
- Requirements on information on allergens

### *Safe and effective use of pesticides*

In the area of pesticide residues, it is necessary for third country suppliers to ensure that no pesticides banned in the EU are present on the produce, and that levels of permitted pesticides do not exceed the maximum levels permitted under EU law. The legal provisions for these requirements are covered under Directives 79/117/EEC, 91/414/EEC and Regulation EC/396/2005. Additional stricter requirements might exist at national level.

### *Chemical contaminants in food (Regulation No 1831/2003 of 22 September 2003 setting maximum levels for certain contaminants in foodstuffs)*

The Regulation sets out the maximum permitted levels of chemical contaminants (other than pesticides) that can be contained in food imported in the EU (including for fruits of vegetables). The contaminants of interest of fruit and vegetables are nitrates, lead and cadmium.

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## SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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Where it is evident that food or feed imported from a third country is likely to constitute a serious risk to human health, animal health or the environment, and that such risk cannot be contained satisfactorily by means of measures taken by the Member State(s) concerned, the Commission can immediately adopt one or more of the following measures, depending on the gravity of the situation:

- suspension of imports of the food or feed in question from all or part of the third country concerned and, where applicable, from the third country of transit;
- laying down special conditions for the food or feed in question from all or part of the third country concerned; and
- any other appropriate interim measure.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### BUSINESS DEVELOPMENT

#### Introduction

Our business of production and sales of processed fruit products can be traced back to 2003 when Shandong Tiantong was established by Mr. Yang, Ms. Chu Yinghong (Mr. Yang's spouse), and Mr. Sun with their own financial resources.

#### Key business milestones

The following table sets out our Group's key business development milestones:

Time	Event
2003	<ul style="list-style-type: none"><li>Shandong Tiantong was established in January 2003 to principally engage in the production and sales of processed fruit products. We sold our products in the PRC and to overseas countries on an OEM basis.</li></ul>
2004	<ul style="list-style-type: none"><li>We obtained the following certifications:<ul style="list-style-type: none"><li>– IFS Food</li><li>– ISO 9001 certification</li><li>– HACCP certification</li></ul></li></ul>
2005	<ul style="list-style-type: none"><li>We commenced the relocation of our production facilities to Middle Phoenix Street, Hedong District, Linyi City, Shandong Province, the PRC.</li><li>We obtained the BRC (Grade A) certification.</li></ul>
2006	<ul style="list-style-type: none"><li>Our existing production facilities commenced operation.</li></ul>
2007	<ul style="list-style-type: none"><li>We first offered our processed fruit products in glass containers.</li></ul>
2011	<ul style="list-style-type: none"><li>Our second production workshop commenced operation.</li></ul>
2012	<ul style="list-style-type: none"><li>We registered the trademark  in the PRC and commenced domestic sales of processed fruit products under our own brand  (“天同時代”).</li><li>We obtained the ISO22000: 2005 certification and the HALAL certificate.</li></ul>

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## HISTORY, DEVELOPMENT AND REORGANISATION

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Time	Event
2014	<ul style="list-style-type: none"><li>• We launched our plastic cup series of processed fruit products.</li><li>• We obtained the following certifications:<ul style="list-style-type: none"><li>– BRC (A+)</li><li>– IFS Food Version 6, April 2014 at Higher Level</li><li>– KOSHER</li></ul></li></ul>
2015	<ul style="list-style-type: none"><li>• We launched our on-line sales through a third party on-line shopping platform in the PRC.</li><li>• We commenced domestic sales of processed fruit products under our own brand 果小懶 (“果小懶”)</li></ul>

### CORPORATE HISTORY

#### Our Company

Our Company was incorporated in the BVI with limited liability on 8 September 2011 with the power to issue up to a maximum of 50,000 shares with a par value of US\$1.00 each. On 8 September 2011, 100 shares in our Company were allotted and issued to Cayman Tiantong for cash at par. Please refer to the paragraph headed “Further information about our Group – Changes in the shares of our Company” in Appendix V to this prospectus for details of changes in the shares of our Company. The principal business of our Company is investment holding.

#### Tianyi Hong Kong

Tianyi Hong Kong was incorporated in Hong Kong with limited liability on 26 September 2011 with an authorised share capital of HK\$10,000. Upon its incorporation, 100 shares were allotted and issued to our Company at the consideration of HK\$100.

The principal business of Tianyi Hong Kong is investment holding.

#### Tongtai

Tongtai was established in the PRC on 8 March 1995 as a foreign investment enterprise with a registered capital of RMB1,180,000, of which Yuanyu contributed RMB295,000 (representing 25% equity interests) and an Independent Third Party contributed RMB885,000 (representing 75% equity interests).

On 10 January 2012, the Independent Third Party completed the transfer of its 75% equity interests in Tongtai to Tianyi Hong Kong at a cash consideration of RMB885,000, which was determined with reference to the then registered capital of Tongtai. Upon completion of the transfer, Tongtai was held as to 25% by Yuanyu and 75% by Tianyi Hong Kong.



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## HISTORY, DEVELOPMENT AND REORGANISATION

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On 20 March 2012, Yuanyu completed the transfer of its 25% equity interests in Tongtai to Tianyi Hong Kong at a cash consideration of RMB295,000, which was determined with reference to the then registered capital of Tongtai. Upon completion of the transfer, Tongtai was wholly-owned by Tianyi Hong Kong.

On 22 July 2014, the registered capital of Tongtai was increased to US\$6,000,000.

The principal business of Tongtai is manufacturing and trading of food machinery.

### Shandong Tiantong

Shandong Tiantong is a limited liability company established in the PRC on 21 January 2003 with a registered capital of RMB5,000,000, of which Mr. Yang contributed RMB2,550,000 (representing 51% equity interests), Ms. Chu Yinghong (褚迎紅) contributed RMB1,500,000 (representing 30% equity interests) and Mr. Sun contributed RMB950,000 (representing 19% equity interests) by their own financial resources. Ms. Chu Yinghong is the spouse of Mr. Yang.

For reason of family arrangements, on 16 January 2006, the following transfers of equity interests were carried out:

<b>Transferor</b>	<b>Transferee</b>	<b>Equity interests transferred</b>	<b>Consideration</b>
Mr. Yang	Ms. Wang Huilan (王惠蘭)	51%	Nil
Mr. Sun	Ms. Han Chunxiu (韓春秀)	19%	Nil

Upon completion of the transfers, Shandong Tiantong was held as to 51% by Ms. Wang Huilan (as nominee for Mr. Yang and his spouse, Ms. Chu Yinghong), 30% by Ms. Chu Yinghong and 19% by Ms. Han Chunxiu. Ms. Wang Huilan is the mother-in-law of Mr. Yang. Ms. Han Chunxiu is the spouse of Mr. Sun.

In preparation for the Listing, on 1 August 2011, the following transfers of equity interests were carried out:

<b>Transferor</b>	<b>Transferee</b>	<b>Equity interests transferred</b>	<b>Consideration</b>
Ms. Wang Huilan	Mr. Yang	51%	Nil
Ms. Chu Yinghong	Mr. Yang	30%	Nil
Ms. Han Chunxiu	Mr. Sun	19%	Nil

Upon completion of the transfers, Shandong Tiantong was held as to 81% by Mr. Yang and 19% by Mr. Sun.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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On 20 February 2012, as part of our Group restructuring, the following transfers of equity interests were carried out:

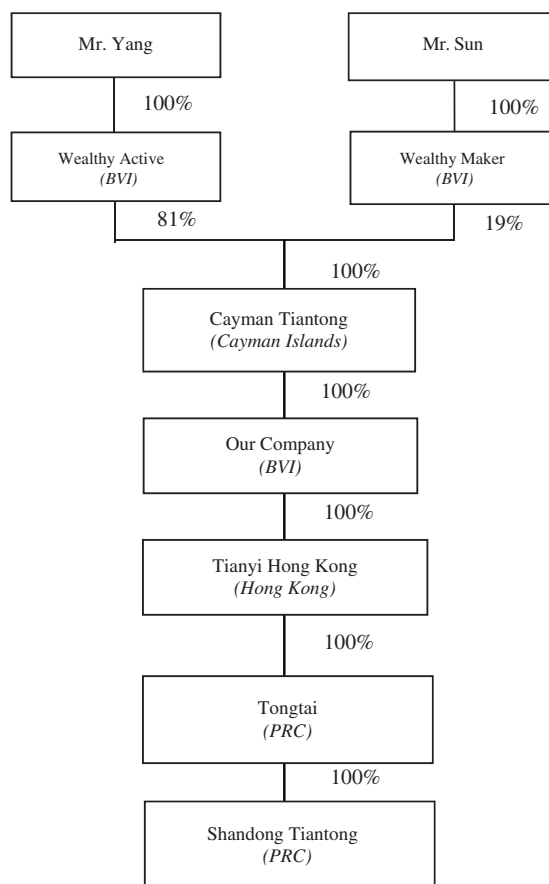
Transferor	Transferee	Equity interests transferred	Consideration
Mr. Yang	Tongtai	81%	RMB6,561,000
Mr. Sun	Tongtai	19%	RMB1,539,000

The consideration of the above transfers was determined with reference to the then net assets carrying amounts of Shandong Tiantong. Upon completion of the transfers, Shandong Tiantong was wholly-owned by Tongtai.

The principal business of Shandong Tiantong is the production and sales of processed fruit products and trading of fresh fruit.

### REORGANISATION

Following the transfers of Shandong Tiantong in February 2012, the shareholding and corporate structure of our Group was as follows:



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## HISTORY, DEVELOPMENT AND REORGANISATION

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In preparation for Listing, we carried out certain restructuring steps:

### Change in shareholding of Cayman Tiantong

Cayman Tiantong was incorporated on 25 August 2011 and 1,000,000 shares of HK\$0.1 each were issued as to 810,000 shares (81%) to Wealthy Active and 190,000 shares (19%) to Wealthy Maker.

Wealthy Active is a company incorporated in the BVI and wholly-owned by Mr. Yang. Wealthy Maker is a company incorporated in the BVI and wholly-owned by Mr. Sun.

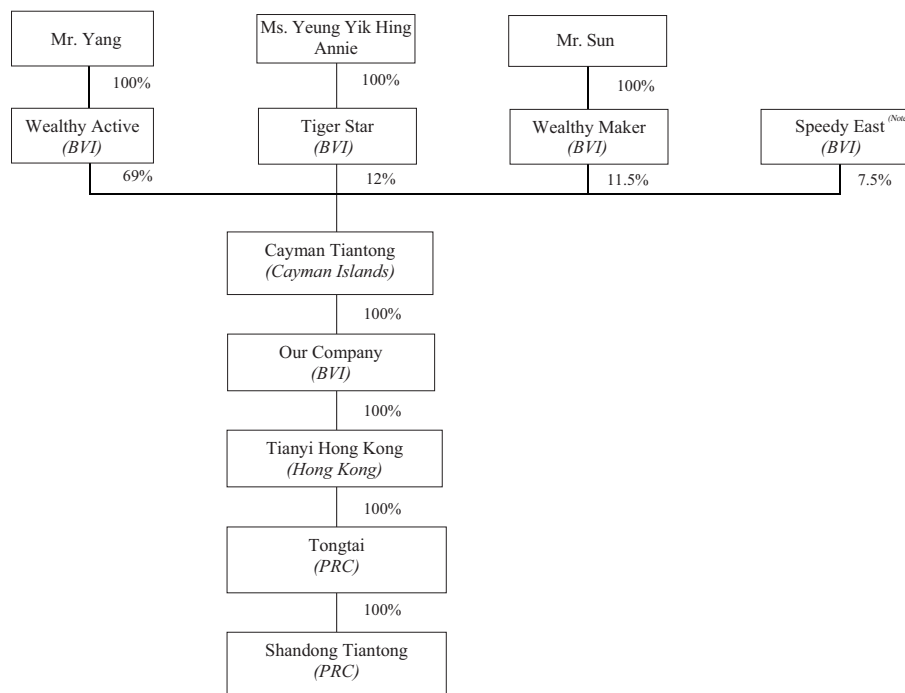
On 15 November 2012, Wealthy Active transferred 120,000 shares of HK\$0.1 each in Cayman Tiantong to Tiger Star at a consideration of HK\$12,000 was made in relation to the repayment of interest of a loan made by Ms. Yeung Yik Hing Annie (“**Ms. Yeung**”) to Mr. Yang in December 2002.

Mr. Yang was introduced to Ms. Yeung in 1998 through his acquaintance. In December 2002, Mr. Yang borrowed a loan in the principal amount of RMB3.0 million from Ms. Yeung (the “**Loan**”). The agreed interest rate of the Loan was 8% per annum which was determined with reference to the then market rate. The principal of the Loan was fully repaid by Mr. Yang to Ms. Yeung in December 2006 and they agreed that the interest accrued on the Loan would be repaid at a later date to be agreed by them. The interest of the Loan incurred from December 2002 to December 2006 was approximately RMB0.96 million (the “**Interest**”). In 2012, Mr. Yang and Ms. Yeung discussed on the repayment of the Interest. At that time, our Group was undergoing corporate restructuring and Ms. Yeung expressed her wish to invest in our Group. As such, Mr. Yang and Ms. Yeung agreed that instead of settling the Interest by cash, shareholding interest calculated with reference to the asset valuation of Shandong Tiantong, the major operating subsidiary in our Group, would be transferred by Mr. Yang to Ms. Yeung at par value of the shares, i.e. 120,000 shares at HK\$0.1 per share. According to the asset valuation conducted by an independent PRC valuer, the net asset value of Shandong Tiantong as at 31 October 2011 was approximately RMB8.1 million. The Interest would therefore be equivalent to approximately 12% equity interests in Shandong Tiantong, after deducting the par value of the transfer shares. As part of the corporate restructuring, transfer of such 12% equity interests took place at the level of Cayman Tiantong. As a result of the transfer, Cayman Tiantong was held as to 69% by Wealthy Active, 19% by Wealthy Maker and 12% by Tiger Star. Tiger Star is a company incorporated in the BVI and wholly-owned by Ms. Yeung, an Independent Third Party.

On 5 April 2013, Wealthy Maker transferred 75,000 shares of HK\$0.1 each in Cayman Tiantong to Speedy East Holdings Limited (“**Speedy East**”) at a consideration of HK\$7,500. Speedy East is a company incorporated in the BVI and wholly-owned by an Independent Third Party. As a result of the transfer, Cayman Tiantong was held as to 69% by Wealthy Active, 11.5% by Wealthy Maker, 12% by Tiger Star and 7.5% by Speedy East.

## HISTORY, DEVELOPMENT AND REORGANISATION

The following chart illustrates the shareholding structure of our Group upon completion of the above transfers:



*Note:* To our Directors' knowledge, the ultimate beneficial owner of Speedy East was an Independent Third Party.

### Subscription by the Pre-IPO Investors of the exchangeable bonds issued by Cayman Tiantong

Mr. Yang, Cayman Tiantong and Wealthy Active have entered into the following subscription agreements in relation to the subscription of the exchangeable bonds by the Pre-IPO Investors:

Name of Pre-IPO Investor	Date of subscription agreement	Principal amount of the exchangeable bond subscribed	Date of full payment of the subscription money
Sino Red	5 June 2014	US\$10,000,000	18 June 2014
Topbiz Investments	1 December 2014	US\$2,000,000	2 December 2014
Yuanta Securities	18 December 2014	US\$3,500,000	15 January 2015

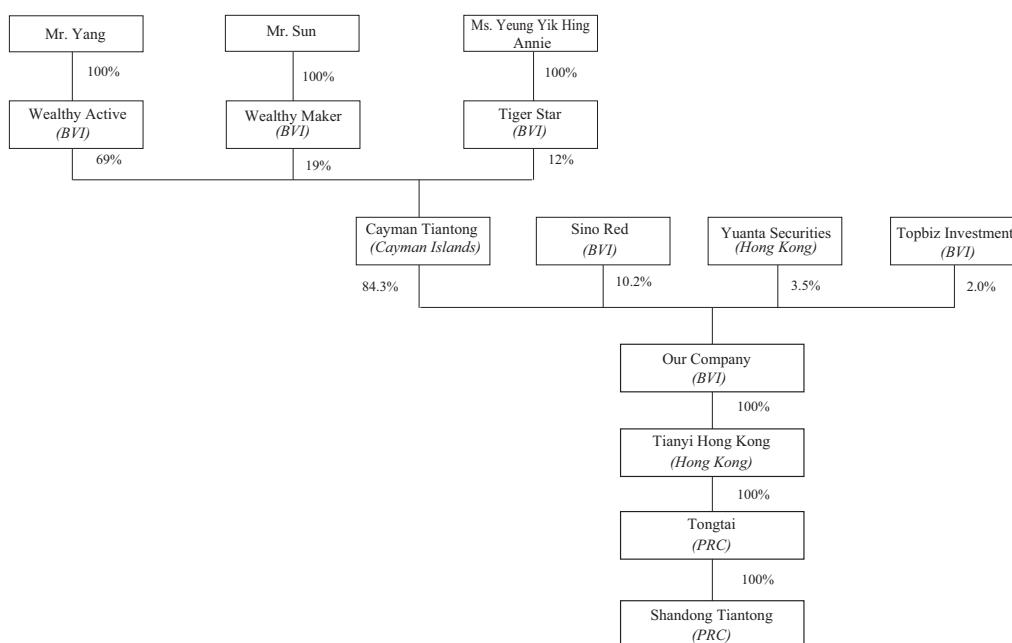
For details of the pre-IPO investments, please refer to the paragraph headed "Pre-IPO Investments" of this section.

## HISTORY, DEVELOPMENT AND REORGANISATION

### Transfer of equity interests in Cayman Tiantong by Speedy East to Wealthy Maker

As the foreign exchange registration required by the relevant PRC regulations in respect of the individual shareholder of Speedy East's interests in Cayman Tiantong could not be completed, on 27 January 2015, Speedy East transferred the 75,000 shares of HK\$0.1 each in Cayman Tiantong back to Wealthy Maker at a consideration of HK\$7,500. As a result of the transfer, Cayman Tiantong was held as to 69% by Wealthy Active, 19% by Wealthy Maker and 12% by Tiger Star.

The chart below shows the shareholding structure of our Group upon the full exercise of the exchange rights attached to the exchangeable bonds (before completion of the Global Offering) and the above transfer:



### Transfers of Shares by Cayman Tiantong to the Pre-IPO Investors pursuant to the exercise of the exchange rights under the Bonds

Following completion of the Capitalisation Issue, Cayman Tiantong will transfer the Shares to each of the Pre-IPO Investors. Details of such transfers are set out in the paragraph headed "Pre-IPO investments" of this section.

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## HISTORY, DEVELOPMENT AND REORGANISATION

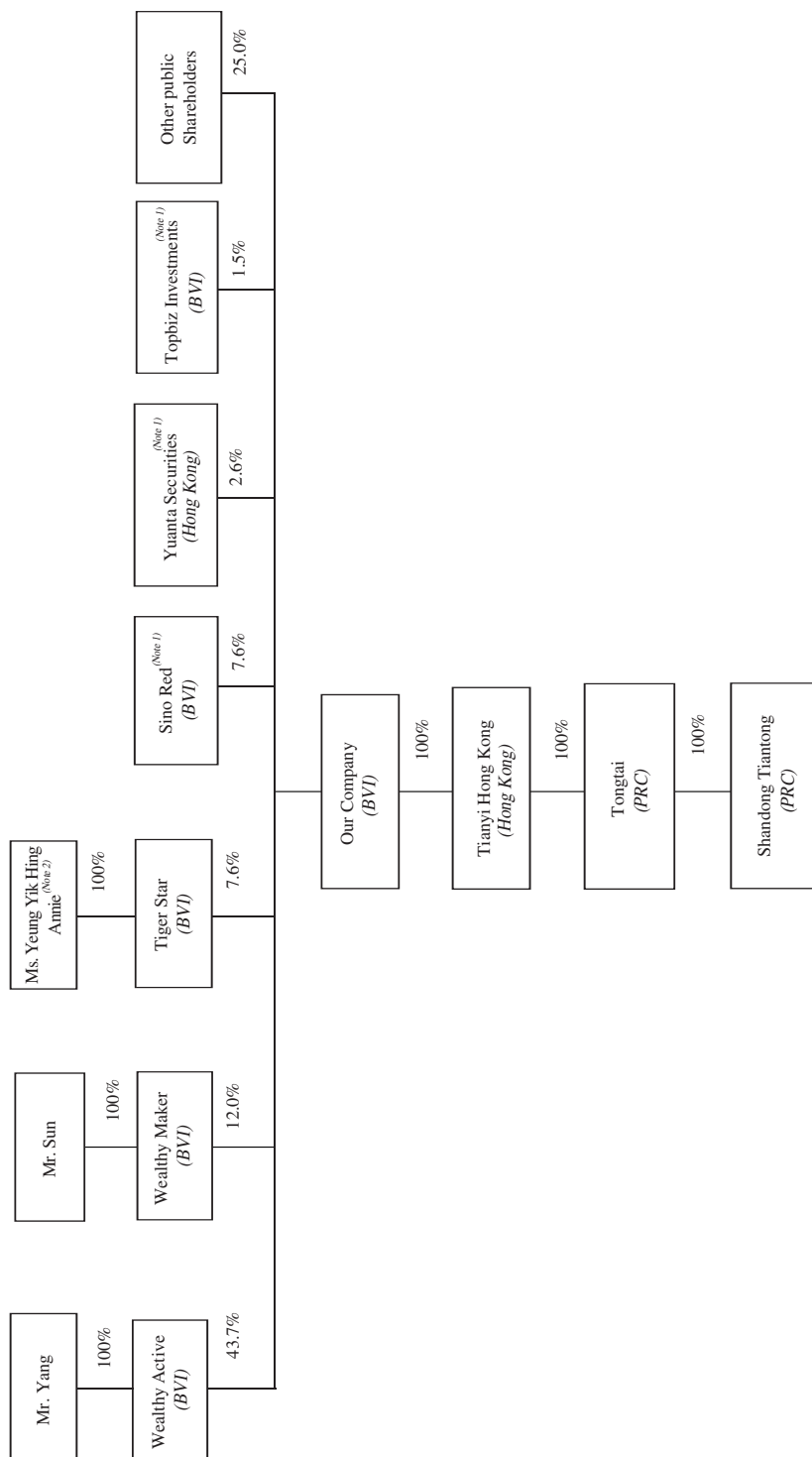
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### Transfers of Shares by Cayman Tiantong to its shareholders

Following the transfers of Shares to the Pre-IPO Investors pursuant to the exercise of the exchange rights under the Bonds, Cayman Tiantong will transfer all the Shares in our Company to its shareholders in the following manner:

<b>Transferor</b>	<b>Transferee</b>	<b>Number and approximate percentage of Shares transferred</b>	<b>Consideration (HK\$)</b>
Cayman Tiantong	Wealthy Active	436,771,000 Shares (58.2%)	582
Cayman Tiantong	Wealthy Maker	120,000,000 Shares (16.0%)	160
Cayman Tiantong	Tiger Star	75,750,000 Shares (10.1%)	101

Immediately following the completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and no Shares are to be issued upon the exercise of any options which may be granted under the Share Option Scheme), the shareholding structure of our Group will be as follows:



Notes:

1. The Shares held by the Pre-IPO Investors will be part of the public float for the purpose of Rule 8.08 of the Listing Rules.
2. Ms. Yeung Yik Hing Annie is an Independent Third Party.



## HISTORY, DEVELOPMENT AND REORGANISATION

### PRE-IPO INVESTMENTS

#### Overview

On 5 June 2014, 1 December 2014 and 18 December 2014, Cayman Tiantong (as issuer) and Mr. Yang and Wealthy Active (as guarantors) entered into exchangeable bonds subscription agreements (the “**Bonds Subscription Agreements**”) with Sino Red, Topbiz Investments and Yuanta Securities (as subscribers) pursuant to which Cayman Tiantong agreed to issue and Sino Red, Topbiz Investments and Yuanta Securities agreed to subscribe for an exchangeable bond in the principal amount of US\$10,000,000, US\$2,000,000 and US\$3,500,000, respectively. Cayman Tiantong issued the exchangeable bonds (the “**Bonds**”) to Sino Red, Topbiz Investments and Yuanta Securities on 18 June 2014, 2 December 2014 and 15 January 2015, respectively.

The Pre-IPO Investors shall have the right to request Cayman Tiantong to transfer its Shares in our Company according to an agreed formula set forth in the transaction documents of the exchangeable bonds. Based on the agreed formula, the shareholding of the above Pre-IPO Investors in our Company (before the completion of the Global Offering) shall be as below:

<b>Name of Pre-IPO Investor</b>	<b>Shareholding percentage in our Company upon exercise of the exchange rights under the Bonds (before completion of the Global Offering)</b>
Sino Red	10.2%
Topbiz Investments	2.0%
Yuanta Securities	3.5%

Pursuant to the terms of the Bonds, the Bonds will automatically be exchanged into Shares immediately before Listing.

Date of subscription agreement	Subscriber of the Bonds	Principal amount for the Bonds	Date of full payment of the subscription money of the Bonds	Number and approximate percentage of shareholding upon Listing <i>(note)</i>	Approximate cost of investment per share	Approximate percentage of discount to the mid-point of the Offer Price
5 June 2014	Sino Red	US\$10,000,000	18 June 2014	76,111,000 Shares (7.6%)	HK\$1.02	31.1%
1 December 2014	Topbiz Investments	US\$2,000,000	2 December 2014	15,222,000 Shares (1.5%)	HK\$1.02	31.1%
18 December 2014 (supplemented on 15 January 2015)	Yuanta Securities	US\$3,500,000	15 January 2015	26,146,000 Shares (2.6%)	HK\$1.04	29.7%

*Note:* Taking into account Shares to be issued under the Global Offering but assuming that the Over-allotment Option is not exercised.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### **Background of the Pre-IPO Investors**

#### *Sino Red*

Sino Red is a limited liability company incorporated in the BVI on 20 May 2014 and is an investment holding company. It is controlled by Ocean Equity Partners Fund L.P. which is principally engaged in the business of investing in private enterprises in the Greater China. To the knowledge of our Directors, Sino Red and Ocean Equity Partners Fund L.P. are Independent Third Parties. Sino Red was introduced to our Company through business acquaintance of Mr. Yang.

#### *Topbiz Investments*

Topbiz Investments is a limited liability company incorporated in the BVI on 30 October 2014 and is an investment holding company. To the knowledge of our Directors, Topbiz Investments and its ultimate beneficial owners are Independent Third Parties. Topbiz Investments was introduced to our Company through business acquaintance of Mr. Yang.

#### *Yuanta Securities*

Yuanta Securities is a limited liability company incorporated in Hong Kong on 22 October 1992 and is licensed by SFC for Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), Type 5 (advising on future contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities. It is wholly-owned by Yuanta Securities Asia Financial Services Limited which is principally in the business of investment holding. To the knowledge of our Directors, Yuanta Securities and Yuanta Securities Asia Financial Services Limited are Independent Third Parties. Yuanta Securities was introduced to our Company through business acquaintance of Mr. Yang. Yuanta Securities is also one of the Underwriters.

We believe the issue of the Bonds would (a) generate funds to our Group to finance the establishment of new production facilities and our expansion; and (b) broaden our shareholders' base and assist us in capturing business opportunities with potential customers.

### **Principal terms of the Bonds**

Set out below are the principal terms of the Bonds Subscription Agreements and the Bonds which were arrived at among the parties based on arm's length negotiations with reference to factors including our historical financial performance and future prospects:

Date of issue of the Bonds:	18 June 2014, 2 December 2014 and 15 January 2015
Principal amount of the Bonds:	US\$10,000,000, US\$2,000,000 and US\$3,500,000
Interest:	1.5% (for Sino Red and Topbiz Investments) and 1.0% (for Yuanta Securities) per annum on the principal amount of the Bonds outstanding and accruing from and including the date of issue on a daily basis and calculated on the basis of a 360-day year

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## HISTORY, DEVELOPMENT AND REORGANISATION

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Interest payment date:	Interest is payable annually in arrears on the last day of each 12-month period, except that the last interest payment date will be the Maturity Date or the Extended Maturity Date or the date of the Qualified IPO (as defined below)
Maturity date:	17 June 2017 (the “ <b>Maturity Date</b> ”). Upon mutual agreement in writing between Cayman Tiantong and the Investors, the maturity date may be extended for another 12 months (the “ <b>Extended Maturity Date</b> ”)
Right to exchange:	The Pre-IPO Investors have the right to exchange the Bonds for Shares at any time up to the Maturity Date or the Extended Maturity Date. The Pre-IPO Investors has no present intention to exercise the right to exchange the Bonds for Shares before the Listing is granted.
Automatic exchange:	In the event our Company completes a Qualified IPO (as defined below) on or before the Maturity Date or, if applicable, the Extended Maturity Date, the whole of the principal amount of the Bonds shall automatically be exchanged into Shares immediately before the completion of the Qualified IPO. Qualified IPO means an initial public offering of our Shares (or its depository receipts or other securities evidencing Shares) by our Company and listing of our Shares on the main board of the Stock Exchange, Singapore Stock Exchange, New York Stock Exchange, NASDAQ Stock Exchange, London Stock Exchange, Tokyo Stock Exchange or such other stock exchange as mutually agreed by Cayman Tiantong and the Pre-IPO Investors.
Number of Shares to be exchanged:	The number of Shares to be transferred and/or allotted to the Pre-IPO Investors upon exchange will be determined in the following manner:

$$ES = N \times C\%$$

where:

“ES” = the number of Shares to be transferred (on post-money basis);

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## HISTORY, DEVELOPMENT AND REORGANISATION

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“N” = (a) in the case of automatic exchange, the total number of the issued Shares immediately before the completion of the Qualified IPO (i.e. excluding the Offer Shares to be issued to the public under the Qualified IPO); or

(b) in the case other than automatic exchange, the total number of issued Shares on the date of exchange; and

“C” = the percentage of Shares to be transferred and/or allotted and issued by our Company (on post-money basis) which is calculated using the following formula:

$$C = \frac{A}{P} \times 100\%$$

where:

“A” = the aggregate principal amount of the Bonds to be exchanged. The amount denominated in US\$ will be converted into RMB for the purpose of calculating the number of Shares to be transferred/allotted and issued upon exchange based on the middle exchange rate of US\$ to RMB announced by the People’s Bank of China on the date of settlement. The parties subsequently agreed to adopt the middle exchange rate announced by the People’s Bank of China on 17 June 2015; and

“P” = the amount of audited consolidated net profit after tax of our Group for the year ended 2013 multiplied by 8.5 (for Sino Red and Topbiz Investments) and 8.66 (for Yuanta Securities).

No fractional Shares shall be transferred upon exchange of the Bonds.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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- Events of default:
- (a) Cayman Tiantong defaults in the payment of any principal or other amount due and payable under the Bonds;
  - (b) Cayman Tiantong, our Company or any of its Subsidiaries ceases or is disqualified to carry on their business or any substantial part thereof or change their business or Cayman Tiantong, our Company or any of its Subsidiaries disposes of, or any governmental or other authority expropriates to dispose of all or any substantial part of their business or assets;
  - (c) any permits, licences or other approval necessary for the business operations of Cayman Tiantong or any member of our Group is revoked, withdrawn or not renewed, and such revocation, withdrawal or failure to renew is incapable of remedy or is not remedied within 60 days of the notice of default given by the Pre-IPO Investors;
  - (d) defaults in the due observance or performance of any term, covenant, undertaking or agreement contained in the Bonds Subscription Agreements and any of the other transaction documents and, if any, their relevant supplemental agreements (together the “**Transaction Documents**”) by any party to the Bonds Subscription Agreements (other than the Pre-IPO Investors), and such default shall have continued unremedied for a period of 10 business days after notice of default is given by the Pre-IPO Investors;
  - (e) any of the warranties, statements or representations under the Transaction Documents is false or misleading or ceases to be true and accurate in any material respect;
  - (f) an encumbrancer takes possession or a receiver or a manager or other similar officer is appointed for the whole or any substantial part of the undertaking, properties, assets or revenues of Cayman Tiantong or any member of our Group which has a Material Adverse Effect on the operation and/or financial status of Cayman Tiantong or any member of our Group;

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## HISTORY, DEVELOPMENT AND REORGANISATION

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- (g) Cayman Tiantong, our Company or any of its Subsidiaries becomes insolvent or is unable to pay their debts as they become due or applies for or consents to or suffers the appointment of any administrator, liquidator or receiver over the whole or any substantial part of their undertaking, properties, assets or revenues or takes any proceeding under any law for a readjustment or deferment of their obligations or any part of them or makes or enters into a general assignment or compromise with or for the benefit of their creditors;
- (h) an order is made or an effective resolution passed for the winding-up of Cayman Tiantong, our Company or any of its Subsidiaries, except in the case of winding-up of Subsidiaries in the course of internal reorganisation or voluntary winding up of Subsidiaries;
- (i) a moratorium is agreed or declared in respect of any indebtedness of Cayman Tiantong, our Company or any of its Subsidiaries or any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates all or a substantial part of the assets of Cayman Tiantong, our Company or any of its Subsidiaries, which has a material adverse effect on the operation and/or financial status of Cayman Tiantong, our Company and its Subsidiaries (including but not limited where Cayman Tiantong, our Company or any of its Subsidiaries are unable to carry on their business and operation in their normal and ordinary course);
- (j) failure of Cayman Tiantong, our Company or any of its Subsidiaries to pay when due any principal or interest or any other amount payable in respect of any indebtedness of Cayman Tiantong, our Company or any of its Subsidiaries, as applicable, or any breach or default by Cayman Tiantong, our Company or any of its Subsidiaries with respect to any other material term of an instrument of indebtedness if the effect of such breach or default is to cause, or to permit the holder or holders of such instrument to cause, the indebtedness represented by such instrument to become or be declared due and payable prior to its stated maturity which has a material adverse effect on the operation and/or financial status of Cayman Tiantong, our Company and its Subsidiaries, including but not limited to where Cayman Tiantong, our Company or any of its Subsidiaries are unable to carry on their business and operation in their normal and ordinary course;

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## HISTORY, DEVELOPMENT AND REORGANISATION

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- (k) save and except with the prior written consent of the Pre-IPO Investors, any of Cayman Tiantong or a member of our Group being involved in any of the following transactions (i) the sale, transfer or disposal of all or substantially all of its assets; (ii) merger or consolidation of with or into an other entity; or (iii) a transfer or a series of transfers which would result in a change in the person(s) holding 50% or more of the voting shares of Cayman Tiantong or any member of our Group;
- (l) Cayman Tiantong fails to fulfil any of the post-completion undertakings set out in the Bonds Subscription Agreement (which include, among other things, undertakings to deliver security documents and complete certain steps of the Reorganisation) on or prior to the dates specified in the Bonds Subscription Agreement;
- (m) the failure of the completion of the Qualified IPO on or before three years from the date of issue (the “**Initial Period**”), and by mutual agreement in writing by Cayman Tiantong and the Pre-IPO Investors, extended for one year from the Initial Period.

Upon the occurrence of an event of default and at any time thereafter, the Pre-IPO Investors may by written notice to Cayman Tiantong, redeem the entire outstanding principal amount of the Bonds, in which event the redemption amount (together with all interest accrued thereon until payment is made in full) shall be due and repayable on the seventh business day after the date of the Pre-IPO Investors’ notice.

The redemption amount shall be calculated in the following manner:

$$\text{Redemption amount} = P \times (1 + 8.5\%)^n - A$$

Where:

“P” = the principal amount of the Bonds at the issue date;

“n” = the number of year(s) from the date of issue to the date of redemption; and

“A” = the interest accrued up to and including the date of redemption of the Bonds which has been paid and received by the Pre-IPO Investors.



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## HISTORY, DEVELOPMENT AND REORGANISATION

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Use of proceeds:

Cayman Tiantong shall use the proceeds from the Bonds to (a) fund the establishment of the new production facilities located in the north of Middle Phoenix Street, Linyi City, Shandong Province, the PRC, with a total size area of approximately 106,312 square metres and 12 building ownership rights to various buildings and units in Linyi City, Shandong Province which were used as production plants, ancillary facilities, offices, dormitories and canteens with a total gross floor area of approximately 40,181.7 square metres of our Group as referred to in the State-owned Land Use Rights Certificate, Lin He Guo Yong (2007) Zi No. 017 (臨河國用(2007)字第017號); and/or (b) fund the acquisition of a parcel of land which accommodates the new production facilities of our Group; and/or (c) fund the enhancement and replacement of the existing production equipment and machinery of our Group; (d) fund the business expansion of our Group and use as general working capital of our Group for its ordinary course of business; and/or (e) settle payment of expenses in relation to the Qualified IPO (as defined above) and the negotiations for the transactions contemplated in the relevant Bonds Subscription Agreements.

All of the proceeds from the Bonds had been used by Cayman Tiantong and our Company in the manner set out above.

### **Guaranteed internal rate of return**

Cayman Tiantong covenants and guarantees that upon the Pre-IPO Investors becoming shareholders of our Company, the Pre-IPO Investors shall be guaranteed an internal rate of return of 22% (the “**Guaranteed IRR**”) at the completion of the Qualified IPO. If upon the occurrence of a Qualified IPO, the value of the Shares is insufficient to provide the Guaranteed IRR, Cayman Tiantong shall pay the shortfall to the Pre-IPO Investors in cash to ensure the Guaranteed IRR.

On 28 April 2015, each of the Pre-IPO Investors irrevocably and unilaterally agreed in writing to waive the Guaranteed IRR and such waiver will become effective upon completion of the Qualified IPO.

### **Security**

In connection with the issue of the Bonds, the following share charges and guarantees were provided in favour of the Pre-IPO Investors:

- (a) charge over the issued Shares of Cayman Tiantong executed and delivered by Wealthy Active in favour of the Pre-IPO Investors;

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## HISTORY, DEVELOPMENT AND REORGANISATION

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- (b) personal guarantee given by Mr. Yang in favour of the Pre-IPO Investors for the due and punctual performance and observance of the obligations of the Bonds Subscription Agreement and the documents contemplated therein by Cayman Tiantong.

All of the charges, guarantees and mortgages set out in this paragraph headed “Security” will be discharged and released upon Listing.

### **Special rights**

Under the Bond Documents, the Pre-IPO Investors were also granted a number of special rights, a summary of which is set out below. All these special rights will automatically terminate and lapse upon Listing, provided that the Director nominated by Sino Red before Listing will continue to stay on our Board as a non-executive Director and will be subject to retirement under the Articles.

### *Information rights*

We shall deliver to the Pre-IPO Investors the following documents:

- (a) final draft audited financial statements of our Company on a consolidated basis and of each of our Subsidiaries on an unconsolidated basis, all prepared on Hong Kong generally accepted accounting principles or such other international generally accepted accounting principles (“**Accounting Standards**”) within 150 days after the end of each financial year and audited by an approved auditing firm;
- (b) quarterly financial statements of our Company on a consolidated basis and of each of our Subsidiaries on an unconsolidated basis, prepared based on the Accounting Standards within 45 days after the end of each fiscal quarter;
- (c) unaudited monthly management accounts of our Company and our Subsidiaries and their respective operational report within 45 days after the end of each calendar month;
- (d) proposed annual business plan for the following financial years for our Company on a consolidated basis and for each of our Subsidiaries on an unconsolidated basis not later than 31 December of each financial year;
- (e) minutes or resolutions passed by the board or shareholders of any member of our Group within 10 business days from the date of such meeting; and
- (f) manuals, documents and policies of our Group in relation to corporate governance or internal control.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### *Inspection rights*

The Pre-IPO Investors shall have the right at any time prior to the Qualified IPO, by giving us not less than five business days' prior written notice, to visit and to inspect the properties of all members of our Group, and examine our books and accounts.

### *Profit guarantee*

Our Controlling Shareholders guarantee that our Company shall achieve the net profit after tax ("NPAT") for each of 2013, 2014 and 2015 as set out below. In the event that the NPAT in any relevant year is less than 96% of the guaranteed amount below, Wealthy Active shall transfer additional Shares to the Pre-IPO Investors based on an agreed formula.

<b>Year</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Guaranteed NPAT	RMB71,510,000	RMB87,240,000	RMB106,430,000

### *Restrictions on transfer and first right of refusal*

Prior to the Listing, none of the Shareholders shall without the prior consent of the Pre-IPO Investors transfer or otherwise dispose of or create any new mortgage, charge, pledge, lien or other encumbrance, third party rights or security interest in respect of all or any of the Shares held by them. In the event any of those Shareholders proposes to transfer or dispose of any of their Shares, they shall give a written notice to our Company and the Pre-IPO Investors providing information such as the number of Shares to be transferred and the consideration therefor and the Pre-IPO Investors shall be given a right of first refusal to purchase the offered Shares.

### *Co-sale right and sale at Qualified IPO*

If any of the Pre-IPO Investors has waived or failed to timely exercise their right of first refusal described above and the Shareholder proceed to sell the Shares to a prospective transferee, and the Pre-IPO Investor has by then exchanged any amount of the Bonds for Shares, the Pre-IPO Investor shall have the right to sell their Shares to the prospective transferee at the same price and upon the same terms and conditions as indicated in the notice. The number of Shares to be sold by the relevant Shareholder shall be correspondingly reduced.

If the Shareholder transfers any Shares in contravention of the arrangements as stated above, the Pre-IPO Investors shall have the right to sell to the relevant Shareholder the number of Shares equal to the number of Shares which the Pre-IPO Investors would have been entitled to transfer to the perspective transferee.

### *Board representation for Sino Red*

Sino Red shall be entitled to nominate one Director. The quorum for a Board meeting shall comprise three Directors, one of whom shall be the Director nominated by Sino Red. Upon completion of the Qualified IPO, the Director nominated by Sino Red will be designated as a non-executive Director. For the avoidance of doubt, the requirement that the quorum of the Board shall comprise the Director nominated by Sino Red and the right to nominate a Director will automatically terminate and lapse upon Listing.

Mr. Wong Yim Pan, the non-executive Director nominated by Sino Red, will continue to hold such office and be subject to retirement under the Articles.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### *Negative covenants*

Without the prior written approval of the Pre-IPO Investors, no member of our Group shall carry out the following transactions:

- (a) change its principal business or conduct any business or operation which is not in its ordinary course of business;
- (b) any deviation from the annual budget more by than 30% or a material change of the annual business plan;
- (c) acquiring any asset (including shares in any other person), whether in one or a series of transactions, for which the total price paid is greater than RMB5,000,000 save and except acquisition of assets arising from or in the ordinary course of business;
- (d) authorising or undertaking any arrangement for the disposal of the assets or business of any member of the Group, whether in one or a series of transactions with a value exceeding RMB5,000,000;
- (e) incurring any single item of capital expenditure exceeding RMB5,000,000, unless such expenditure is included in the annual budget;
- (f) incurring indebtedness or assuming any financial obligation or liability which are not arising from its ordinary course of business;
- (g) carrying out any amalgamation, merger, consolidation, reconstitution, restructuring or similar transaction that results in a change of control of any member of our Group;
- (h) providing loans to any person (other than those: (i) incurred in the ordinary course of business; (ii) where the amount and nature of such a loan provision is included in the annual budget; or (iii) loans between members of our Group);
- (i) giving a guarantee, indemnity or other assurance for a debt of another person or about the financial condition of that person, unless the same arises in its ordinary course of business and save and exceptions between member of our Group;
- (j) entering into any contract not in its ordinary course of business and with a value exceeding RMB5,000,000;
- (k) creating any encumbrance over any of its asset (including shares) or rights of any member of our Group other than in its ordinary course of business;
- (l) entering into any arrangement or incurring any liability which are not arising in its ordinary course of business;
- (m) entering into any arrangement with, or incurring any liability of, any Shareholder or its affiliate, which is not on an arm's length basis and involves an amount exceeding RMB1,000,000;

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## HISTORY, DEVELOPMENT AND REORGANISATION

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- (n) removing any of the key personnel and approving the remuneration packages of key personnel with a change of 30% or more than their then existing packages save and except where such removal is compulsorily required by the applicable laws or regulations;
- (o) compromising litigation or a similar procedure involving a claim of more than RMB5,000,000;
- (p) licensing, selling or otherwise disposing of any of its intellectual property rights which gives rise to a value exceeding RMB5,000,000 other than pursuant to a licence, sale or disposition of a type and amount included in the annual budget;
- (q) recommending or declaring an interim or a final dividend save and except the interim dividend declared out of the retained profits up to 30 April 2014, the payment of such dividend shall be funded by profits or cash generated by operating activities of members of the Group and not by any loans, indebtedness, overdrafts, debt securities or otherwise of any members of the Group;
- (r) changing the auditors or the terms of their appointment or changing the financial year of any member of our Group;
- (s) disposing, creating or acquiring any interests in a subsidiary or entering into any joint venture;
- (t) amending or repealing the organisational documents of our Company or the constitutional documents of any subsidiary of our Company which will affect or be in relation to the rights and interests of the Pre-IPO Investors or the shareholders of any member of our Group. For other amendments of the constitutional documents, to provide such amendments to the Pre-IPO Investors in advance;
- (u) changing the designations, powers, rights, preferences or privileges, or the qualifications, limitations or restrictions of our Shares;
- (v) creating, authorising or issuing any shares or other equity security of Cayman Tiantong or any member of our Group having a structural or legal preference over, or ranking *pari passu* with, the shares in issue with respect to any matter, including, without limitation, dividend rights, voting rights or liquidation preference;
- (w) granting any type of options, warrants or any rights issue to subscribe to shares of Cayman Tiantong or any member of our Group;
- (x) authorising or undertaking any reduction of capital or share repurchase, other than any repurchase of Shares or other equity security issued to or held by employees, officers, directors of any member of the Group pursuant to the stock option plan upon termination of their employment at a price not greater than the fair market value; and

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## HISTORY, DEVELOPMENT AND REORGANISATION

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- (y) authorising or undertaking any liquidation, winding up or bankruptcy, reorganisation, composition with creditors or other analogous insolvency proceedings of any member of the Group, whether voluntary or involuntary, or any petition presented or resolution passed for any such event or for the appointment of an insolvency practitioner.

### **Other matters**

The Transaction Documents in respect of the Pre-IPO Investments do not include provisions as to the lock-up requirements of the Pre-IPO Investors. The Shares to be exchanged under the Bonds and held by the Pre-IPO Investors will be counted towards the public float after the Listing for the purposes of Rule 8.08 of the Listing Rules. As at the Latest Practicable Date, no part of the Bonds had been exchanged for Shares.

Since the subscription money by the Pre-IPO Investors for the Bonds was fully settled by Sino Red, Topbiz Investments and Yuanta Securities on 18 June 2014, 2 December 2014 and 15 January 2015, respectively, the Sole Sponsor is of the view that the issue of the Bonds is in compliance with the Interim Guidance on Pre-IPO investments (HKEx-GL29-12), the Guidance on Pre-IPO investments (HKEx-GL43-12) and the Guidance on Pre-IPO investments in convertible instruments (HKEx-GL44-12) issued by the Stock Exchange.


### **PRC LEGAL COMPLIANCE**

Given that Mr. Yang and Mr. Sun are PRC domestic residents and habitually reside inside the PRC, they are required to carry out the foreign exchange registration with local foreign exchange authority pursuant to the then in force Circular 75 and Circular 37. As confirmed by our PRC Legal Adviser, Mr. Yang and Mr. Sun have completed the foreign exchange registration with the Shandong Branch Bureau of SAFE.

Our PRC Legal Adviser further confirms that all requisite approvals, permits and licences required in all material aspects under the PRC laws and regulations in connection with the Reorganisation and the equity interests transfers of our subsidiaries in the PRC as set forth in this section have been obtained, and the Reorganisation has in all material aspects complied with all applicable PRC laws and regulations.

### OVERVIEW

We principally engage in the production and sales of processed fruit products<sup>Note</sup> packaged in metal containers, plastic cups and glass containers with our operations mainly located in Shandong Province, the PRC. We produce and sell our processed fruit products on an OEM basis and also under our own brand. We produce our products in the PRC and we sell our products in the PRC and the overseas markets. We also engage in the trading of fresh fruit. Our revenue increased from approximately RMB300.3 million in 2012 to approximately RMB370.5 million in 2013, and further to approximately RMB447.7 million in 2014.

During the Track Record Period, our processed fruit products produced on an OEM basis were sold both in the PRC and overseas including Canada, the United States, the United Kingdom, Germany, France, New Zealand, Japan, South Africa, the Netherlands and Malaysia. Products sold under our own brand  (“天同時代”) were sold in the PRC only.

The processed fruit products we offered as at the Latest Practicable Date included strawberry, apricot, peach, pear, apple and mixed fruit. Our processed fruit products are packaged in metal containers, plastic cups and glass containers and they are filled with either syrup, water or juice.

Significant portion of our revenue was derived from our domestic sales. For the years ended 31 December 2012, 2013 and 2014, our domestic sales accounted for approximately 90.3%, 88.4% and 92.3%, respectively, of our total revenue. Our domestic customers include trading entities, distributors and retailers located in the PRC, whilst our overseas customers include brand owners and trading entities located in the overseas countries.

For our OEM sales, we produce the processed fruit products in accordance with the specifications provided by our OEM customers. For products under our own brand, we design and develop the products and provide lists of available products for customers' selection.

We typically do not enter into long-term agreements for our sales of OEM products but instead conduct sales of our OEM products based on individual purchase orders from our OEM customers.

Since January 2015, in order to better manage and supervise our domestic distributors for the sales of our own brand products, we started to adopt a new distributorship system. The new distributorship system involves the adoption of a centralised operational structure, enhancement of communications with and monitoring of our distributors and improve our selection process of our distributors which meet our requirements.

As at the Latest Practicable Date, our existing production facilities are located in Linyi City, Shandong Province, the PRC and consist of two workshops and six production lines, which are interchangeable to manufacture products in different packaging. For the years ended 31 December 2012, 2013 and 2014, the designed annual production capacity of our production facilities were approximately 31,758 tonnes, 32,489 tonnes and 48,514 tonnes, respectively. During the Track Record Period, other than the purchase of packaging materials from third party suppliers, we did not sub-contract any of our production process. To cater for the expected increase in the demand

*Note:* Our processed fruit products are solid processed fruit products and in particular, canned fruit products and do not include other types of solid processed fruit products such as fruit preserves, fruit jams and dried fruit products.

for processed fruit products and the high utilisation rate of our existing production facilities, we plan to build four new workshops, two of which will be located next to our existing production facilities (“**No. 3 and 4 Workshops**”) and the other two workshops (“**No. 5 and 6 Workshops**”) will be established on a parcel of land which we are still in the process of identifying and has yet been acquired by us. Construction of No. 3 and 4 Workshops is under progress and operation of the No. 3 and 4 Shops is expected to commence in the first quarter of 2016. Construction of No. 5 and 6 Workshops is expected to commence in the second quarter of 2016 and operation of the same is expected to commence in the third quarter of 2017. The investment costs of No. 3 and 4 Workshops are principally financed from internally generated fund, and the investment costs of No. 5 and 6 Workshops will be financed from the net proceeds of the Global Offering and internally generated fund. For details of the expansion in our production facilities, please refer to the paragraph headed “New production facilities” of this section.

In line with our strategies to increase our sales, we have launched our on-line shop through a third party on-line shopping platform in the PRC in April 2015. The products sold through our on-line shop do not duplicate with those sold through our physical sales and distribution network and are under different brands owned by us.

The principal raw materials used in our production include fresh fruit and packaging materials. We primarily source fresh fruit from third party suppliers located in proximity of our production facilities, including Anhui, Shandong and Hebei Provinces of the PRC. We mainly source our other major raw materials from the suppliers in the PRC.

We have been committed to produce safe and high quality products to the end-consumers and have adopted a stringent quality control and measures in throughout our production facilities. We have followed the relevant standards and requirements of the relevant PRC regulations and certain international standards in relation to production procedures and food safety standards. As a result of our commitment and effort to produce safe and high quality products, we have been accredited with BRC (A+), IFS Food (high), HALAL, QS, KOSHER, ISO22000.

### **OUR COMPETITIVE STRENGTHS**

We believe the following strengths contribute to our success and distinguish us from our competitors:

**Dedication to quality control, maintaining high standards of hygiene and food safety with recognised quality control system and committing on producing processed fruit products as a quality and healthy food without the addition of any preservatives**

We have built our business on the principles of ensuring quality and safety for our consumers, and have developed a solid culture focusing on quality control and strict hygiene standards. We have stringent quality control procedures at various stages of our procurement, production and packaging processes. Our raw materials are subject to inspections and examinations, and we maintain strict quality control standards throughout our production and packaging processes. We have a dedicated quality control team to ensure that our quality control procedures are duly followed. We also maintain stringent hygiene procedures, which our employees are required to comply with during the production process. For each type of our products, we have compiled and formulated an operational prerequisite programme (操作性前題方案) and HACCP plan, which cover aspects of quality requirements, product specifications and



every production step, the specification of production facilities and hygiene standards in details. We produce each of our products in strict compliance with our operational prerequisite programme and HACCP plan.

As a result of our stringent quality control measures, we have been accredited with BRC(A+), IFS Food (high), HALAL, QS, KOSHER, ISO22000 in respect of our production facilities, quality control and management which certifies that our production facilities and quality control procedures have met the recognised international standard and thus place our Group in a better position to be considered as the supplier for globally well-known brands.

In addition to these certifications, our high quality control and food safety standard is recognised by our customers. Some of our OEM customers are well-known brands or their purchasing agents in the global fruit processing industry and they impose stringent selection criteria on the manufacturers. They also carry out continuing monitor and on-site inspection on their manufacturers in various aspects including quality control and a manufacturer will be disqualified if it fails to meet the requirements and standards of the OEM customers.

As a player in the fruit processing industry, the offering of safe and healthy food is our top priority. As such, all our products are preservatives free in order to preserve the natural quality of fruit, as practicable as possible.

Our Directors believe that in light of the increasing awareness among the general public on food safety and quality, our commitment in producing high quality and safe food products will support our continued expansion and enhance our market position by allowing us to secure consumer confidence and loyalty as well as brand recognition.

### **Geographically located our production facilities to capture the advantage of proximity to and sufficient supply of raw materials**

Fresh fruit is the key raw materials for our production and is highly perishable. Long distance from its place of plantation will incur additional cost in keeping the freshness of the fruit, preventing the spoiling of the fruit and transportation.

Our production facilities are located at Linyi City, Shandong Province, the PRC. During the Track Record Period, we primarily sourced our major raw materials, fresh fruit, from suppliers in the PRC with a majority of them located in Anhui, Shandong and Hebei. Geographically, Linyi City is located in the proximity of these regions and this geographical advantage allows us to reach the fresh fruit resources for our production needs in a more effective way. Generally, fresh fruit can be transported to our production facilities within two days upon it is harvested from its place of plantation.

In addition, according to the Frost & Sullivan Report, Shandong is one of the largest bases of supply of apple, pear and strawberry in the PRC in 2013. Strategically located in Linyi City, Shandong Province, we are able to capture the advantage of the proximity to the supply of fresh fruit with guaranteed quality and relatively lower costs in maintaining its freshness and transportation, which in turn reduce our production cost and enhance our profitability.

**We have a strong customer base and have established long-term business relationship with most of our major customers**

Having over 10 years of history and experience in the fruit processing industry and our past commitment and effort in maintaining high quality product and our focus on food safety and hygiene, we have established a strong customer base. Our pursuit for high quality and standards has attracted renowned processed food manufacturers in the industry. We are one of the OEM providers for some of the most well-known brands in the global fruit processing industry.

We believe that our strong customer base is the cornerstone of our sustainable business growth. Our five largest customers during the Track Record Period have established business relationship with us ranging from two to 12 years. Recurring sales orders from our existing customers enabled us to maintain stable sales volume during the Track Record Period.

**We offer a diversified portfolio of processed fruit products which enable us to satisfy different requirements of customers, broaden our customer base and minimise the seasonality impact**

As at the Latest Practicable Date, the processed fruit products we offered include but not limited to strawberry, apricot, peach, pear, apple and mixed fruit. They are packaged in metal containers, plastic cups and glass containers in different volumes, packages and filled with either syrup, water or fruit juice. The wide range of processed fruit products we offer enable us to meet the different requirements of our customers, provide us the capability to respond to the change of preference of the end-consumers and allow us to reach a broad customer base.

We continuously strive to diversify and improve the types of products we offer. Our research and development team works closely with our quality control and sales and marketing teams in enhancing our existing product range and developing new products based on feedbacks from our customers and our market research.

The types of fresh fruit available for supply for our production use are also subject to seasonality. With the ability to produce a diversified range of processed fruit products from fresh fruit harvested and available at different seasons in the year, we are able to minimise the seasonality impact on raw materials supply. In particular, our production can be carried out throughout the year without temporary suspension in a certain season due to insufficient supply of certain types of fresh fruit.

**Highly experienced and incentivised management with proven track record to lead the development and growth, building of our corporate culture and establishing loyalty of mid-level management**

Our executive Directors and senior management team have considerable experience and expertise in the fruit processing industry. Mr. Yang, our Chairman and founder, has more than 20 years' experience in the food processing industry, among which over 10 years of experience were in the fruit processing industry. Mr. Sun, our executive Director, being responsible for financial and operational management of our Group, has over 10 years of experience in the fruit processing industry. In addition, most of our senior management have over 10 years of experience in the fruit processing industry. Ms. Lv Chunxia, who is responsible for our production, product quality inspection and product development, has more than 20 years of experience in the food processing

industry, among which over 10 years of experience were in the fruit processing industry. She has been accredited as the Expert of Canned Food Technology Committee of China National Food Industry Association (中國食品工業協會罐藏食品科技工作委員會專家委員) in August 2014. For further information of the experience of Mr. Yang, Mr. Sun and Ms. Lv Chunxia in the fruit processing industry, please refer to the section headed “Directors and senior management” of this prospectus.

Our dedicated management team spearheads our business operations and drives our growth. Apart from their extensive knowledge and experience in the industry which enable us to identify new opportunities, our management team has played a key role in building a corporate culture, which in turn enhance and establish the loyalty of our mid-level management. Most of our mid-level management have been working with our Group for more than 10 years. The mid-level management supervises our staff to ensure that they have followed the standards and requirements of our Group. Our Directors believe that our loyal and stable mid-level management is also a key to our success.

### **OUR BUSINESS STRATEGIES**

Our principal business objective is to strengthen our position and become a leading processed fruit product manufacturer in the fruit processing market offering quality, safe, delicious, healthy, nutritious and convenient instant processed fruit products to the end consumers. Leveraging on our competitive strengths, our Directors plan to achieve this objective by pursuing the following growth strategies:

#### **Increase our sales and market share by enhancing our existing products and expanding our product offering through continuing product development**

We believe that continuous product innovation and improvement is an important factor to further strengthen our market position and increase our market shares. We plan to put more resources and invest in and strengthen our market-oriented product development effort to produce new products to meet the consumers’ preferences. In this regard, we have a dedicated research and development team which comprised six members as at 31 December 2014 and is headed by Ms. Lv Chunxia. The research and development team is mainly responsible for improving our existing products, identifying new products, introducing new flavour and enhancing production technology and efficiency.

Apart from focusing on diversifying our products to satisfy different preference of the general public consumers, we also plan to further enhance the position of our existing products and develop and launch in various product series targeting at different consumer groups, such as the general consumers, toddlers, children and the elderly.

Our new products, fruit sorbet (水果霜) has been launched to the market in April 2015, and fruit puree (水果泥) is scheduled to be formally launched to the market in the last quarter of 2015. Fruit sorbet (水果霜) is a canned fruit product processed mainly from fresh fruit. It shares similar colour and taste with fresh fruit. With a jelly-like and soft texture, it is capable of maintaining its own shape even after being detached from packaging container. Fruit sorbet is packaged in plastic cups and is positioned in the market as an alternative to ice-cream, targeting a wide range of consumers from children, teenagers to elderlies. Fruit puree (水果泥) is a viscous and mashed canned fruit product processed mainly from fresh fruit. It is packaged in plastic containers. The targeted consumers for this product include the elderlies and children. We intend to sell, market and promote these new products through our existing sales, marketing and distribution network.

We believe the continuing diversification of our product range and our strategic plan in reaching different consumer groups will increase our sales and market shares.

### **Increase the sales of our own brand products and our market share through the expansion of our distribution and sales network**

We will place effort in expanding the domestic market and therefore increase domestic sales under our own brand and market shares. In order to achieve this, we consider an efficient and well-management distribution network is crucial.

Prior to January 2015, for domestic sales under our own brand, we directly sold to our distributors and they would further resell our products to their own customers. We did not have formal contractual control or supervisions over any of their customers or their sub-distributors.

From January 2015, we have started to enhance our distribution system in relation to the domestic sales under our own brand. We plan to broaden our current distribution and sales network. We believe such expansion is necessary to capitalise on the increasing spending power of end consumers, especially in those third and fourth tier cities as a result of the continued economic development and urbanisation in China. Through such expansion, we intend to increase the number of domestic customers for our own brand products and extend our sales network coverage into new sales regions with relatively higher growth potential. We target to manage the activities of our distributors in a more systematic way through an effective information exchange system with our distributors starting from the second quarter of 2015 where we are able to obtain the information including their sales of our products, our competitors' products and market trend. We also supply with our distributors information regarding our research and development, marketing and promotional strategies. With such system we will be in a better position to timely respond to any issues and needs of our domestic customers. To achieve this, we will recruit and train up more staff and deploy such staff to the distribution regions where our distributors are located. Our staff will provide timely support to our distributors and at the same time to closely manage their activities in a more efficient manner e.g. to avoid concentration and competition amongst our distributors in the same region. For further information on our new distributorship system, please refer to the paragraph headed "Sales, distribution network and customers – Sales of our own brand products" of this section.



### **Develop on-line sales channel through third party on-line shopping platform**

Sales and purchases through on-line shops have become more and more popular and are on the increasing trend. To capture this well-received and popular sales channel, we plan to launch the sales of our processed fruit products through third party on-line shopping platform.

We have launched our on-line sales in April 2015. To broaden our customers' base and reach different groups of customers, our products sold through the on-line shopping platform do not duplicate with those sold through our physical sales and distribution network.

Our Directors believe the launch of sales through the on-line shopping platform will enable us to capture the benefit of general increasing transaction volume through electronic means, increase our profile and public awareness of our Group and our processed fruit products and therefore broaden our customer base and enhance our revenue.

### **Increase the recognition and awareness of our own brands by increasing marketing and promotional activities**

Before 2012, our domestic sales were primarily conducted on an OEM basis. Since 2012, we have registered the trademark  and have commenced the sales of processed fruit products under our own brand  (“天同時代”) in the PRC. Further, as part of our strategy to increase recognition and awareness of our own brands, we have applied for registration of nine trademarks in the PRC and two trademarks in Hong Kong. These trademarks under registration will be used in our new products to be launched so as to build up a series of our own brand products. As advised by our PRC Legal Adviser, we are not prohibited from using the trademarks in our products before completion of their respective registration in the PRC under the relevant PRC laws and regulations, so long as such trademarks have not been registered by another third party. Hence, our Directors believe the status of registration in respect of the relevant trademarks does not have any material adverse impact our strategy to increase the sales of our own brand products. For further information of our intellectual property rights, please refer to the paragraph headed “Intellectual property” of this section and the paragraph headed “Intellectual property rights of our Group” in Appendix V to this prospectus.

Apart from solidifying and enhancing our OEM sales, our strategy is to increase our domestic sales under our own brands. We believe successful branding is important in our future business development. We plan to place more resources and effort in marketing and promoting our own brands and products. We plan to promote different types of our products under separate brands owned by us. Advertising activities through television, internet, in-store display, printed media, outdoor billboards, newspapers and magazines will be conducted to enhance the public awareness and recognition of our own brands.

### **Acquire more advanced production and quality control equipment to increase our production capacity, enhance our production efficiency and ensure high quality and safety of our products**

As at 31 December 2014, we had five production lines in operation and the designed annual production capacity of our production facilities was approximately 53,000 tonnes on an annualised basis assuming full operation during the year. To increase our production efficiency, we plan to upgrade our existing production equipment and purchase more advanced and automated equipment to take up certain production processes which are currently carried out manually, such as automatic pitting machines and peeling machines. We also plan to increase our production capacity by adding production lines and building additional workshops. We have been expanding our production facilities by constructing two additional workshops with a total gross floor area of approximately 8,815 square metres, the construction of which was commenced in July 2014. We expect the two additional workshops will increase our production capacity by approximately 20,000 tonnes per year.

## BUSINESS

Further, we intend to identify and purchase a parcel of land on which we will build two new workshops in second quarter of 2016. We plan to fund the construction of the two new workshops from the net proceeds from the Global Offering and internally generated fund. For further information of the additional equipment we plan to purchase and the expansion plan of our production facilities, please refer to the paragraphs headed “Our existing production facilities and equipment – Our production equipment and machinery” and “New production facilities” of this section.

### OUR BUSINESS MODEL

Our business model principally comprises the production and sales of processed fruit products. We are also engaged in the trading of fresh fruit.

We sold our processed fruit products (i) in the PRC on an OEM basis and under our own brand; and (ii) in overseas countries on an OEM basis.

The following table sets out the breakdown of our revenue attributable to domestic and overseas sales of processed fruit products by business model for the periods indicated:

	Year ended 31 December					
	2012		2013		2014	
	<i>RMB'000</i>	<i>% of revenue attributable to the sales of our processed fruit products</i>	<i>RMB'000</i>	<i>% of revenue attributable to the sales of our processed fruit products</i>	<i>RMB'000</i>	<i>% of revenue attributable to the sales of our processed fruit products</i>
<b>Domestic sales</b>						
– on OEM basis <i>(note)</i>	178,987	76.9	190,747	65.1	279,659	76.7
– under own brand	24,720	10.6	59,268	20.2	50,333	13.8
	<u>203,707</u>	<u>87.5</u>	<u>250,015</u>	<u>85.3</u>	<u>329,992</u>	<u>90.5</u>
<b>Overseas sales</b>						
– on OEM basis <i>(note)</i>	29,154	12.5	43,126	14.7	34,441	9.5
	<u>232,861</u>	<u>100.0</u>	<u>293,141</u>	<u>100.0</u>	<u>364,433</u>	<u>100.0</u>

*Note:* Our revenue attributable to the sales of our processed fruit products on OEM basis amounted to approximately RMB208.1 million, RMB233.9 million and RMB314.1 million, respectively, accounting for approximately 89.4%, 79.8% and 86.2%, respectively, of our revenue derived from total sales of our processed fruit products for the years ended 31 December 2012, 2013 and 2014.

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The following table sets out the revenue and sales volume breakdown by product segments in the PRC and overseas for the periods indicated:

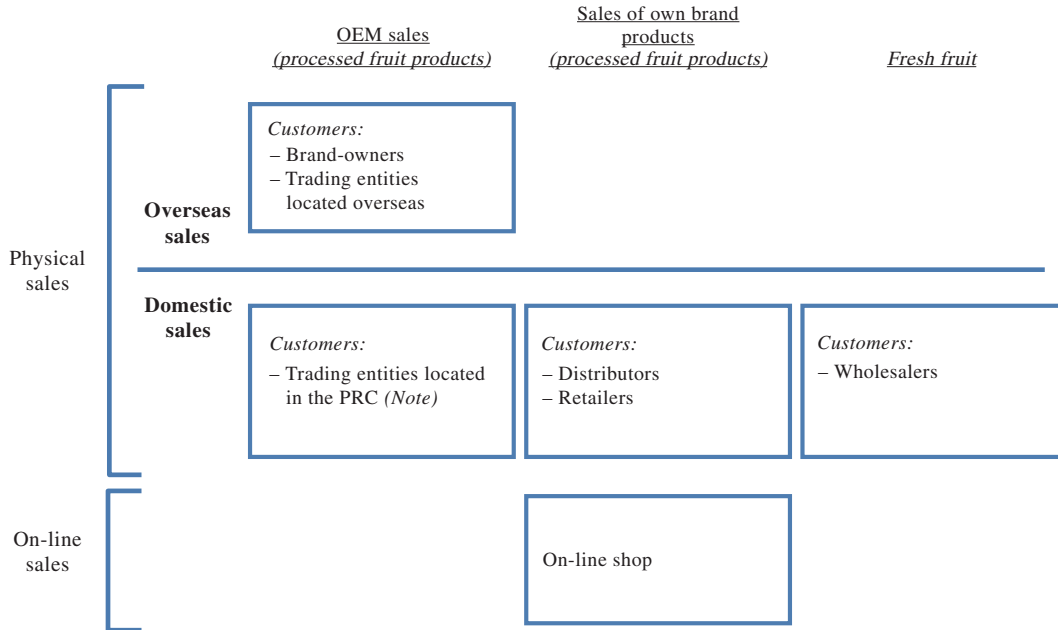
	2012		Year ended 31 December 2013		2014	
	RMB'000	'000 kg	RMB'000	'000 kg	RMB'000	'000 kg
<b>Processed fruit products in metal containers</b>						
Domestic sales						
– on OEM basis	166,230	18,990	154,199	18,832	239,234	29,498
– under own brand	21,345	2,469	47,350	5,892	36,577	4,475
	<u>187,575</u>	<u>21,459</u>	<u>201,549</u>	<u>24,724</u>	<u>275,811</u>	<u>33,973</u>
Overseas sales						
– on OEM basis	25,120	2,835	17,198	2,244	13,334	1,852
	<u>25,120</u>	<u>2,835</u>	<u>17,198</u>	<u>2,244</u>	<u>13,334</u>	<u>1,852</u>
Sub-total for processed fruit products in metal containers	<u>212,695</u>	<u>24,294</u>	<u>218,747</u>	<u>26,968</u>	<u>289,145</u>	<u>35,825</u>
<b>Processed fruit products in plastic cups</b>						
Domestic sales						
– on OEM basis	954	78	28,896	2,356	24,162	1,997
– under own brand	–	–	7,473	619	5,963	499
	<u>954</u>	<u>78</u>	<u>36,369</u>	<u>2,975</u>	<u>30,125</u>	<u>2,496</u>
Overseas sales						
– on OEM basis	2,952	231	25,491	2,034	19,674	1,600
	<u>2,952</u>	<u>231</u>	<u>25,491</u>	<u>2,034</u>	<u>19,674</u>	<u>1,600</u>
Sub-total for processed fruit products in plastic caps	<u>3,906</u>	<u>309</u>	<u>61,860</u>	<u>5,009</u>	<u>49,799</u>	<u>4,096</u>
<b>Processed fruit products in glass containers</b>						
Domestic sales						
– on OEM basis	11,803	1,395	7,652	937	16,263	1,923
– under own brand	3,375	406	4,445	566	7,793	921
	<u>15,178</u>	<u>1,801</u>	<u>12,097</u>	<u>1,503</u>	<u>24,056</u>	<u>2,844</u>
Overseas sales						
– on OEM basis	1,082	153	437	60	1,433	167
	<u>1,082</u>	<u>153</u>	<u>437</u>	<u>60</u>	<u>1,433</u>	<u>167</u>
Sub-total for processed fruit products in glass containers	<u>16,260</u>	<u>1,954</u>	<u>12,534</u>	<u>1,563</u>	<u>25,489</u>	<u>3,011</u>
<b>Total for processed fruit products</b>	<u>232,861</u>	<u>26,557</u>	<u>293,141</u>	<u>33,540</u>	<u>364,433</u>	<u>42,932</u>
<b>Fresh fruit</b>	67,052	23,274	73,803	15,406	81,541	16,835
<b>Others (Note)</b>	427	N/A	3,549	N/A	1,704	N/A
<b>Total</b>	<u>300,340</u>	<u>49,831</u>	<u>370,493</u>	<u>48,946</u>	<u>447,678</u>	<u>59,767</u>

N/A: Not applicable as some packaging materials, such as paper and cartons, were not measured in terms of weight.

Note: “Others” mainly represents sales of (i) frozen processed fruits; (ii) a by product, namely apricot seed (杏核); and (iii) excessive packaging materials purchased.

## BUSINESS

The following chart illustrates our business model:



*Note:* These trading entities may further export our products to overseas countries or sell our products in the PRC.

During the Track Record Period, our overseas sales only comprised processed fruit products and were produced on an OEM basis. We sold our OEM products directly to brand-owners and trading entities. We require all of our trading entity customers to confirm to us that they do not and are not aware of any infringement of third party intellectual property rights in respect of the products they engage us to produce.

Our domestic sales included sales of both processed fruit products and fresh fruit.

Domestic sales of our processed fruit products are conducted on both OEM basis and under our own brand. Our Directors confirm, to their best knowledge after making reasonable enquiries, OEM products are sold to trading entities in the PRC which may further export the products to overseas countries or sell our products in the PRC to brand-owners or their agents while sales of our own brand products are directly made to customers who are distributors or retailers.

Our domestic sales of fresh fruit are not sold under any particular brand. Our fresh fruit is sold to wholesalers of fresh fruit in the PRC.

We have launched our on-line shop for our own brand processed fruit products in April 2015. Our on-line shop is operated through a third party on-line shopping platform and is primarily for domestic sales and at present, does not provide overseas delivery services. To broaden our customers base, our Directors confirm that our on-line shop targets group of customers such as smart phone users which are different from our existing customers. The products we sell through the on-line shopping platform do not duplicate with those sold through our physical sales and distribution network.



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## BUSINESS

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### OUR PRODUCTS

We currently produce and sell processed fruit products including but not limited to strawberry, apricot, peach, pear, apple and mixed fruit. Our processed fruit products are packaged in metal containers, plastic cups or glass containers.

During the Track Record Period, we also engaged in the trading of fresh fruit.

The following table sets out the breakdown of our revenue by major types of fruit for the periods indicated:

	Year ended 31 December					
	2012		2013		2014	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
<b>Processed fruit products</b>						
Peach	56,069	18.7	86,911	23.4	123,603	27.6
Mixed fruit <i>(Note 1)</i>	57,082	19.0	70,228	19.0	106,387	23.8
Pear	36,905	12.3	47,732	12.9	48,202	10.8
Strawberry	34,589	11.5	47,563	12.8	40,914	9.1
Apple	22,637	7.5	15,625	4.2	26,677	5.9
Apricot	25,286	8.4	23,996	6.5	17,890	4.0
Others	293	0.1	1,086	0.3	760	0.2
Sub-total	232,861	77.5	293,141	79.1	364,433	81.4
<b>Fresh fruit</b>	67,052	22.3	73,803	19.9	81,541	18.2
<b>Others <i>(Note 2)</i></b>	427	0.2	3,549	1.0	1,704	0.4
<b>Total</b>	<b>300,340</b>	<b>100.0</b>	<b>370,493</b>	<b>100.0</b>	<b>447,678</b>	<b>100.0</b>

*Notes:*

- (1) Mixed fruit refers to a mixture of any combination of the types of fruit we process, including peach, pear, pineapple, grape, cherry, etc.
- (2) "Others" mainly represents sales of (i) frozen processed fruits; (ii) a by product, namely apricot seed (杏核); and (iii) excessive packaging materials purchased. As these products are of different nature, the calculation of their weight does not provide a meaningful presentation.

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### Processed fruit products

The following table sets out the breakdown of our revenue attributable to the sales of our processed fruit products by packaging materials for the periods indicated:

	Year ended 31 December					
	2012		2013		2014	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
<b>Processed fruit products in</b>						
– metal containers	212,695	70.8	218,747	59.0	289,145	64.6
– plastic cups	3,906	1.3	61,860	16.7	49,799	11.1
– glass containers	16,260	5.4	12,534	3.4	25,489	5.7
<b>Total</b>	<b>232,861</b>	<b>77.5</b>	<b>293,141</b>	<b>79.1</b>	<b>364,433</b>	<b>81.4</b>

#### *Processed fruit products in metal containers*

We produced and sold our processed fruit products in metal containers both on an OEM basis and under our own brand. We first offered our products in this type of packaging in 2003. This type of products can be packaged in various volume. During the Track Record Period, we offered more than 55 types of processed fruit products in metal containers packaging with net weight ranging from 120 grams to 5,100 grams for various types of fruit such as apricot, peach, strawberry, apple, pear and mixed fruit. For the years ended 31 December 2012, 2013 and 2014, sales of our processed fruit products in metal containers accounted for approximately 70.8%, 59.0% and 64.6%, respectively, of our total revenue.

#### *Processed fruit products in plastic cups*

We first offered our products in plastic cups in 2012. This type of products includes fruit-in-syrup, fruit-in-water and fruit-in-juice packaging with net weight of 120 grams and 220 grams. During the Track Record Period, we produced processed fruit products in plastic cups on OEM basis and under our own brand.

Types of fruit such as peach, pear and mixed fruit are sold in this series. For the years ended 31 December 2012, 2013 and 2014, sales of our processed fruit products in plastic cups accounted for approximately 1.3%, 16.7% and 11.1%, respectively, of our total revenue.

#### *Processed fruit products in glass containers*

We first offered our products in glass containers in 2007. Each glass container is filled with fruit and syrup, water or juice as fillings, with net weight ranging from 280 grams to 880 grams. During the Track Record Period, we produced processed fruit products in glass containers on OEM basis and under our own brand.

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Types of fruit such as apricot, peach, pear, strawberry and mixed fruit are sold in this series. For the years ended 31 December 2012, 2013 and 2014, sales of our processed fruit products in glass containers accounted for approximately 5.4%, 3.4% and 5.7%, respectively, of our total revenue.

Below are some examples of our processed fruit products:

Products/ Packaging materials	Metal containers	Plastic cups	Glass containers
Processed mixed fruit products			
Processed peach products			
Processed pear products			
Processed apple products		N/A	
Processed apricot products		N/A	
Processed strawberry products		N/A	

### Fresh fruit

During the Track Record Period, we also engaged in the trading of fresh fruit. Among the fresh fruit we purchased for our production use, we select a portion of the fresh fruit during the incoming raw materials inspection stage and directly re-sell those to wholesalers in the PRC to increase our overall profitability while retaining a majority of what we purchased for our production use. For the years ended 31 December 2012, 2013 and 2014, sales of fresh fruit accounted for approximately 22.3%, 19.9% and 18.2%, respectively, of our total revenue.

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### OUR EXISTING PRODUCTION FACILITIES AND EQUIPMENT

#### Our existing production facilities

As at the Latest Practicable Date, our existing production facilities are located in Linyi City, Shandong Province, the PRC and occupy a site area of approximately 106,312 square metres and a total gross floor area of approximately 40,181.7 square metres. Our production facilities consisted of two workshops and five production lines in operation as at 31 December 2014. Our production lines are interchangeable to manufacture products in different packaging. In determining the location of our production facilities, we take into account the proximity to our major raw material sources, fresh fruit, so as to facilitate the delivery and reduce transportation costs.

The following table sets out the (a) designed annual production capacity, (b) actual production volume and (c) average utilisation rate of our processed fruit products by our production facilities during the Track Record Period:

Year ended	Number of production lines in operation	Designed annual production capacity (Note 1) (tonnes)	Actual production volume (tonnes)	Average utilisation rate (Note 2) (%)
31 December 2012	3	31,758 <sup>(Note 3)</sup>	27,538	86.7
31 December 2013	3	32,489	28,327	87.2
31 December 2014	5	48,514 <sup>(Note 4)</sup>	44,357	91.4

*Notes:*

- (1) The designed annual production capacity of our processed fruit product production facilities for the years ended 31 December 2012, 2013 and 2014 is estimated based on the weight of semi-products in tonnes that have completed the pasteurisation process per hour multiplied by 10 working hours per day multiplied by 350 days in 2012, 2013 and 2014.
- (2) Average utilisation rate is derived by dividing the actual production volume by the designed production capacity in the relevant year.
- (3) One new production line commenced operation in mid-January 2012. The estimation of the designed production capacity of our production facilities for 2012 takes into account the actual timing of the commencement of the operation of this production line.
- (4) Two new production lines commenced operation in the year ended 31 December 2014. The estimation of the designed production capacity of our production facilities for 2014 takes into account the actual timing of the commencement of the operation of these two production lines. The designed production capacity on an annualised basis as at 31 December 2014 would be approximately 53,000 tonnes if the five production lines were in full operation during the year.

In March 2015, we had a new production line in operation and hence, the designed annual production capacity of processed fruit products was estimated to increase by approximately 11,000 tonnes from approximately 53,000 tonnes as at 31 December 2014 to approximately 64,000 tonnes assuming full operation.

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### Our production equipment and machinery

Our production equipment is principally sourced from the PRC. All of these equipments are owned by us. In order to further improve our production efficiency and lower our labour costs, we plan to upgrade our existing production facilities by purchasing more advanced and automated equipment for certain production processes which are currently conducted manually, such as automatic cutting and pitting machines. Further, we plan to purchase additional equipment for two workshops under construction for the first phase of our expansion plan (the “**Phase I Expansion Plan**”) which is production line for processed fruit products in glass containers. For further information of our expansion plan, please refer to the paragraph headed “New production facilities” of this section. The following table sets forth the additional equipment we plan to purchase in 2015 in this respect:

Type of equipment	Number of equipment to be purchased	Principal use of the equipment	Expected date of purchase	Estimated cost of equipment (RMB'000)
Power supply facility (變電供電設施800KVA)	1 (Note 1)	Supply of power for production	July 2015	700
Automatic cutting and pitting machine (自動去核開瓣機 320HPA)	5 (Note 1)	Cutting and pitting peaches	July 2015	2,000
Pitting machine (二次去核機(6219))	3 (Note 1)	Enucleating and processing fruit	July 2015	1,650
Apricot opening and pitting machine (杏子自動對開、去核生產線 GT1-1200)	1 (Note 1)	Opening and pitting apricot	October 2015	1,000
IQF machine (單凍機)	1 (Note 1)	Freezing of fruit	October 2015	650
Refrigerating machine (製冷機)	2 (Note 1)	Cooling device for IQF machine	October 2015	800
Glass container production line (each line consisting of pasteurisation facilities, sealing machine and canning machine) (玻璃瓶專用生產線(包括殺菌生產設備、 自動封口機及自動裝瓶機))	2 (Note 2)	Production and pasteurisation of products in glass containers	October 2015	10,000
Boiler (蒸汽鍋爐)	1 (Note 1)	Producing steam	July 2015	530
X-ray foreign object detector (X射線異物檢測機)	1 (Note 1)	Detecting foreign object within products	July 2015	400
Stainless steel chain-net belt pre-cooking machine (不銹鋼鏈網式預煮機)	1 (Note 1)	Pre-cooking raw materials	July 2015	230
Stainless steel chain-net belt freezing machine (不 銹鋼鏈網式冷卻機)	1 (Note 1)	Cooling pre-cooked raw materials	July 2015	120
Stainless steel peach lye-spraying machine (不銹鋼黃桃淋碱機)	1 (Note 1)	Peeling peach	July 2015	240
<b>Total:</b>				<b>18,320</b>

*Notes:*

- These equipment are for upgrading of our existing production facilities and enhancing the automation of our production process.

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2. These production lines are intended to be used for production of our processed fruit products in glass containers in two workshops under construction for the Phase I Expansion Plan. These production lines are interchangeable for processed fruit products in different packaging. We estimate that the addition of the equipment for these production lines will increase our production capacity of processed fruit products by approximately 20,000 tonnes per year on an annualised basis.

### **Equipment maintenance**

Our production team is also responsible for the equipment maintenance. They are responsible for carrying out daily inspection and routine daily cleaning and maintenance of our production equipment. Major maintenance and repair work is conducted annually. For each of the years ended 31 December 2012, 2013 and 2014, the average schedule downtime for maintenance and repair of each of our production lines was approximately 15 days. Certain manufacturers of our equipment also provide on-site equipment maintenance services on an as needed basis during the warranty period of equipment.

### **Certifications of our production processes and facilities**

As confirmed by our PRC Legal Adviser, we have valid ownership of our major production facilities and equipment and the operation of which is in compliance with the applicable PRC laws and regulations. In recognition of our quality control and system in our production processes, we have also been accredited with certifications including BRC (A+), IFS Food (high), QS and ISO22000 during the Track Record Period. For further information of these certifications, please refer to the paragraph headed “Certifications and awards – Certifications” of this section.

During the Track Record Period, we have not experienced any material or prolonged interruption to our production processes due to equipment or machinery failure.

### **NEW PRODUCTION FACILITIES**

We expect the demand for our processed fruit products will continue to increase. Moreover, we consider that the current utilisation of our existing production facilities has reached a high level. For the years ended 31 December 2012, 2013 and 2014, the average utilisation rates of our existing production facilities, located in Linyi City, Shandong Province, the PRC, were approximately 86.7%, 87.2% and 91.4%, respectively. As such, we plan to increase our production capacity to meet the anticipated increasing market demand.

To achieve these objectives, we intend to build four new workshops, two of which will be located next to our existing production facilities and the other two will be located on a parcel of land to be identified and acquired by us. As at the Latest Practicable Date, we have not identified any particular parcel of land to be acquired and no definite agreement has been entered into in this respect. The construction of the four new workshops will be carried out in two phases after due consideration of our expected future market demand and the investment costs required for the expansion.

As at the Latest Practicable Date, the construction of the two workshops, namely no. 3 workshop and no. 4 workshop (together “**No. 3 and 4 Workshops**”) for the first phase of our expansion plan (the “**Phase I Expansion Plan**”) located next to our existing production facilities is

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in progress. Please also refer to property no. 2 in the valuation report as set out in Appendix III to this prospectus for further details of No. 3 and 4 Workshops. Development of the Phase I Expansion Plan is expected to complete in the third quarter of 2015. No. 3 and 4 Workshops are expected to commence operation in the first quarter of 2016. The expected total gross floor area for No. 3 and 4 Workshops is approximately 8,815 square metres. There will be an aggregate of two production lines at No. 3 and 4 Workshops.

The Directors consider that the expansion plan of our Group is appropriate because:

1. the continuous growth of the revenue attributable to the sales of our processed fruit products during the Track Record Period from approximately RMB232.9 million in 2012, to RMB293.1 million in 2013 and further to RMB364.4 million in 2014, representing a CAGR of 25.1% over the same period;
2. the optimistic outlook of the processed fruit market in the PRC. According to Frost & Sullivan, the forecast sales amount of processed fruit products in the PRC is expected to increase from approximately RMB7,080.0 million for the year ending 31 December 2015, to approximately RMB9,630.0 million for the year ending 31 December 2019, representing a CAGR of approximately 8.0% over the same period;
3. the existing production facilities operated at increasingly higher utilisation rate during the Track Record Period. The average utilisation rate was approximately 86.7%, 87.2% and 91.4%, respectively, for the years ended 31 December 2012, 2013 and 2014; and
4. our management's expectation that there will be an increase in production volume considering the introduction of our new products, such as fruit sorbet (水果霜) and fruit puree (水果泥).

Two workshops, namely no. 5 workshop and no. 6 workshop (together “**No. 5 and 6 Workshops**”) will be constructed for the second phase of our expansion plan (the “**Phase II Expansion Plan**”). We are in the process of searching for a parcel of land with a site area of approximately 35,000 square metres, strategically located close to our existing production facilities, for our Phase II Expansion Plan. Development of the Phase II Expansion Plan is expected to commence in the second quarter of 2016 following the acquisition of the relevant parcel of land. Development of the Phase II Expansion Plan is expected to complete in the first quarter of 2017. No. 5 and 6 Workshops are expected to commence operation in the third quarter of 2017. The expected total gross floor area for No. 5 and 6 Workshops is approximately 28,000 square metres. The Phase II Expansion Plan will comprise production plants and warehouses. There will be an aggregate of four production lines at No. 5 and 6 Workshops. However, if we cannot identify and acquire an appropriate parcel of land suitable for our Phase II Expansion Plan, we will re-evaluate and revise such plan accordingly.

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Further information of our expansion plan above is set out below:

Phase	Number of production lines (Note)	Maximum designed annual production capacity (tonnes)	Actual/	Expected date of commencement of construction	Expected completion date of construction	Expected commencement date of operation	Estimated total investment costs (RMB' million)	Amount	
			Expected date of commencement of construction					incurred as at the Latest Practicable Date (RMB' million)	Source of fund
I	1 in each of No. 3 and 4 workshops	20,000	July 2014	September 2015	January 2016	36.8	24.1	Internally generated fund	
II	2 in each of No.5 and No. 6 workshops	45,000	May 2016	March 2017	July 2017	178.2	Nil	Net proceeds of the Global Offering and internally generated fund	

*Note:* These production lines are interchangeable to manufacture products in different packaging.

Further details of the estimated investment costs in relation to upgrading of existing production facilities, the Phase I Expansion Plan and the Phase II Expansion Plan are set out as below:

	Existing production facilities upgrade (RMB'000)	Phase I Expansion Plan (RMB'000)	Phase II Expansion Plan (RMB'000)	Total (RMB'000)
Construction cost	–	26,760	104,405	131,165
Land acquisition cost	–	–	30,000	30,000
Acquisition of equipment and installation fees	8,320	10,000	43,800	62,120
<b>Total</b>	<b>8,320</b>	<b>36,760</b>	<b>178,205</b>	<b>223,285</b>



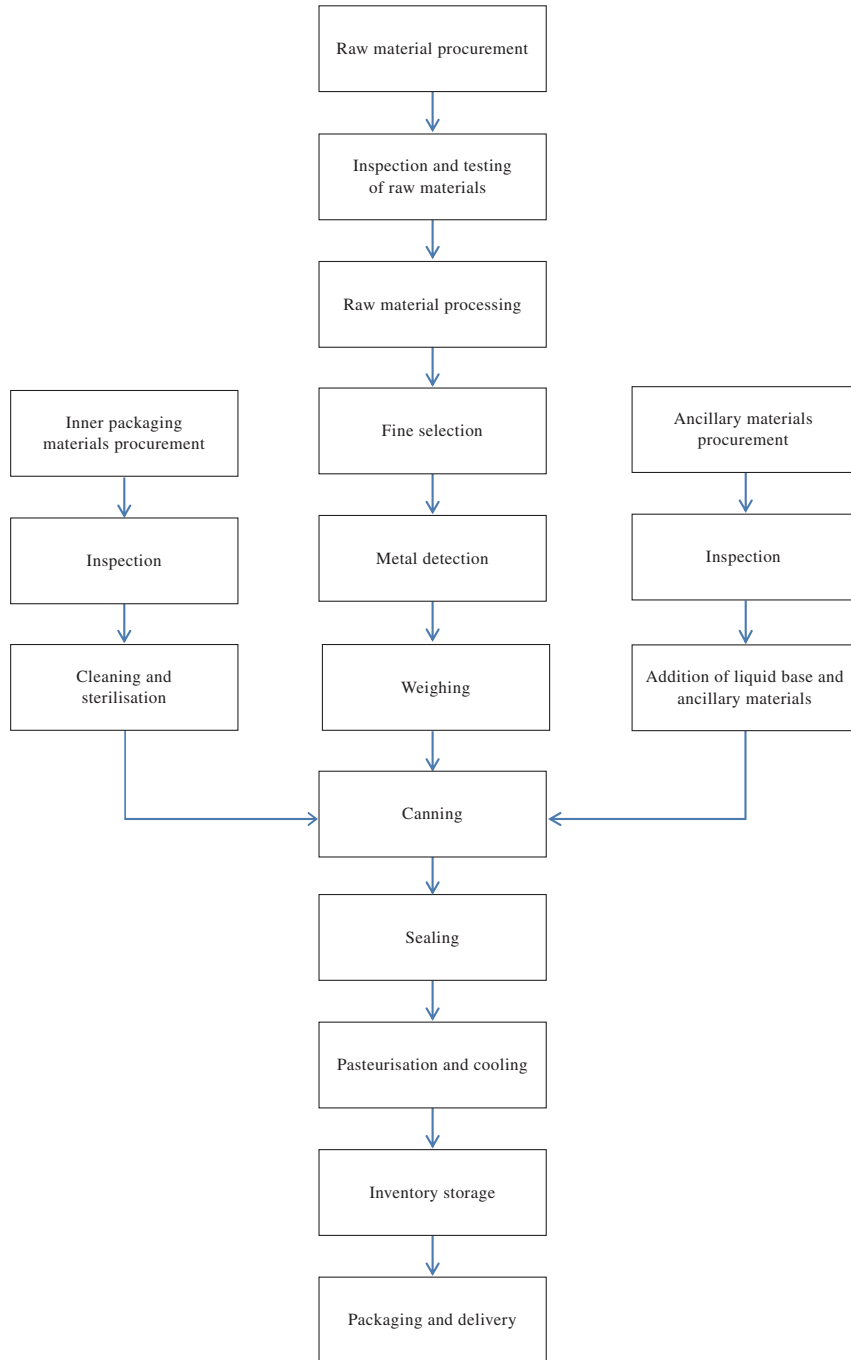
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## PRODUCTION PROCESS

The following chart illustrates the typical production process of our processed fruit products. Generally, the average production time required from the raw material processing to inventory storage of our processed fruit products is approximately four hours.



### **Procurement of raw materials and ancillary materials**

Our procurement department will procure raw materials and ancillary materials, such as packaging materials according to the procurement plan which is prepared based on raw material demand list formulated by our production department, taking into account the sales orders received by our sales and marketing department. We purchase the raw materials and ancillary materials from our suppliers as set out in our qualified suppliers list. For OEM products, some of our customers would require us to purchase from designated suppliers.

### **Inspection and testing of raw materials and cleaning and sterilisation of packaging materials**

We conduct inspection and sample testing of incoming raw materials in various aspects including the physical appearance and quality.

For inner packaging materials, such as metal containers, plastic cups and glass containers, which directly contact with the processed fruit products, they will also be cleaned and sterilised.

### **Raw material processing**

Those raw materials which passed our inspection and sample testing will then be processed. The production process generally involves the peeling, washing, cutting, pre-cooking and cooling of the fruit.

### **Fine selection**

The processed raw materials will go through fine selection according to size or grades which meet the production specifications. The raw processed materials are then screened, classified and inspected. Processed raw materials which do not meet the specifications will be filtered out.

### **Metal detection**

The processed raw materials will then go through the metal detection process before weighing and packaging into containers.

### **Weighing**

Our customers require that the net weight of the processed fruit products must be in line with the net weight as stated on the relevant labels. All our processed fruit products go through the weighing process before the canning process.

### **Addition of liquid base and ancillary materials**

Liquid base such as syrup, juice or water and other ingredients such as citric acid, will be added to the raw materials in accordance with the product specification.

### **Canning**

Canning of the up-to-standard processed raw materials is carried out in accordance with the canning specifications.

### **Sealing**

Having passed the metal detection, weighing, addition of liquid base and ancillary materials and canning processes, we proceed to seal the containers.

### **Pasteurisation and cooling**

The sealed containers will be moved to an automatic pasteurisation machine and undergo pasteurisation process after which the sealed containers will be moved to a cooling machine.

### **Inventory storage**

The sealed and pasteurised products are moved to our inventory storage area.

### **Packaging and delivery**

The finished products will be packed with the labels and packaging designated by our OEM customers for OEM products and our own labelling and packaging for products of our own brand and delivered to our customers.

### **Quality control**

Quality control is carried out on every key production process including, in particular, inspection of raw materials, inspection of inner packaging materials, metal detection, weighing, sealing, pasteurisation and cooling.

## **RAW MATERIALS AND MAJOR SUPPLIERS**

### **Principal raw materials**

The principal raw materials used in the production of our products include fresh fruit, sugar and packaging materials. We also use packaging materials such as metal containers, plastic cups, glass containers, sealing film, label, cartons and wrapping materials in our production process.

For the years ended 31 December 2012, 2013 and 2014, the cost of raw materials (including packaging materials) accounted for approximately 85.1%, 85.0% and 86.2%, respectively, of our total cost of sales.

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The following table sets out the breakdown of our total purchases of raw materials during the Track Record Period:

	2012		Year ended 31 December 2013		2014	
	RMB'000	% of total purchases	RMB'000	% of total purchases	RMB'000	% of total purchases
<b>Fresh fruit</b>						
– peach	21,645	11.9	31,855	15.3	57,048	19.8
– pear	31,132	17.1	24,485	11.7	37,691	13.1
– strawberry	8,493	4.7	13,641	6.5	21,492	7.4
– apple	26,363	14.5	20,873	10.0	27,997	9.7
– apricot	5,979	3.3	5,356	2.6	6,659	2.3
– grapes	397	0.2	13,260	6.4	14,175	4.9
– cherry	888	0.5	6,139	2.9	5,006	1.7
– others	1,051	0.6	1,216	0.6	2,968	1.1
Sub-total	<u>95,948</u>	<u>52.8</u>	<u>116,825</u>	<u>56.0</u>	<u>173,036</u>	<u>60.0</u>
<b>Sugar</b>	17,071	9.4	15,245	7.3	20,135	7.0
<b>Packaging materials</b>						
– metal containers	39,566	21.8	32,070	15.4	50,049	17.3
– plastic cups	1,332	0.7	9,010	4.3	6,940	2.4
– sealing film	1,432	0.8	4,537	2.2	3,577	1.2
– label	3,335	1.8	3,754	1.8	4,325	1.5
– glass containers	1,817	1.0	590	0.3	4,258	1.5
– cartons and wrapping materials	<u>11,841</u>	<u>6.5</u>	<u>15,947</u>	<u>7.6</u>	<u>11,817</u>	<u>4.1</u>
Sub-total	<u>59,323</u>	<u>32.6</u>	<u>65,908</u>	<u>31.6</u>	<u>80,966</u>	<u>28.0</u>
<b>Others (Note)</b>	<u>9,439</u>	<u>5.2</u>	<u>10,613</u>	<u>5.1</u>	<u>14,570</u>	<u>5.0</u>
<b>Total</b>	<u><b>181,781</b></u>	<u><b>100.0</b></u>	<u><b>208,591</b></u>	<u><b>100.0</b></u>	<u><b>288,707</b></u>	<u><b>100.0</b></u>

*Note:* Others include ancillary materials for production and consumables.

For the years ended 31 December 2012, 2013 and 2014, our purchase costs of fresh fruit amounted to approximately RMB95.9 million, RMB116.8 million and RMB173.0 million, respectively, representing approximately 52.8%, 56.0% and 60.0%, respectively, of our total purchase of raw materials.

### **Fresh fruit**

We do not own any farms and the fresh fruit are sourced from independent suppliers. We primarily procure fresh fruits, such as peach, apricot, apple, strawberry, pear and grapes from a variety of independent suppliers in the PRC, with a majority of them located in Anhui, Shandong and Hebei. Fresh fruit is a commodity generally available from a large number of suppliers in Shandong, Anhui and Hebei. We do not rely on any particular supplier to supply fresh fruit for production. The fresh fruit we purchased from suppliers in Shandong during the Track Record Period were mainly peach, pear, strawberry, apple and apricot. The fresh fruit we purchased from suppliers in Anhui during the Track Record Period were mainly peach, pear and apricot. The fresh fruit we purchased from suppliers in Hebei during the Track Record Period were mainly peach and apricot. In order to ensure the quality and food safety of the fruit supplied by our farmer suppliers, we have implemented a management system on our farmer suppliers. We maintain communications with our farmer suppliers periodically in order to monitor the harvest period and quality of the fruit. We also obtain information on the fertilisers and pesticides used by our farmer suppliers in order to ensure that the fruit will meet the food safety standards. We pay regular visits to our farmer suppliers to obtain updated information on the price and fresh fruit market. Our Directors confirm that during the Track Record Period, we have not experienced any material difficulties, shortage or delay in the supply of fresh fruit and do not anticipate any difficulties, shortage or delay in this regard in the foreseeable future.

Our fresh fruit suppliers in Anhui and Hebei are approximately only 270 km and 500 km, respectively, from our production facilities and delivery of the fresh fruit from Anhui and Hebei to our production facilities would generally take less than half a day by way of road transit. We have adopted the following measures to ensure the freshness of the fresh fruit:

- The fresh fruit would generally be processed within two days upon arrival at our production facilities, otherwise the fresh fruit would be stored in warehouses with controlled temperature;
- We require our suppliers to provide records of the usage of vehicle which is used to transport the fresh fruit before the delivery in order to ensure that the vehicle has not been used for delivery of any chemicals or chemical products in the previous week. We also examine the vehicles upon arrival at our production facilities on its cleanliness, hygiene, pest-free condition, damage and the condition of protection cover to avoid any contamination and safeguard the quality of the raw materials;
- Road transit of fresh fruit is usually done in the night time in order to avoid the fruit from being exposed to direct sunlight and/or heat; and
- Fresh fruit are contained in the plastic boxes provided by the Group to ensure ventilation during the transportation process.

### **Sugar**

The major type of sugar that we procure for our production is white sugar.

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We principally procure sugar from independent suppliers in the PRC. Our Directors are of the view that sugar is a commodity generally available from a large number of suppliers, therefore, we do not entered into any long term contracts with our suppliers. We purchase sugar from our qualified suppliers. For further information on our qualified suppliers, please refer to the paragraph headed “Our suppliers” of this section.

### **Packaging materials**

Our packaging materials are mainly metal containers, plastic cups, sealing film, label, glass containers and cartons and wrapping materials. We mainly procure packaging materials from independent suppliers in the PRC. We enter into purchasing contracts with our suppliers for packaging materials on an order-by-order basis. We purchase packaging materials from our qualified suppliers. For further information on our qualified suppliers, please refer to the paragraph headed “Our suppliers” of this section.

### **Procurement**

We adopt similar procurement planning for our OEM products and own brand products. As at the Latest Practicable Date, our procurement department, which reports directly to Mr. Yang and Mr. Sun, comprises three staff. As fresh fruit, the major raw materials for our products, is subject to seasonality in supply and is perishable, we normally do not maintain a high level of inventory of fresh fruit. Generally, our customers will place purchase requests with us which contain the specifications and details of the processed fruit products they want to purchase from us and such specifications and details include the standard, type, price, quantity and the delivery time of processed fruit products. Upon receipt of the purchase requests from our customers, our procurement staff would obtain information on the availability and price of the fresh fruit and other raw materials required for production. We will then either confirm, negotiate and amend or reject our customers’ purchase requests based on the availability and prices of supply of fresh fruit, other raw materials and our production plan, etc.. Upon our confirmation of the terms of purchases, our customers will formally place orders with us and we would source fresh fruit according to the orders.

Our production department, based on the customers’ confirmed orders or sales proposal prepared by our sales department, would formulate the types and volume of raw materials to be purchased and their standard. The raw materials demand list will then be submitted to our procurement department. All the raw materials demand list will be compiled into a procurement plan for approval by any one of our executive Directors. Our procurement staff will then commence the procurement process and request for price quotations from at least two suppliers as listed in our list of qualified suppliers to obtain the best available price for the raw materials we require for our production.

### **Control of purchase cost**

Given that fresh fruit, one of our major raw materials, are agricultural products, their prices are subject to fluctuations owing to factors beyond our control including the output volume and quality of fresh fruit of the relevant year. Historical prices of previous years may not be reliable references. As such, we generally do not fix any purchase price of fresh fruit with our farmer suppliers in advance.

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To better control the purchase cost of our major raw materials, our procurement staff collect information and prices from the market on a periodic basis and report the same to our senior management. Based on the information collected, we formulate a maximum purchase price list of our key major raw materials, such as fresh fruit, and such price list is reviewed and revised from time to time based on the information collected by our procurement staff or any change to the supply market situation. Our procurement staff are required to strictly follow this maximum purchase price list in the negotiation and determination of the purchase prices of raw materials with our suppliers and are not allowed to make any procurement beyond the maximum purchase price. Any purchases higher than the maximum purchase price have to be approved by any one of our executive Directors.

Our finance department is responsible for conducting market research, obtaining updated information on the prices of raw materials we purchased and reviewing and monitoring our purchase prices not less than twice a month.

Since we did not engage in any hedging activity or enter into any futures contract to manage price fluctuation of our raw materials during the Track Record Period and do not plan to enter into any hedging activity in the foreseeable future, it is our policy that whenever we anticipate an increase in the raw material prices or a shortage of supply, we will adjust our procurement plans, negotiate and amend or reject the purchase requests of our customers accordingly in order to minimise our exposure to the fluctuations in prices and supply. During the Track Record Period, we were generally able to pass the increase in cost of our raw materials to our customers as we have been adopting a cost-plus basis in pricing our products and we did not experience significant fluctuations in the prices of our major raw materials.

### **Transportation of raw materials**

The raw materials we purchased for our production are directly delivered to our production facilities and the costs relating to the delivery are borne by our suppliers.

Our internal policy requires that all vehicles used for the transportation of raw materials of our suppliers have to be in a good functional and maintenance status. Raw materials are delivered by road transit through vehicles of our suppliers. To avoid any contamination and safeguard the quality of our raw materials, for vehicles of our suppliers, we require the supplier to provide transportation records of the vehicle one week before our delivery to ensure that the vehicle has not been used for delivery of any chemicals or chemical products in the previous week. We would also examine the vehicles in aspects on cleanliness, damage and the rain, snow and sunshine protection cover.

### **Our suppliers**

In general, we source our raw materials from suppliers based in the PRC. For fresh fruit, we mainly source directly from suppliers located in the proximity of our production facilities in Anhui, Shandong and Hebei. We maintain close monitoring of our farmer suppliers on their supply of fresh fruit. For raw materials other than fresh fruit, we maintain a list of qualified suppliers. As at 31 December 2014, we had 176 qualified suppliers for raw materials other than fresh fruit. For each type of our major raw materials, we generally have at least two suppliers to ensure stable supply and to reduce our reliance on a single supplier. During the Track Record Period, all of our five largest suppliers have established a business relationship ranging from three years to 12 years with us.

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Purchases from individual farmer suppliers are mainly made on cash-on-delivery basis. For other suppliers, payment terms offered by our suppliers vary depending on a number of factors including our relationship with the suppliers and the size of the purchase and on average, our suppliers generally grant us a credit term ranging from 30 to 60 days. In case of transaction with new suppliers, they may require us to pay upon the delivery of goods. During the Track Record Period, we mainly settled payments with our suppliers in RMB or US dollars by cash, telegraphic transfers or bank bills.

Our quality control of raw materials begins before we place orders for the raw materials and we adopt stringent procedures in selecting our suppliers. We conduct on-site inspections of our suppliers. We also assess the suppliers in various aspects including their scale of operation, legal status, track record, quality control system, prices, services provided and ability to meet our delivery schedule. We would conduct independent check on the potential suppliers. We have established a supplier assessment team which comprises representatives from our production department, quality control department and finance department, etc.. The assessment team would deploy staff to conduct an on-site assessment on the potential suppliers. We would categorise these potential suppliers into different grades based on the assessment results.

For suppliers of raw materials of fresh fruit, we make site visits to potential farmer suppliers to assess the environment of the farm before we decide to place orders. We obtain information from the suppliers on the source, type, amount and application method of pesticides and fertilisers used in growing the fruit. We request our suppliers of fresh fruit not to use any pesticides which is prohibited under the relevant PRC regulations, international standards and the relevant requirements of the quality control certifications. In order to maintain close monitoring of our farmer suppliers, we also send our staff from the quality control team to visit the farms at least monthly during the period from planting to harvesting of the fruit to monitor the growing and harvesting process of the fruit to ensure the farmer suppliers do not apply prohibited pesticides to the fruit. During the harvest period of the fruit, we obtain samples of fresh fruit from the farmer suppliers and deliver the samples to Independent Third Party inspection centre to perform test on the fresh fruit on items including the hygiene standard, level of bacteria and harmful chemicals such as lead and cadmium, pesticides such as DDT contained in the fruit. We will place orders for the fresh fruit from the farmer suppliers only if the inspection report from the Independent Third Party inspection centre shows satisfactory testing results. When the fresh fruit are delivered to our production facilities, we also implement an inspection and testing procedure where each batch of fresh fruit is sampled for inspection. The inspection are performed by our staff from the quality control team possessing the relevant inspection experience with the help of specialised equipment. Fresh fruit which fails the inspection will be rejected by us. Upon acceptance of the fruit, we will divert different types of fresh fruit into separate storage areas in the warehouse to prevent cross contamination of the fresh fruit before they are put into use for production.

For suppliers of our raw materials other than fresh fruit who have met our selection criteria, these suppliers will become our qualified suppliers and be entered into our list of qualified suppliers. We conduct evaluation of our qualified suppliers at least on an annual basis. The evaluation includes the quality of raw materials, delivery records and ability to meet our delivery schedule. Based on the score the qualified suppliers achieve in our annual evaluation, we classify our qualified suppliers into different categories. Suppliers who fail our annual evaluation will be disqualified.

The suppliers who are designated by our OEM customers will become our qualified suppliers automatically.



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Delivery of raw materials takes place at our production facilities. Risk and title are passed to us upon the raw materials are delivered to our production facilities. Before the raw materials are accepted for our production, our staff from the quality control team will conduct inspection and sample testing on the raw materials based on specific criteria, such as the appearance, hygiene standards, and the chemical and impurity content of the raw materials. Raw materials which fail to comply with our standards and the national standards are returned to the suppliers. For new types of raw materials or raw materials procured from new suppliers, we usually use them in small-scale production to see as to whether the products manufactured using a particular supply of raw materials satisfy our requirements in every respect before we continue to use such raw materials in our manufacturing process. During the Track Record Period, we have not experienced any material return of raw materials to our suppliers.

During the Track Record Period, we had not experienced any significant difficulties in identifying alternate suppliers for our raw materials and we do not anticipate any difficulties in this regard in the foreseeable future. Therefore, we do not enter into any long-term supply agreements with our suppliers. The prices of our major raw materials, fresh fruit, may be subject to fluctuations due to factors beyond our control and their historical prices may not be taken as references in forecasting their prices in the near future. We consider the absence of binding long-term agreements with our suppliers benefit us and provide us with the flexibility in procuring from suppliers who offer more competitive prices and enable us to be more responsive to any fluctuations of the prices of our raw materials.

During the Track Record Period, we have not experienced any material dispute with our suppliers, nor any disruption, shortage or delay in the supply of our raw materials which may materially and adversely affect our operations and financial conditions.

### **Our five largest suppliers**

For the years ended 31 December 2012, 2013 and 2014, purchases from our five largest suppliers amounted to approximately RMB52.7 million, RMB50.9 million, and RMB84.3 million, respectively, representing approximately 29.0%, 24.4% and 29.2%, respectively, of our total purchases for the same period and our purchases from our largest supplier amounted to approximately RMB18.1 million, RMB18.6 million and RMB23.6 million, respectively, representing approximately 10.0%, 8.9% and 8.2%, respectively, of our total purchases for the same period.

None of our Directors, their respective close associates or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our Shares in issue has any interest in any of these five largest suppliers immediately following completion of the Global Offering.

## **SALES, DISTRIBUTION NETWORK AND CUSTOMERS**

### **Overview**

Our sales and marketing department is responsible for our sales and marketing activities. As at 31 December 2014, our sales and marketing department consisted of 22 staff. Our sales and marketing department is responsible for formulating our overall sales and marketing strategies, collecting and analysing market data and negotiating and finalising sales terms with our customers. Our sales and marketing department provides sales and after-sales services to our customers.

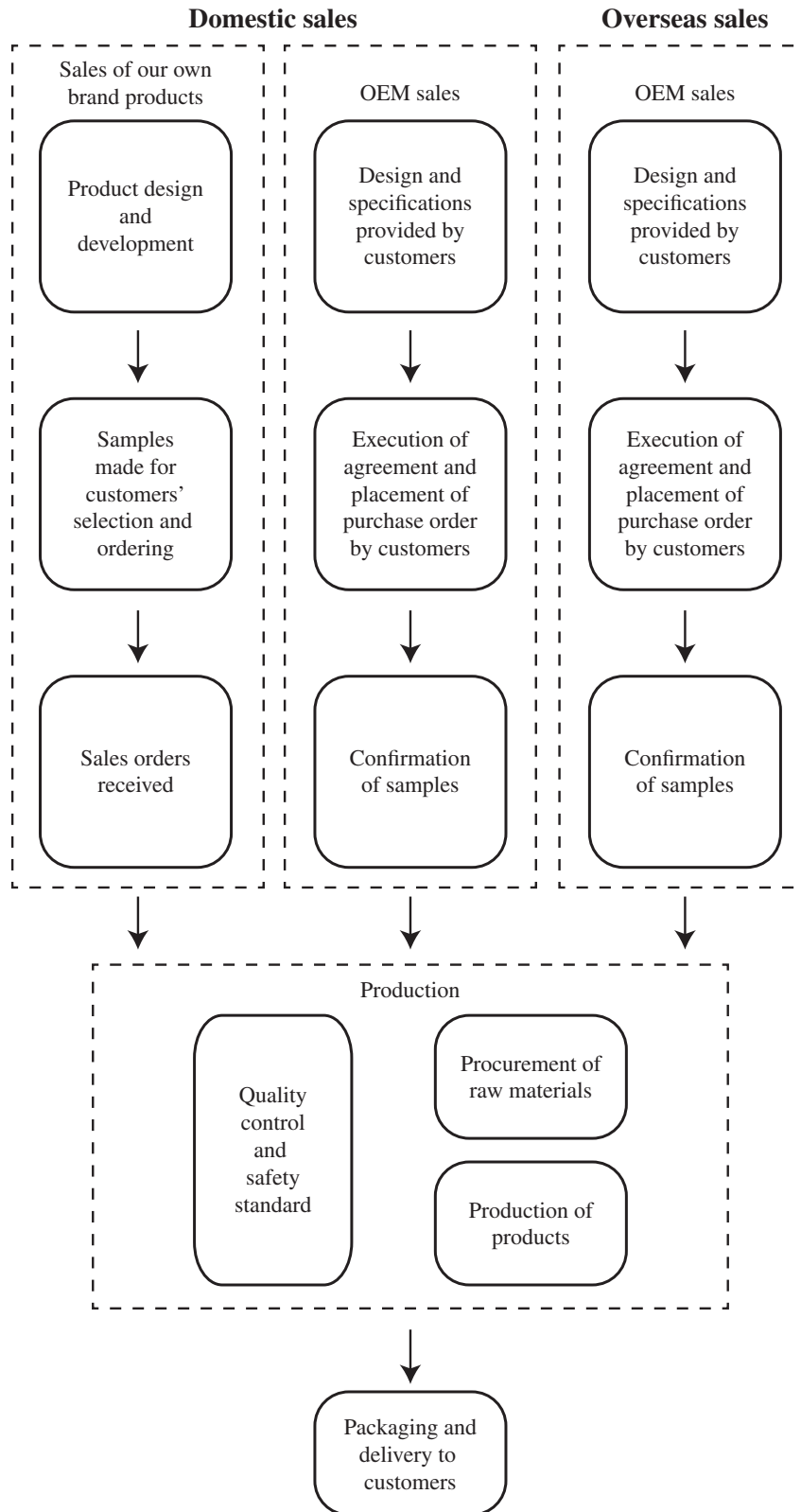
During the Track Record Period, we sold our products in the PRC and exported our products to overseas countries.

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The business model for our processed fruit products can be summarised as follows:



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The table below sets forth the breakdown of our revenue by major geographical regions for the period indicated:

	2012		Year ended 31 December 2013		2014	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
<b>Domestic sales</b>						
Shandong Province	186,992	62.3	200,510	54.1	259,975	58.1
Hebei Province	7,515	2.5	14,480	3.9	42,401	9.5
Fujian Province	41,748	13.9	22,823	6.2	34,527	7.7
Zhejiang Province	4,647	1.5	47,181	12.7	34,332	7.7
Beijing	22,750	7.6	21,556	5.8	18,817	4.2
Other provinces and cities	7,534	2.5	20,817	5.7	23,185	5.1
Sub-total:	271,186	90.3	327,367	88.4	413,237	92.3
<b>Overseas sales</b>						
North America (Note 1)	10,813	3.6	21,179	5.7	25,166	5.6
European countries (Note 2)	17,209	5.7	18,351	5.0	4,448	1.0
Other countries (Note 3)	1,132	0.4	3,596	0.9	4,827	1.1
Sub-total:	29,154	9.7	43,126	11.6	34,441	7.7
<b>Total</b>	<b>300,340</b>	<b>100.0</b>	<b>370,493</b>	<b>100.0</b>	<b>447,678</b>	<b>100.0</b>

*Notes:*

1. North America includes Canada and the U.S.
2. European countries include the United Kingdom, Germany, France and the Netherlands.
3. Other countries mainly include New Zealand, Japan, South Africa and Malaysia. During the Track Record Period, we also sold our products to Ukraine and Russia. Our sales to customer in Ukraine for the years ended 31 December 2012, 2013 and 2014 was nil, RMB109,902 and nil, respectively, representing 0%, approximately 0.03% and 0%, respectively, of our total revenue during the corresponding period, while our sales to customer in Russia for the years ended 31 December 2012, 2013 and 2014 was nil, nil and RMB223,490, respectively, representing 0%, 0% and 0.05% of our total revenue during the corresponding period respectively.

During the Track Record Period, all of our domestic sales of processed fruit products were conducted with our distributors, trading entities and occasionally, retailers and sales of our fresh fruit were conducted with wholesalers.

During the Track Record Period, our domestic sales of processed fruit products include sales of OEM products and own brand products. Our Directors confirm, to their best knowledge after making reasonable enquiries, OEM products were sold to trading entities located in the PRC, who may further export such OEM products to overseas countries. Products under our own brand were sold to distributors, and occasionally retailers located in the PRC. The distributors will on-sell our products to their customers such as sub-distributors and retailers. Retailers located in the PRC include retail shops operated by individual proprietors.

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During the Track Record Period, we also sold our processed fruit products to overseas countries including Canada, the United States, the United Kingdom, Germany, France, New Zealand, Japan, South Africa, the Netherlands and Malaysia and etc. All our export sales were made on an OEM basis.

Our overseas customers may require us to follow certain pre-set standards in relation to the quality, raw material requirements, packaging and labelling layouts. Our sales to overseas customers are transported under free on board (FOB) basis. Under the FOB arrangement, we are responsible for arranging the delivery of our products from our production facilities to specified ports in the PRC. According to the International Commercial Terms (INCOTERMS) issued by the International Chamber of Commerce (ICC), the risks of loss or damage of goods transported under FOB basis pass to the buyer when the goods are on board of the vessel, and the buyer bears all costs from that moment onwards.

During the Track Record Period and up to the Latest Practicable Date, as confirmed by our PRC Legal Adviser, we had in all material respects complied with all applicable PRC laws and regulations relevant to our export. Our Directors confirm that, we had completed all necessary procedures to obtain all relevant health and food safety approvals, certificates, registrations or any other legally required documentation from the relevant government authorities relevant to majority of our overseas sales and applicable to us in the countries to which we export our products.

Our Directors confirmed that none of the members of our Group had received any notices of initiation of anti-dumping investigations by the overseas countries to which we primarily sell our products such as the United States, the European Union or Canada or any orders of anti-dumping measures imposed by the United States, the European Union or Canada against processed fruit products manufactured in China which affected us during the Track Record Period and up to the Latest Practicable Date; and to their best knowledge after making reasonable enquiries, none of our trading entity customers had received any notices of initiation of anti-dumping investigations by the United States or the European Union or Canada or any orders of anti-dumping measures imposed by the United States or the European Union or Canada against processed fruit products manufactured in China which is applicable to us.

### **Sales of our OEM products**

#### *Overview*

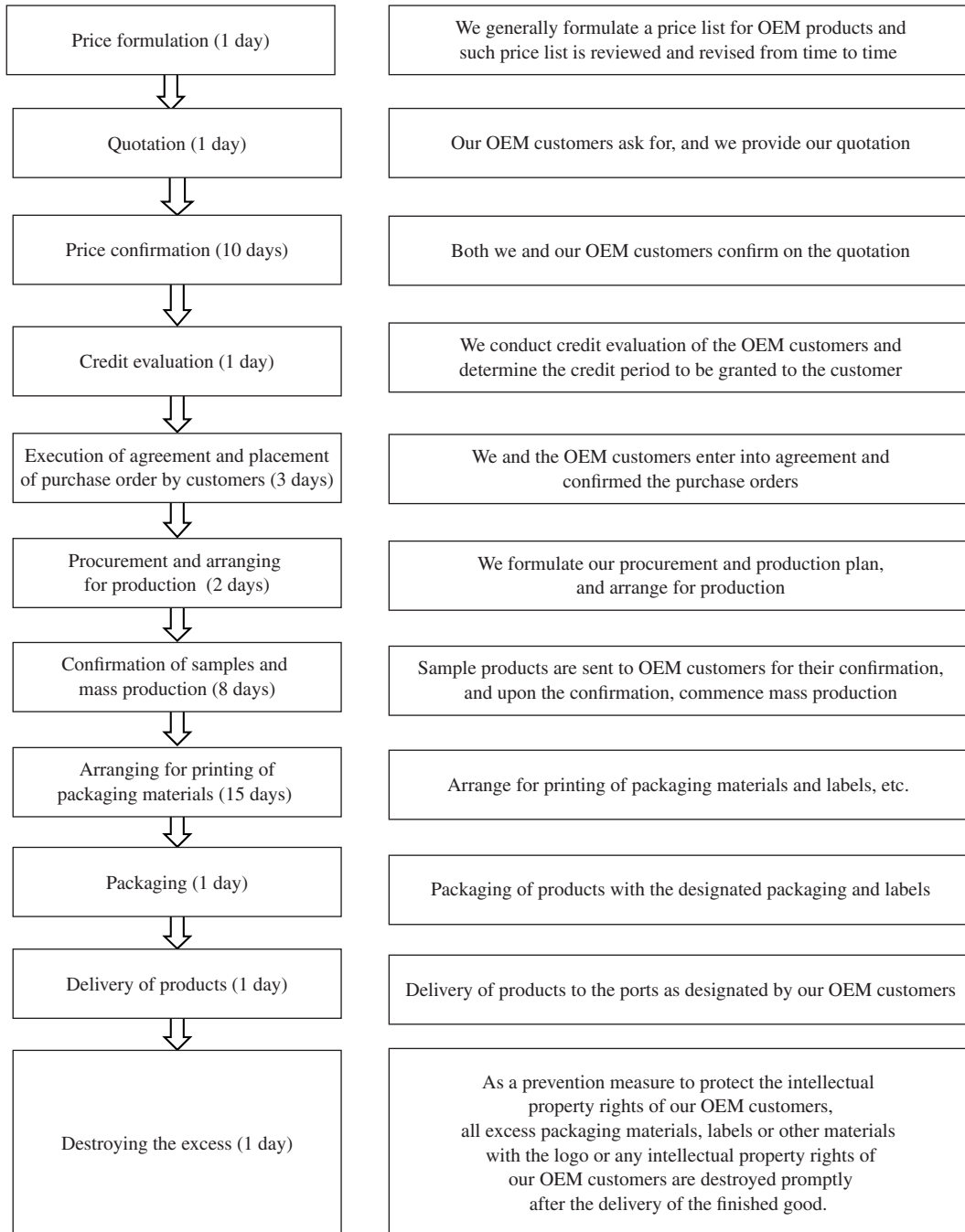
We commenced our domestic sales since the establishment of Shandong Tiantong in 2003 on an OEM basis. During the Track Record Period, we sold our OEM products directly to brand-owners and trading entities. According to Frost & Sullivan, it is an industry norm for manufacturers to sell through trading entities in the processed fruit manufacturing industry in the PRC because of the following benefits attributable to this mode of operation:

1. From the perspective of brand owners, they may leverage on the sourcing capability of the trading entities to identify and maintain a stable supply for their products from various manufacturers. A brand owner may engage different trading entities for the sourcing and manufacturing of OEM products so to reduce the risk of over-reliance on one particular trading entity or manufacturer. Through this mode of operation, the brand owners can save time and costs in negotiating with each manufacturer while enjoying the flexibility of choosing the manufacturer which meet the requirements for production of their products through different trading entities. Furthermore, trading entities may be able to get a lower sourcing price for the brand owners because of their vast sourcing quantity for different brand owners.
2. From the perspective of processed fruit manufacturers, sales of products to trading entities allow them to reach a wider spectrum of customers thereby achieving a more extensive sales network for their products as trading entities in general have access to a vast number of downstream customers.

Although the brand owners would generally rely on the trading entities to monitor our production quality, some brand owners, through arrangement made by trading entities, visit our production facilities and conducted inspection on our production quality control and were therefore aware that the OEM products are supplied by us. While it is not unusual under the market practice that the brand owners may cease their business relation with a trading entity, the brand owners may then engage another trading entity to source the supply of products. We believe that the certifications we obtained in relation to our production facilities, production process and quality control will put us in an advantageous position to continue to produce OEM products for the brand owner notwithstanding the change in relation between the brand owner and one particular trading entity.

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The following chart sets out the typical steps and the estimated maximum time required for each step of our OEM sales to trading entities:



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### *Control measures adopted in relation to our OEM products*

We have adopted the various control measures to satisfy ourselves that our trading entity customers have been properly authorised by the brand owners to produce the OEM products since the commencement of our business back in 2003. The measures adopted by us in ensuring such proper authorisation have been continuously formalised over the years.

We would in general attempt to make direct discussion with representative of brand owners during the site visits arranged by the respective trading entity customers in order to satisfy ourselves that they have been properly authorised. The written report of these site visits were kept by us for record. In addition, we will also attempt to obtain sample copies of the contracts between the brand owners and our trading entity customers and/or written instructions on the product specifications and use of trademark and/or logos issued by the brand owners to the trading entity customers. In the event that the site visits cannot be arranged, we will request to obtain sample copies of the contracts between the brand owners and our trading entity customers and/or written instructions on the product specifications and use of trademarks and/or logos issued by the brand owners to the trading entity customers as an alternative to show authorisation from the brand owners to our trading entity customers.

In either circumstance, we will conduct background check on trading entities before entering into the contracts with them through online resources or market intelligence and review and assess our trading entity customers annually on, among other factors, any news of legal proceedings and creditability of the trading entity customers as additional control measures.

We have obtained either the contracts entered into between the brand owners and our trading entity customers or written instructions on the product specifications and use of trademarks and/or logos issued by the brand owners to the trading entity customers for each of the brands which we manufacture OEM products for during the Track Record Period. Further, during our annual review of its trading entity customers, we will request for new sample contracts (where applicable) between the brand owners and our trading entity customers as part of the assessment process. In light of this, our Directors are of the view that we have obtained a representative sample of contracts or written instructions as part of the measures.

Through the above measures, our Directors were satisfied that our trading entity customers have been properly authorised by the respective brand owners to instruct us to produce the OEM products. Our Directors confirmed, based on their best knowledge after making reasonable enquiries, that we were never engaged to produce counterfeit products during the Track Record Period and up to the Latest Practicable Date. Our Directors considered that the above control measures adopted in relation to our OEM products are adequate and effective. The Sole Sponsor concurred with such view of our Directors on the same basis described above.

### *Risk of trademark infringement*

#### ***As to trademark law of the PRC***

As advised by our PRC Legal Adviser, the risk faced by us for civil or criminal liabilities arising from trademark infringement under the PRC laws is relatively low in light of the following reasons:

1. any registered trademarks which are foreign trademarks are not subject to the protection under Trademark Law of the PRC, and hence, foreign trademark owners have no right under Trademark Law of the PRC to make any claim against us;

2. even if the registered trademark is a domestic registered trademark, since we manufacture the OEM products in accordance with the sale contracts signed with our trading entity customers and the instructions contained therein, we have a strong defence to any potential infringement claim on the basis of such contract between us and our trading entity customers which contain the instruction and the authorisation from the brand owners, and we have no intentional or grossly negligent infringement of any trademark;
3. we have obtained confirmations from all our trading entity customers, confirming that the product specifications, packaging styles and brand names of the products manufactured by us based on the instructions of those trading entity customers including but not limited to those during the Track Record Period are within the scope covered by the contracts entered into with their respective clients, and that the trading entity customers will bear the legal risks in relation to such product specifications, packaging styles and brand names of the products; and
4. since January 2015, the sales contracts entered into between us and our trading entity customers have been revised to contain express provisions, pursuant to which the trading entities warranted that they had obtained the relevant trademark authorisation and has agreed to indemnify all losses and damages caused to us arising from any such respect.

*As to trademark law of the European Union*

Based on the advice from the legal advisers to the Company, under the relevant trademark law of the European Union, it is an infringement of a trademark registered in the European Union (“**Community Trade Mark**”) if a person/entity uses in the course of his/its trade any sign (i.e. mark) which is identical to any Community Trade Mark registered in relation to goods or services. As a person would be liable for trademark infringement if he/it is trading or selling the infringing goods in the European Union, we would be liable for trademark infringement for direct sales to its overseas customers located within the European Union. In the contrary, where we are not selling goods in the European Union, it will not be regarded as using the Community Trade Mark “in the course of its trade” and it is unlikely that we will be subject to liability for trademark infringement of a trademark registered in the European Union. In this circumstance, since it is our customers which are selling the goods in the European Union and the details of these customers are shown on the products, it is likely that these customers would be regarded as engaging in trading in the goods and hence liable for an infringement.

However, if a party alleging trademark infringement requires disclosure of the supply chain and confirmation of when, where and by whom the labels or other matter bearing the trade mark are produced, there is risk that we may be joint as a defendant in such infringement proceedings, to the extent that it produces label and/or applies any third-party trademarks to its products.



*As to trademark law of the U.S.*

Based on the advice from the legal advisers to the Company, under the relevant trademark law of the U.S., we can be found liable for trademark infringement if it is found that counterfeit products are sold by the Group to customers located within the U.S.. Since the trademark law of the U.S. generally does not apply outside the U.S., for sales of products outside the U.S., manufacturers would be liable for induced or contributory infringement of trademark if it has actual knowledge of infringement or the circumstances dictate that the manufacture should have known of the infringement. In the absence of such knowledge, we are unlikely to be liable under the relevant trademark law of the U.S. in the event of an infringement of trademark.

*As to trademark law of Canada*

Based on the advice from the Canadian legal advisers, under the relevant trademark law of Canada, the Group would be liable for trademark infringement if there is “use” of the infringing trademark in Canada, which in the context of direct sale of our goods to customers in Canada, refers to the use of the trademarks on packaging, invoices or otherwise brought to the attention of the purchaser of goods in Canada. However, in circumstances where we are selling goods to our trading entity customers outside of Canada, who then import those goods into Canada for sale, we will not be liable under the relevant Canadian trademark law in the event of an infringement of trademark.

Based on the advice from the legal advisers to the Company, in the event that we are found liable for trademark infringement and a judgment was given against the Group in the member states of the European Union, the U.S. or Canada, it is unlikely that the judgement would be enforced in these jurisdictions given we do not have presence in such overseas countries. The enforceability of foreign judgement against us in the PRC depends on whether there are reciprocal treaty between the jurisdiction giving the judgement and the PRC. As advised by our PRC Legal Adviser, the enforceability of foreign judgement against the Group in the PRC is subject to (i) relevant PRC laws; (ii) international treaties or the principles of reciprocity; and (iii) the finding of the relevant PRC court after its review of the judgment that such judgment is not in conflict with the fundamental principles, sovereign, national security and public interests of the PRC. In addition, the PRC is not a party to any treaties providing for the reciprocal enforcement of judgments of courts with the U.S., most other Western countries, and therefore enforcement in the PRC of judgments of a court in any of these jurisdictions may be difficult or otherwise impossible.

Our Directors confirmed, based on their best knowledge after having made all reasonable inquiries, the Group was not subject to any intellectual property infringement claims regarding its products during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that during the Track Record Period and up to the Latest Practicable Date, we (1) have not infringed; (2) are not aware of any infringement; (3) were not alleged to infringe; and (4) have not received any claims for infringement of any trademark of third parties in relation to any of the products we manufactured.

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### Sales arrangements for our OEM products


During the Track Record Period and up to the Latest Practicable Date, we have not entered into any framework or long-term sales agreements with our customers for our OEM products and our sales are concluded on a case-by-case basis. We usually enter into a sales contract with our customers for our OEM products. The sales contract includes terms covering the type, quantity and price of products purchased and the delivery schedule. The following table sets forth a summary of the principal terms of our sales contract with our customers for our OEM products:

<b>Principal terms</b>	<b>Summary</b>
Quality of product	Quality of the products shall satisfy the national standard of the PRC or the standard in the industry and the relevant standard for imported products of the importing countries as provided by the customers. We shall be responsible for the liability in relation to the products' quality during the quality preservation period.
Packaging of products	The products shall be packaged in accordance with the packaging instructions which shall be given by the customers to us before the products are due for delivery.
Delivery	The products shall be delivered to the port or warehouse as designated by the customer by the time stipulated in the sales contract. We shall be responsible for the cost of delivery.
Return or exchange of products	Products in their quality preservation period proved to have quality defects shall be returned to us for exchange.
Credit terms	Up to 60 days
Authorisation warranty (since 1 January 2015)	Trading entities warranted that they had obtained the relevant trademark authorisation and has agreed to indemnify all losses and damages caused to us arising from any such respect.

For sales of our OEM products, our customers provide us with the specifications and packaging and labelling requirements and layouts of the products. We are responsible for sourcing the raw materials (including packaging materials and labels) and bear the related costs. We are also responsible for arranging for the delivery of the products from our production facilities to locations designated by our customers in the PRC. For sales of our OEM products which will be sold to overseas countries, the trading entity customers would require the quality of our products to meet the requirements of the exporting requirements under the export and import quarantine control and the requirements of the importing countries (出入境檢驗檢疫的出口要求標準和進口國的進口要求) and they are responsible for compliance with the relevant laws, regulations and rules of the importing countries.

### **Sales of our own brand products**

For sales of products under our own brand in the PRC, distributors and retailers order products from our product catalogue. Our customers in general arrange for collection of our own brand products at our warehouse. Title and risks are passed to our customers upon collection of the products by our customers.

Since we only commenced sales of products under our own brand  (“天同時代”) in the PRC in 2012, during the Track Record Period, we had not established any comprehensive system to manage and supervise our distributors and retailers. Prior to January 2015, we had not entered into any framework or distribution agreement with any of our distributors and thus, it was difficult for us to formally manage and monitor their sales and marketing activities. For examples, our PRC distributors may sell their products to regions where we consider to have high concentration of our distributors or their sub-agents. They may also distribute other products which are competing with our products in the same region.

As one of our business strategies is to increase the domestic sales of our own brand products, we expect the number of distributors will increase in the future. Thus, we consider it is important to set up an effective system and measures to manage and monitor our distributors and distribution network in the PRC. As a result, we have started to adopt a new distributorship system since January 2015.

This new distributorship system is designed to achieve the following major objectives:

- evaluating existing distributors, eliminating which do not satisfy the requirements under our new system and establishing business relationship with new distributors with better distribution capability;
- requiring our distributors to enter into distribution agreement with us.
- enhancing the communications with and control over our distributors; and
- centralisation of the sales strategy of our own brand products to our headquarter;

### *Selection of our distributors*

We develop our new distributorship system to improve the selection of our distributors. We evaluate our existing distributors and for those which meet our requirements, we would propose to enter a formal distribution agreement with each of them. Details of such distribution agreements are set out below in the paragraph headed “Principal terms of our distribution agreements” of this section. We will not continue to engage those distributors who do not meet the requirements under our new distributorship system as our distributors. Simultaneously, we will also develop business relationship with new distributors with better distribution capability.

As at the Latest Practicable Date, we had 33 distributors and all of them had entered into distribution agreements with us. Amongst these distributors, eight of them were also our distributors as at 31 December 2014.

In selecting our distributors, we generally take into account the following factors:

- geographical area and coverage of the distributors

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- impact of new geographical distribution regions on our existing distribution regions
- experience and past records of the distributors
- the distribution network and sales capability of the distributors
- business management capability of the distributors
- creditworthiness of the distributors and compatibility with our business strategy
- coverage of distribution channels of the distributors
- operating and business management capabilities of the distributors
- financial resources of the distributors

### *Principal terms of our distribution agreements*

The following table sets forth a summary of the principal terms of our distribution agreements with our distributors under the new distributorship system as at the Latest Practicable Date:

<b>Principal terms</b>	<b>Summary</b>
Term of agreement	Up to one year.
Distribution within a designated geographical area	Yes
Designated distribution channel	The agreement stipulates the distribution channel of the distributors.
Designated products/series of products	Yes
Selling pricing	To refer to the pricing policy as stipulated by us.
Sales target	Yes
Minimum purchase amount	N/A
Minimum supply amount	N/A
Rebate	Yes, on the condition that the distributor has met the sales target.

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<b>Principal terms</b>	<b>Summary</b>
Return or exchange of products	Distributor shall not sell the products beyond their quality preservation period. Products in their quality preservation period proved to have quality defects can be returned to us for exchange.
Return of unsold or expired products	<p>Distributor must replace products whose quality preservation period is expired within three months with new products. In the event that we notice any of our products with expired consumption period, we will purchase the expired products from the shop at their retail prices for disposal. We will then trace the distributor who distributed the products and all the fees and damages incurred by us in the process shall be borne by such distributor.</p> <p>All expired products shall be destroyed by the distributor.</p>
Credit terms	Up to 60 days
Confidentiality undertaking	Yes
Non-competition undertaking	Distributors shall not sell or distribute other products which compete or likely to compete with our products.
Other undertaking	Distributor shall revert to us on a quarterly basis information including market trend and competing products.
Termination	<p>We may terminate the distribution agreement if, among others, if distributor:</p> <ul style="list-style-type: none"><li>– sells our products beyond its designated distribution region;</li><li>– maliciously disrupt our distribution network; and/or</li><li>– fails to achieve the network coverage as stipulated by us.</li></ul>

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### *Enhancing communications with and control over our distributors*

During the Track Record Period, we did not designate our staff to be responsible for each distribution regions. We have designated a total of 13 staff to be responsible for overseeing and monitoring the activities of the distributors in the distribution regions to ensure they have complied with the terms of the distribution agreements and followed our policy and strategy. Our staff is scheduled to visit from time to time the retailers which sell our own brand products and inspect the sales level of our own brand products. In the event that our staff discovers any expired own brand products in the market during the visits, they will inform the distributor who distributed the products requesting them to exchange the expired products with non-expired products. If the distributors are unable to act immediately, our staff will also record any expired own brand products and report to the headquarter for any follow up actions, including the purchase of these expired products for disposal and tracing of the distributors who distributed the products to claim for the fee and damages incurred, if required. Our staff also conducts annual review and assessment on the distributors on aspects including the inventory level and whether they distributed any expired products.

Since the commencement of sales of our own brand products in 2012 and up to the Latest Practicable Date, we have not discovered and hence purchased any expired products on the market. Therefore, we have not been compensated by our distributors for any fees and damages in this respect. We also provide our suggested pricing policy to our distributor. Our designated staff will communicate directly with our distributors and provide sales support to them.

### *Management of our distributors*

We require our designated staff to conduct regular inspections on our distributors to collect information about their sales volumes, selling prices, inventory levels and sales returns of our products. Through these inspections, we seek to ensure that the terms and conditions of our distribution agreements are being complied with. We also closely monitor the performance of our distributors by requesting them to provide us with written reports of the inventory levels of our products every month and through our access to their inventory management systems since the adoption of the distributorship system in January 2015.

Prior to the adoption of the distributorship system in January 2015, we monitored the inventory level of our products through regular communications by phone with the distributors. We also performed on-site inspection of the inventory level by visiting the distributors from time to time. We would adjust the amount of products to be supplied to the distributors based on the monitoring results. During the Track Record Period, we were not aware of any material accumulation of stock by our distributors.

We regularly evaluate the performance of our distributors based on the following factors:

- improvement in the overall sales performance;
- meeting or exceeding sales targets;
- improvement in operation and business management capabilities; and
- maintenance of their creditworthiness.

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### *Centralised operational structure*

During the Track Record Period, our place of operation in Linyi City, Shandong Province, the PRC is primarily responsible for formulating our overall distribution and sales plan and strategy. We will continue to strengthen this centralised management under the new distributorship system. The negotiations on the terms of distribution, pricing of our products and delivery schedule are conducted and determined by our headquarter and all purchase orders are centralised and concluded in the same place of operation.

This centralised system provides us an overall picture of distribution networks, details of each distributor (such as their distribution regions and distribution channels), the types of our products and the respective prices at which they are distributed and sales volume in each distribution region, etc.

### *Major difference between the new distributorship system and the previous system*

The table below sets out the major differences between the new distributorship system and the arrangement of sales to distributors we adopted prior to January 2015:

	<b>New distributorship system</b>	<b>Arrangement of sales to distributors adopted prior to January 2015</b>
Distribution agreement	Yes	No. The relationship was principally governed by the terms set out in the relevant purchase orders.
Designated geographical area of distribution	Yes, specified in the distribution agreements	No
Designated distribution channel	Yes, specified in the distribution agreements	No
Selling price	Yes, stipulated in the distribution agreements as reference	Not specified
Sales target	Yes, specified in the distribution agreements	No
Rebate	Yes, on the condition that the distributor has met the sales target	No
Return of unsold or expired products	Yes, on the conditions specified in the distribution agreements	No
Non-competition undertaking	Yes, specified in the distribution agreements	No
Termination events	Yes, specified in the distribution agreements	Not specified
Discontinuation of distributorship	Yes, if the distributor does not meet the requirements under our new distributorship system	Not specified

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### Our customers

Our domestic sales comprise processed fruit products and fresh fruit. Domestic sales of our processed fruit products are made either on OEM basis or under our own brand. Domestic OEM sales are made directly to trading entities located in the PRC. Sales of processed fruit products under our own brand are conducted directly with distributors and, occasionally, retailers in the PRC.

Our overseas sales comprise processed fruit products and are all made on OEM basis. Our overseas customers include brand-owners and trading entities located overseas. We also sold our processed fruit products on OEM basis directly to the respective brand-owners during the Track Record Period.

For further details of background of our major customers during the Track Record Period, please refer to the paragraph headed “Key factors affecting our results of operations – Relationship with our major customers” under the section headed “Financial information” of this prospectus.

The following table sets out our revenue breakdown by types of customers during the Track Record Period:

	Year ended 31 December					
	2012		2013		2014	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
Trading entities	195,399	65.1	203,662	55.0	285,261	63.8
Distributors	22,210	7.4	55,185	14.9	46,710	10.4
Brand owners	12,742	4.2	30,211	8.2	28,839	6.4
Retailers	2,510	0.8	4,083	1.1	3,623	0.8
Wholesalers and others <i>(Note)</i>	67,479	22.5	77,352	20.8	83,245	18.6
<b>Total</b>	<b>300,340</b>	<b>100.0</b>	<b>370,493</b>	<b>100.0</b>	<b>447,678</b>	<b>100.0</b>

*Note:* Wholesalers are customers who purchase fresh fruit from us. “Others” mainly represents sales of (i) frozen processed fruit; (ii) a by product, namely apricot seed (杏核); and (iii) excessive packaging materials purchased.



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The following table sets out the number and movement of each type of our customers during the Track Record Period:

	Brand owners	Trading entities	Distributors <i>(Note)</i>	Retailers	Wholesalers and others <i>(Note)</i>	Total
As at 1 January 2012	10	11	–	–	65*	86
Addition during the year	2	3	6*	12	34	57
Reduction during the year	(4)	(3)	–	–	(25)	(32)
As at 31 December 2012	<u>8</u>	<u>11</u>	<u>6*</u>	<u>12</u>	<u>74*</u>	<u>111</u>
As at 1 January 2013	8	11	6*	12	74*	111
Addition during the year	8	5	3	11	29	57
Reduction during the year	(3)	(1)	–	(7)	(6)	(18)
As at 31 December 2013	<u>13</u>	<u>15</u>	<u>9*</u>	<u>16</u>	<u>97*</u>	<u>150</u>
As at 1 January 2014	13	15	9*	16	97*	150
Addition during the year	13	6	8	6	5	38
Reduction during the year	(6)	(3)	–	(5)	(8)	(22)
As at 31 December 2014	<u>20</u>	<u>18</u>	<u>17*</u>	<u>17</u>	<u>94*</u>	<u>166</u>

*Note: One of our customers (marked with \*) purchased our fresh fruit and processed fruit products and we counted it as both a wholesaler and a distributor.*

### *Brand owners*

Brand owners are customers who purchase our processed fruit products on OEM basis for their own brands. As at 31 December 2014, we had 20 brand owner customers. For the years ended 31 December 2012, 2013 and 2014, sales to brand owners amounted to approximately RMB12.7 million, RMB30.2 million and RMB28.8 million, respectively, representing 4.2%, 8.2% and 6.4%, respectively, of our total revenue over the same period.

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### *Trading entities*

Trading entities are corporate customers in the PRC and overseas who purchase our processed fruit products on an OEM basis. As at 31 December 2014, we had 18 trading entity customers. For the years ended 31 December 2012, 2013 and 2014, sales to trading entities amounted to approximately RMB195.4 million, RMB203.7 million and RMB285.3 million, respectively, representing 65.1%, 55.0% and 63.8%, respectively, of our total revenue over the same period. The following table sets out certain information of our five largest trading entity customers during the Track Record Period:

Five largest trading entity customers	Year in which the trading entity customer was one of our five largest trading entity customers	Size of operation (Registered capital)	Location of headquarter	Business scope	Major types of target customers
Customer A	2012, 2013 and 2014	RMB30,690,000	Shandong Province, PRC	Principally engaged in the import and export of clothing and food products	Supermarkets
Customer B	2012, 2013 and 2014	RMB2,000,000	Fujian Province, PRC	Principally engaged in the import and export of canned food, daily necessities and other commodities	Supermarkets
Customer C	2012	RMB500,000	Shandong Province, PRC	Principally engaged in the import and export of canned seafood and canned fruit	Supermarkets and catering service providers
Customer D	2012	RMB1,000,000	Shandong Province, PRC	Principally engaged in the import and export of canned fruit and frozen vegetables	Supermarkets and processing plants

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Five largest trading entity customers	Year in which the trading entity customer was one of our five largest trading entity customers	Size of operation (Registered capital)	Location of headquarter	Business scope	Major types of target customers
Customer E	2013 and 2014	RMB20,200,000	Shandong Province, PRC	Principally engaged in the wholesale import and export of canned fruit and canned seafood	Supermarkets, schools and hospitals
Customer G	2013 and 2014	RMB50,000,000	Shandong Province, PRC	Principally engaged in the import and export of grocery and daily necessities including canned food	Supermarkets and processing plants
Customer H	2014	RMB2,275,000	Hebei Province, PRC	Principally engaged in the import and export of frozen food and canned fruit, and the sale of the same in China	Schools
Customer J	2013	RMB5,600,000	Zhejiang Province, PRC	Principally engaged in the import and export of canned food	Supermarkets and processing plants
Customer K	2012	GBP1,000,000 (Share capital)	United Kingdom	Principally engaged in the sales of food including canned fruit	Supermarkets

*Note: Customer F and Customer I were our distributors and therefore not included in our analysis of five largest trading entity customers.*

Our Directors confirm, to their best knowledge after making reasonable enquiries, our trading entity customers may further export the products to overseas countries or sell our products in the PRC to brand owners or their agents and they generally purchase our products after they have received sales orders from their customers. For further information on our OEM sales to the trading entities, please refer to the paragraph headed “Sales, distribution network and customers – Sales of our OEM products” of this section.

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### *Distributors*

Distributors are customers who purchase our own brand processed fruit products in the PRC. As at 31 December 2014, we have 17 distributor customers. For the years ended 31 December 2012, 2013 and 2014, sales to distributors amounted to approximately RMB22.2 million, RMB55.2 million and RMB46.7 million, respectively, representing 7.4%, 14.9% and 10.4%, respectively, of our total revenue over the same period. Our distributors are entitled to appoint sub-distributors or sell our products to retailers. For further information on our domestic sales of our own brand products to our distributors, please refer to the paragraph headed “Sales, distribution network and – Sales of our own brand products” of this section.

For the years ended 31 December 2012, 2013 and 2014, approximately 1.6%, 43.2% and 13.1% of our own brand products were sold to distributors who were individuals. The revenue derived from the sales of our own brand products to distributors who were individuals were approximately RMB0.5 million, RMB26.3 million and RMB7.0 million, respectively, for the years ended 31 December 2012, 2013 and 2014, accounting for approximately 0.2%, 7.1% and 1.6%, respectively, of the total revenue for the corresponding year. The increase in the sales of own brand products to individuals in the year 2013 was due to the increase in the sales to one distributor, who is an individual businessman based in Zhejiang Province, the PRC engaging in the domestic sales of canned food, health food and wine.

All of our distributors during the Track Record Period are Independent Third Parties, who do not have any past or present employment relationships with our Group, shareholders, directors or any of their respective associates.

### *Retailers*

During the Track Record Period, processed fruit products of our own brand were also sold to retailers in the PRC. Retailers located in the PRC include retail shops operated by corporate or individual proprietors. As at 31 December 2014, we had 17 retailer customers. For the years ended 31 December 2012, 2013 and 2014, the sales to retailers amounted to approximately RMB2.5 million, RMB4.1 million and RMB3.6 million, respectively, representing 0.8%, 1.1% and 0.8%, respectively, of our total revenue over the same period.

### *Wholesalers and others*

During the Track Record Period, we sold fresh fruit to wholesalers in the PRC. We also sold (i) frozen fruit products; (ii) a by-product, namely apricot seed (杏核); and (iii) excessive packaging materials to other customers. As at 31 December 2014, we had 94 wholesalers and other customers. For the years ended 31 December 2012, 2013 and 2014, sales to wholesalers and other customers amounted to approximately RMB67.5 million, RMB77.4 million and RMB83.2 million, respectively, representing 22.5%, 20.8% and 18.6%, respectively, of our total revenue over the same period.

### **Pricing strategy and policy**

The price of our products is in general determined on a “cost-plus” basis, comprising the price of the raw materials and the labour costs with reference to various factors including gross

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margin, market demand, anticipated market trends, historical sales data, prices of our competitors' products. As a result of our "cost-plus" pricing strategy, our Directors believe that we can generally pass on the increase in purchase costs of raw materials to our customers. We review and adjust our prices periodically based on these factors and other general market conditions.

### **Credit period and payments**

Our sales managers and finance managers, are responsible for assessing the credit risk of our new customers to determine credit period and credit limit (if any) to be offered to them. We have adopted credit approval and assessment procedures for our customers. At the beginning of each year, our sales and marketing department will evaluate our customers' payment records and the evaluation results are submitted for review by our sales manager. Before delivery of our products to customers who have not yet fully paid for the products delivered under previous orders, our finance department will review such customer's credit limit. If the total outstanding amount under the previous orders and the purchase amount under the current orders exceeds the credit limit of such customer, additional approval are sought from our sales manager and finance manager and factors including the financial status, payment history and market position of such customer may be considered before approvals are given. Our sales team also reconciles the receivable balance with the transaction amounts of respective customers and provides report on receivables to our sales managers on a monthly basis.

We generally grant to our customers a credit period of 30 days to 60 days based on factors including their scale of operations, length of business relationship and historical payment records.

We may, however, consider extending the credit period for certain customers on a case-by-case basis. Our domestic customers generally settle our payments by bank transfer in RMB. Our overseas customers mainly settle our payments in U.S. dollars by way of bank transfer. During the Track Record Period, our sales denominated in U.S. dollars accounted for approximately 9.7%, 11.6%, and 7.7%, respectively, of our total revenue. We have not adopted any arrangement to hedge any fluctuation in the foreign currency in relation to our overseas sales during the Track Record Period.

During the Track Record Period, we did not experience any major defaults in payments or bad debts from our customers which may materially affect our financial condition and operating results.

### **Delivery and logistics**

Delivery of our products to (i) our overseas customers is principally on a free on board (FOB) basis and mainly made by shipment and (ii) our domestic customers is made by road transit. We in general engage third party logistics service providers to deliver our products from our production facilities or warehouses to the ports or locations specified by our customers.

Our logistics service providers are liable for any delay of delivery, spoilage, damage or loss of products which arises during transportation. For export sales, we are responsible for handling the export customs clearance procedures. During the Track Record Period, we engaged one PRC export agent with headquarter located in Qingdao, Shandong Province to provide administrative services for the export of our products, including arranging transport and cargo services,

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completing export customs clearance procedures and taking out insurance for our products exported to overseas. While we had obtained all relevant health and food safety approvals, certificates, registrations or any other legally required documentation from the relevant government authorities in the PRC and in the destination countries with respect to the relevant exported products for our overseas OEM sales during the Track Record Period, we consider it to be more efficient and cost effective to leverage on the expertise of the PRC export agent to handle the relevant export procedures for products exporting from the port in Qingdao, Shandong Province. Nevertheless, we have obtained the registration certificate ourselves for consignors and consignees for import and export of goods issued by the General Administration of Customs of Linyi, the PRC.

For the years ended 31 December 2012, 2013 and 2014, the delivery cost for engaging third party logistics service providers amounted to approximately RMB2.9 million, RMB3.9 million and RMB4.3 million, respectively, representing approximately 1.0%, 1.1% and 1.0%, respectively of our total revenue for the corresponding year.

Our Directors confirm that we have not experienced any material disruption or damage to our products in the delivery of our products during the Track Record Period.

### **Our five largest customers**

For the years ended 31 December 2012, 2013 and 2014, our sales to our five largest customers amounted to approximately RMB193.1 million, RMB175.7 million and RMB196.6 million, representing approximately 64.3%, 47.4% and 43.9%, respectively, of our total revenue, and our sales to our largest customer amounted to approximately RMB47.9 million, RMB56.9 million, and RMB51.2 million, representing approximately 15.9%, 15.4% and 11.4%, respectively, of our total revenue during the same period. None of our Directors, their close associates or any Shareholders who, to the knowledge of our Directors, owns more than 5% of our Shares in issue has any interest in any of these five largest customers immediately following completion of the Global Offering.

### **ENTITIES WHO ARE OUR CUSTOMERS AND ALSO OUR SUPPLIERS**

During the Track Record Period, our Directors confirm that 10 of our customers were also our suppliers. For the years ended 31 December 2012, 2013 and 2014, our sales to these 10 entities accounted for approximately 0.5%, 1.3% and 3.2%, respectively, of our total revenue. During the same period, our purchase from such 10 entities accounted for approximately 1.1%, 3.4% and 0.7%, respectively, of our total purchase of raw materials. Gross profit for the sale to these 10 entities for the years ended 31 December 2012, 2013 and 2014 was approximately RMB0.1 million, RMB1.2 million and RMB3.9 million, respectively, and the gross profit margin was 5.5%, 30.7% and 26.9%, respectively, over the same period. The gross profit margin for the sales to these 10 entities for the year ended 31 December 2012 was lower primarily due to the loss in the amount of RMB0.3 million we incurred in a transaction in which we sold our processed strawberry products to a customer at competitive price in Germany with an aim to developing our presence in Germany. Other than this single transaction in 2012, the gross profit margin for the sales to these 10 entities is at similar level with the overall gross profit margin for the years ended 31 December 2013 and 2014. Based on their historical record and credit, we granted a credit period of not more than 60 days to these 10 entities which was in line with the credit period we granted to our other customers. Our Directors confirm that, these entities and their ultimate beneficial owners are

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Independent Third Parties. These 10 entities principally engage in wholesale and retailing of fresh fruits and processed food including processed fruit products.

Our Directors believe that it is not uncommon for market players to play both supplier and customer roles in the PRC. We mainly purchased their fresh fruits for our production of processed fruit products and we mainly sold our processed fruit products and fresh fruits to them for their re-sales of such product. Although some of these customers also engage in sales of fresh fruits, they may not be able to supply all types of fruits as required for their customers' needs and preferences and thus, they may need to purchase some other types of fresh fruits from us accordingly. Negotiations of the terms of our sales to and purchases from these 10 entities were conducted on individual basis and the sales and purchases were neither inter-connected nor inter-conditional with each other. Our Directors confirm that, during the Track Record Period, the products we purchased from these 10 entities were not sold to these 10 customers. The terms of transactions with these 10 entities are in line with the market and similar to those transactions with our other customers and suppliers.

### QUALITY CONTROL

The quality preservation period of our processed fruit products in metal containers is to be of at most three years, the processed fruit products in plastic cups is to be of at most 18 months and the processed fruit products in glass containers is to be of at most three years. As we do not add any preservatives to preserve our processed fruit products, it is extremely crucial that our processed fruit products are not contaminated during the production process. As such, we have implemented strict control system throughout our production process from raw materials and packaging materials inspection, each production process to finished goods storage and delivery.

As at 31 December 2014, our quality control department consisted of eight staff and was led by Ms. Lv Chunxia. For further information of her qualifications and experience in the fruit processing industry, please refer to the section headed "Directors and senior management" of this prospectus. The majority of the staff in our quality control department have over 10 years of experience in the quality control in the food industry and possess relevant food inspection experience.

We have formulated quality control system in accordance with the requirements under the relevant PRC laws and regulations and implemented quality control measures throughout our manufacturing process. Our quality control team is in charge of the overall quality control of the production and review of the implementation of our quality system on a regular basis. They are responsible for identifying any quality control issues and providing solutions to the production team to address the quality control issues. We will also allocate with our quality control staff to examine our products at each key stage of production to ensure that the quality of our products meet the required quality standards. In addition, our quality control staff reviews the implementation of our quality control system on a monthly basis and submits to the management product quality inspection reports which set forth the quality inspection results of our raw materials and finished products, production process and compliance with the relevant national standards on production quality and food safety and recommended improvement procedures. Members of our production team and quality control team are required to acquire relevant knowledge and trainings in relation to the production and product assessment and look out for certain quality control issues.

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As a result of our high quality control standard, we have been accredited with BRC (A+), IFS Food (high), HALAL, QS, KOSHER and ISO22000. For further information of these certifications, please refer to the paragraph headed “Certifications and awards” of this section.

### **Raw material inspection**

We have implemented a raw material control system whereby each batch of raw materials delivered to our production facilities are tested on a sampling basis for both physical and chemical properties, such as appearance, hygiene standards and chemical content. For further information of our raw material quality control measures, please refer to the paragraph headed “Raw materials and major suppliers – Our suppliers” of this section. According to our procurement contracts, we are entitled to return any defective raw materials to our suppliers and they are responsible for the costs incurred. All inner packaging materials are to be checked and inspected. We have also implemented policies in relation to the storage of raw materials, including shelf life, storage temperature, and ventilation humidity requirements.

We also have implemented a policy in the transportation of raw materials. For further information of such policy, please refer to “Raw materials and major suppliers – Transportation of raw materials” of this section.

### **Production process inspection**

Each stage of our production is closely monitored by our quality control staff. Our quality control department is responsible for ensuring (a) our staff has followed our guidelines on production procedures; (b) consistency in size and weight of our processed fruit products; (c) there is no contamination in our products; (d) our products meet the quality, hygiene and food safety standards set by our OEM customers, our internal guidelines and the PRC government. In particular, before canning of our product, all of our products have to go through a metal detection process to ensure the food safety of our products.

We have imposed quality control on every key production process, in particular, in the process of inspection of raw materials, inspection and sterilisation of inner packaging materials, metal detection, weighing, sealing, pasteurisation and cooling.

The production of our processed fruit products involve the washing, cleaning and pre-cooking of fresh fruit and filling of liquid base, and all these processes require the consumption of water. We have stringent measures to control the quality of water we used in our production. We have established a water supply system exclusively for use in our production. All the water we use for our production must meet the GB5749 standard and our quality control staff will test the water daily to ensure that the water complies with such standard. The “GB5749 standard” is the standard for drinking water as stipulated under the Standards for Drinking Water Quality (生活飲用水衛生標準) issued by the Standardisation Administration of Ministry of Health of the PRC (衛生部和國家標準化管理委員會). There are also regular cleaning of the production water supply system, each water outlet and storage tank.

In addition, we adopt strict hygiene and safety standards at our production workshop to prevent any contamination in our products. We require our production staff to clean and sterilise our production workshop daily before and after the production with designated cleanser and



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steriliser. All wastes are to be disposed of at regular intervals during the day. It is strictly required that one production line should be used to produce one type of product at a time. All our employees are required to follow strict sanitising procedures, wear caps, uniforms, gloves, overshoes and take off all accessories before they are allowed to enter into our production workshops.

### **Finished goods inspection**

Each batch of our finished products is tested on a sampling basis and inspected to ensure that they are properly sealed, consistent in labelling and packaging and have met the relevant quality standards. For processed fruit products in metal containers, our internal guidelines require the same to be stored in a steady status for at least 10 days after their production for the purpose of detecting the proper sealing of the containers as part of our quality control measure. Before we deliver our processed fruit products to our customers, we also perform tests on our finished products on a sampling basis in relation to the level of bacteria contained in our processed fruit products.

### **Response to customers' complaints and feedbacks**

It is our policy that all complaints and feedbacks from our customers or consumers are handled promptly upon receipt. Complaints are collected, processed and sent to relevant departments for their analysis with a view to improving and resolving any deficiency promptly so as to enhance customer satisfaction. Our customers are entitled to refuse to accept our products which do not meet the specification of our customers. The sales and marketing department is also required to prepare a list setting out the details of the reasons of complaints in question, how the complaints were handled and preventive measures to prevent recurrence of similar incidents.

### **Product return policy**

We accept return or exchange of any defective product or damaged product during delivery from our customers after our examination and approval. We will refund our customers the relevant purchase amount for any defective or damaged product returned to us or exchange the defective or damaged products for new products.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material complaints on product quality or material product return or any product recall due to product quality defects or damages during delivery or any material product liability claims.

## **INVENTORY MANAGEMENT**

Our inventory comprises mainly of raw materials, frozen processed fruit products and finished products. We have implemented an effective inventory control system that requires close co-ordination among our various functional departments including the procurement, production, finance and inventory management departments. We closely monitor our inventory level to meet our production requirements and to minimise any wastage on inventory and avoid obsolete inventory.

### **Raw materials**

Our inventory level is determined principally by our production requirements and the orders received by us, we generally maintain minimal inventory level of fresh fruit. During the season of harvest, we generally consumed the fresh fruit for production on the same day they are delivered to

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our production facilities. As one of the measures to minimise the seasonality impact of fresh fruit supply, we freeze certain types of fresh fruit after process during their harvest season for use as raw materials for our production in other seasons. The inventory level of such frozen processed fruit products is based on historical sales volume and anticipated growth.

For commonly used sugar and packaging materials, we usually maintain an average inventory level of approximately less than one month to support our production needs.

We adopt a first-in-first-out approach for the utilisation of the raw materials. We continuously monitor our inventory level by conducting regular checks on quality and quantity. In addition, our procurement staff work closely with our production staff to formulate our procurement plan and budget.

### **Finished goods**

As we usually proceed to production pursuant to the confirmed orders placed by our customers, we generally do not maintain a high level of inventory for finished goods.

As at 31 December 2012, 2013 and 2014, the finished goods inventories amounted to RMB41.2 million, RMB22.5 million and RMB31.4 million, respectively.

### **Warehouse management**

As our major raw materials, fresh fruit, are perishable, and we have to safeguard our other raw materials and finished goods from any contamination, we store each type of raw materials and finished goods in different compartments of warehouses with clear labelling and complete records. Our warehouse management policy also imposes requirements on temperature, ventilation and humidity, etc..

## **RESEARCH AND DEVELOPMENT**

Our research and development team are used to be part of our quality control department. In light of our continuing development and expansion, we consider that a strong research and development capability is important. In October 2014, our research and development team is detached from our quality control department to become one of our organisational departments. As at 31 December 2014, our research and development team comprised six staff, led by Ms. Lv Chunxia. The majority of the staff in our research and development team have over five years of experience in the fruit processing industry.

We have successfully expanded our product varieties through continuous research and development. Our product development process is quality-focused and market-oriented and focus on enhancing and expanding our existing product lines, including quality improvement and introduction of new flavours and textures, as well as identifying new products in response to our end consumers' preference. Our research and development team relies on the market research reports regularly submitted by our sales and marketing team which gather market information about our processed fruit products. In response to changes in tastes and preferences of customers, our research and development team continues to develop various products with different textures and flavours. We invite some of our staff and customers to taste these newly developed samples and they will vote for their favourite and provide their comments. Based on their feedbacks, our research and development team will adjust the taste and/or texture of the samples accordingly. The most popular sample will then be launched to the market as our new product.

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Our new products fruit sorbet (水果霜) has been launched to the market in April 2015, and fruit puree (水果泥) is scheduled to be formally launched to the market in the last quarter of 2015.

For the years ended 31 December 2012, 2013 and 2014, our research and development expenses amounted to approximately RMB0.2 million, RMB0.4 million and RMB0.6 million, respectively.

### MARKETING AND PROMOTION

As of 31 December 2014, our sales and marketing department consisted of 22 staff who are primarily responsible for communication with our existing customers, assisting with the provision of after-sales services to our customers, implementing our marketing strategies, supervising marketing and promotional activities and gathering market feedbacks on our products.

We sold our own products under our own brand  (“天同時代”) since 2012. To promote brand recognition, and marketability of our products, we engage in a variety of marketing and promotional activities, including billboard advertisement.

We plan to place more resources and effort in marketing and promoting our brands and own brand products. We plan to promote different types of our own brand products under separate brands. Advertising through television, internet, in-store display, printed media, outdoor billboards, newspapers and magazines will be conducted to enhance the public awareness and recognition of our brands.

In addition, we will continue to participate in various domestic and international trade shows and food exhibitions to make our products more visible to potential buyers, collect up-to-date information on market trends and consumer preferences, and seek other potential business opportunities.

For the years ended 31 December 2012, 2013 and 2014, our advertising costs were RMB0.7 million, RMB70,000 and RMB0.6 million, respectively, representing 8.4%, 0.7% and 5.5%, respectively, of our total selling and distribution expenses over the same period.

### CERTIFICATIONS AND AWARDS

#### Certifications

The following table sets out the latest major certifications received by us. As a result of these certifications, our products can be sold to overseas market:

Date of grant	Certifications	Awarding body and country	Expiry date
10 October 2013	ISO22000:2005/GB/T 22000-2006	Moody International Certification Limited T/A Intertek, U.K.	14 November 2015
1 April 2015	Kosher Certification	OK Kosher Certification, U.S.A.	31 March 2016
1 September 2014	Global Standard for Food Safety Issue 6: July 2011, Grade A+ (BRC A+)	Intertek Certification Limited, U.K.	20 October 2015
3 September 2014	IFS Food Version 6, April 2014 at Higher Level	Intertek Certification GmbH, Germany	1 November 2015
8 February 2015	HALAL certificate	Shandong Islamic Association in China	7 February 2016

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### Awards

The following table sets forth the major awards received by us:

Date/ Year of grant	Awards	Awarding body	Expiry date
September 2007	Leading Enterprise in Agricultural Industrialisation in Major Cities (農業產業化市重點龍頭企業)	Linyi City People's Government (臨沂市人民政府)	N/A
June 2010	Leading Enterprise in Agricultural Industrialisation in Shandong Province (山東省農業產業化重點龍頭企業)	Shandong Province Agricultural Department (山東省農業廳)	N/A
November 2010	China's Quality-credible Enterprise (中國質量誠信企業)	China Entry-Exit Inspection and Quarantine Association (中國出入境檢驗檢疫協會)	N/A
December 2010	Demonstrative Enterprise in Processing National Agricultural Products (全國農產品加工示範企業)	Ministry of Agriculture of the PRC (中華人民共和國農業部)	N/A
2010	Grade A Unit in Food Hygiene (食品衛生等級A級單位)	Shandong Province Health Department (山東省衛生廳)	N/A
January 2014	2013 Star Enterprise (二〇一三年度明星企業)	Party Union and Committee of Shandong Linyi Hedong Industrial Park (Linyi Linkong Economic Zone) (山東臨沂河東工業園區 (臨沂臨空經濟區)黨工委、管委會)	N/A
May 2014	2013 Enterprise with the Highest Business Vitality and Potential in the PRC Canned Food Industry (2013年中國罐頭行業最具發展活力與潛質企業)	China Canned Food Industry Association (中國罐頭工業協會)	N/A
8 July 2014	Workplace conditions assessment – Achievement Award	Intertek Certification Limited	7 July 2015

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### MARKET AND COMPETITION

According to the Frost & Sullivan Report, the canned fruit market in China is very fragmented with over 1,000 canned fruit manufacturers, among which only a small number of brands have national coverage and no individual canned fruit manufacturer in China has over 5% of the total market share in terms of sales revenue of canned fruit in 2013. Although the entry barriers to establish and operate processed fruit products manufacturing business in China are relatively low, our Directors believe that the key to success in the processed fruit products market includes factors as follows: (i) recognised quality control systems; (ii) stable supply of raw material; (iii) extensive distribution and sales network; (iv) substantial capital investment; (v) strong product development capability and (vi) brand recognitions.

We are aware that we face competitions from international brands which have substantially greater financial, product development and human resources and better brand recognition than we have. We believe, however, that we are able to remain competitive in the fruit processing market as we have (i) stable supply of fresh fruit, our key raw materials; (ii) recognised quality control system for maintaining high hygiene and food safety standard of our products; and (iii) an experienced management team comprising our Directors and senior management. Please refer to the paragraphs headed “Competitive landscape of the canned fruit market in China” in the section headed “Industry overview” and “Our competitive strengths” in the section headed “Business” of this prospectus for further details.

### INSURANCE

We maintain various insurance covering our properties, including our buildings, motor vehicles, fixed assets, machinery equipment and finished goods.

As at the Latest Practicable Date, we maintain product liability insurance for part of our sales. As confirmed by our PRC Legal Adviser, we are not required under the PRC laws to maintain any product liability insurance. We believe that it is not the usual industry practice in the PRC to maintain such insurance.

For the years ended 31 December 2012, 2013 and 2014, the premiums we paid for our insurance were approximately RMB66,000, RMB62,000 and RMB53,000, respectively.

We believe that our insurance coverage is adequate in the context of our business and in line with industry practice. During the Track Record Period and up to the Latest Practicable Date, we have not made or been the subject of any material insurance claims.

### ENVIRONMENTAL PROTECTION

We are subject to the PRC national and local environmental laws, regulations and rules including, among others, the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》). Our PRC Legal Adviser confirms that we are not required to comply with any special legal or regulatory requirements other than those applicable to all manufacturers in the PRC.

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The primary wastes generated from our production process are waste water, solid waste, dust and noise. To ensure our production complies with the applicable PRC environmental protection laws and regulations, we have implemented the following environmental protection measures:

- the waste water generated in the course of our production has been processed in our waste water processing plant before discharge;
- with the utilisation of gas boiler in our production plant since December 2014, we target to achieve “zero-emission” level; and
- we dispose of our production wastes through third party wastage processing companies with relevant qualifications.

Our cost of compliance with the applicable environmental protection laws and regulations for the years ended 31 December 2012, 2013 and 2014 was approximately RMB20,000, RMB 20,000 and RMB20,000, respectively. Going forward, we expect to incur increasing amount of costs in the near future in accordance with the expanding production capacity and additional workshops, subject to any future changes in applicable environmental laws and regulations which may arise.

Our Directors believe that we have adopted effective measures to prevent and control pollution to the environment. Our PRC legal Adviser confirms that our Group has complied with the relevant environmental laws and regulations in the PRC in all material respects and we have not been subject to any penalty for failure to comply with the applicable environmental laws and regulations during the Track Record Period and up to the Latest Practicable Date.

### OCCUPATIONAL SAFETY

We are subject to the PRC laws and regulations on labour, safety and work-related incidents. We provide safety protection to our employees working in our production facilities, which includes the distribution of protective work gear to our employees. We have in place safety guidelines and operating manuals setting out safety measures for our production process. We also provide our employees with training programmes on work safety to ensure that all of our employees are aware of our safety procedures and policies, which includes guidelines for safety management, emergency situations, proper operation and usage of equipment and machinery and accident reporting rules.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we have not encountered any incidents or complaints that would materially and adversely affect our operations.

As confirmed by our PRC Legal Adviser, during the Track Record Period and up to the Latest Practicable Date, we have complied with the PRC workplace safety regulatory requirements in all material respects.

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### EMPLOYEES

As at 31 December 2014, our Group had a total of 640 employees in the PRC. The following table sets out the functional distribution of our Group's employees as at 31 December 2014.

	<b>Number of employees</b>
Senior management	3
Human resources and administration	17
Production	570
Quality control	8
Procurement	3
Sales and marketing	22
Research and development	6
Inventory management	4
Finance	7
<b><i>Total</i></b>	<b><u>640</u></b>

When we make hiring decisions, we take into account factors such as our business strategies, our development plans, industry trends and the competitive environment. We recruit our employees based on a number of factors such as their work experience, education background and vacancy needs. All of our employees are paid at a fixed salary and may be granted other allowances and commissions based on their position and performance.

We believe that the ability to recruit and retain experienced and skilled labour is crucial to our growth and development. We provide trainings to our new employees and such trainings cover various areas of our operations including knowledge on the operations of the production machinery and equipment, safety inspections, and the internal control system of our Group. In addition to providing our staff the opportunities to receive on-the-job trainings, we strive to create a harmonious, warm working and living environment for our staff.

We believe that our working environment and the support and benefits provided to our employees have positive contribution in maintaining a good relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any strike, labour dispute or other labour disturbances which have materially and adversely interrupted our operations.

### **Social insurance contribution**

As required under the applicable PRC laws and regulations, we are obliged to participate in the social welfare schemes which provide pension insurance, medical insurance, work injury insurance, maternity insurance and unemployment insurance for our employees based on the actual wages of employees. For further information, please refer to the paragraph headed "Non-compliance" of this section.

### **Housing provident fund**

We are also required under the applicable PRC laws and regulations to provide our employees in the PRC with the social welfare schemes covering housing provident funds and housing benefits based on the actual wages of employees. For further information, please refer to the paragraph headed “Non-compliance” in this section.

For the years ended 31 December 2012, 2013 and 2014, we incurred staff costs (excluding Directors’ remuneration) of approximately RMB19.0 million, RMB23.5 million and RMB28.7 million, respectively.

### **INTELLECTUAL PROPERTY**

Our production know-how in the production process is important to our success. We have not applied for patent registration of our production know-how as it may not be patentable without disclosing the details to the public.

We enter into confidentiality agreements and non-competition agreements with certain employees such as our senior management and technicians. These agreements generally require these employees to keep all information relating to our technology, patents, operation and trade secrets in strict confidential and restrict them from engaging in any business which competes with or similar to our business during and after the termination of their employments with us and until such information becomes public information.

As at the Latest Practicable Date, we had registered three trademarks in the PRC and applied for nine trademarks in the PRC and two trademarks in Hong Kong. For further information of our intellectual property rights, please refer to the paragraph headed “Intellectual property rights of our Group” in Appendix V to this prospectus.

So far as our Directors are aware, during the years ended 31 December 2012, 2013 and 2014 and up to the Latest Practicable Date, we have not infringed or were not alleged to infringe any intellectual property rights owned by third parties and we had not been subject to any material intellectual property claims against us or involved in any material intellectual property dispute.

### **PROPERTIES**

Our existing production facilities are located on a parcel of land (the “**Land**”) with a total site area of approximately 106,312 square metres in Linyi City, Shandong Province, the PRC comprising production plants, ancillary facilities, offices, dormitories and canteens (the “**Production Facilities**”) with a total gross floor area of approximately 40,181.7 square metres (the Land and the Production Facilities together as the “**Properties**”).

During the Track Record Period, we leased the Properties from Yuanyu, a connected person of our Company. For the years ended 31 December 2012, 2013 and 2014, the amount of rent paid by us to Yuanyu amounted to RMB2.8 million, RMB2.8 million and RMB2.8 million, respectively. According to the property valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the rent paid by us to Yuanyu during the Track Record Period in respect of the Properties was fair and reasonable for a term commencing from 16 January 2010 for similar premises in similar locations in the PRC.



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On 19 March 2015, we entered into a land and properties transfer agreement with Yuanyu pursuant to which Yuanyu has agreed to transfer to Shandong Tiantong the Properties at a consideration of RMB80.0 million, which has been determined with reference to the fair value of the Properties after arm's length negotiations. The consideration will be financed by our internal resources and bank loans and will be settled prior to the Listing. As advised by our PRC Legal Adviser, we have obtained the building ownership certificates by 9 June 2015 and land use rights certificate on 10 June 2015.

For further information of the property interests held and occupied and under development by us, please refer to the property valuation report as set out in Appendix III to this prospectus.

### LICENCES AND PERMITS

As at the Latest Practicable Date, our PRC Legal Adviser confirms that each member of our Group had obtained the requisite governmental licences, permits and certification and renewal in all material aspects which are necessary for its respective operations, our Group have complied, in all material respects, with all applicable laws and regulations in the PRC. Our Directors confirm, and our PRC Legal Adviser concurs, that during the Track Record Period and up to the Latest Practicable Date, our Group has not experienced any difficulties in renewing any of our licences, permits and certification necessary for our operations in the PRC.

Below are the key governmental licences, permits and certification our Group currently holds:

Licence/permit	Issuing authority	Date of issue	Date of expiry
Industrial Products Production Permit (Food) (工業產品生產許可證)(食品)	Shandong Supervisory Department of Food and Drugs (山東省食品藥品監督管理局)	14 November 2014	13 November 2017
Corporate filing for product of food for export (出口食品生產企業備案證明)	Shandong Department of Quarantine (山東出入境檢驗檢疫局)	29 September 2012	28 September 2016
Registration of foreign trading operators (對外貿易經營者備案登記表)	Filing registration of foreign trading operators (對外貿易經營者備案登記)	11 October 2011	N/A
Registration Certificate of Customs Declaration (中華人民共和國海關報關單位註冊登記證書)	Customs of Linyi, PRC (中華人民共和國臨沂海關)	16 January 2015	N/A

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Licence/permit	Issuing authority	Date of issue	Date of expiry
Certificate of registration of farm producing fruits for export (山東出境水果果園註冊登記證書)	Shandong Department of Quarantine (山東出入境檢驗檢疫局)	6 February 2013	5 February 2016
Shandong registration certificate of packaging of fruit for export (山東出境水果包裝廠註冊登記證書)	Shandong Department of Quarantine (山東出入境檢驗檢疫局)	6 February 2013	5 February 2016
Waste water discharge permit (排污許可證)	Linyi Environmental Protection Bureau (臨沂市環境保護局)	26 April 2014	26 April 2015 (Note)

*Note:* According to our PRC Legal Adviser, pursuant to the Notice on Suspension on the Granting of Water Discharge Permit by Linyi Environmental Protection Bureau (臨沂市環境保護局關於暫停發放排污許可證的通知) issued by Linyi Environmental Protection Bureau (臨沂市環境保護局) on 13 April 2015, the Linyi Environmental Protection Bureau has ceased to process any application and granting of waste water discharge permit in light of the introduction of the management system relating to sewage discharge by the revised Environmental Protection Law of the PRC (中華人民共和國環境保護法) in 2014. However, the details of implementation of the management system have not been issued and corporations are allowed to discharge sewage in accordance with the existing sewage discharge standards notwithstanding the expiry of the existing sewage discharge permit. As such, our PRC Legal Adviser is of the opinion that before the issuance of the details of implementation of the sewage discharge management system, there is no need for us to renew the sewage discharge permit. We are allowed to discharge sewage in accordance with the existing sewage discharge standards and will not be penalised for discharging sewage without sewage discharge permit. Hence, our operation and production will not be adversely affected.

### LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, Our Directors confirm, to their best knowledge after making reasonable enquiries, there was no litigation or arbitration proceedings pending or threatened against us or any of our Directors which would have a material adverse effect on our operations, financial condition, operating results or reputation.

### NON-COMPLIANCE

Save as disclosed below, we complied with the laws and regulations applicable to us in all material aspects during the Track Record Period and up to the Latest Practicable Date. The following sets out the details of our non-compliance incidents during the Track Record Period:

#### **Failure to register with the relevant authorities and did not make contributions in full to the social insurance funds**

##### *The incident*

During the Track Record Period, one of our PRC subsidiaries had not registered with the relevant authorities in respect of the social insurance funds on time and two of our PRC subsidiaries had not make contributions in full to the social insurance funds for all of their employees based on actual wages of employees.

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For the years ended 31 December 2012, 2013 and 2014, the difference in the actual amount paid by us in relation to social welfare schemes and the amount which should have been paid by us pursuant to the requisite contribution requirements were approximately RMB3.4 million, RMB3.9 million and RMB5.4 million, respectively. We believe that such amount of social insurance funds contribution will not have material adverse impacts on our Group's business and operations.

### *Reason*

The non-compliance was mainly due to different levels of acceptance of the social welfare scheme by our employees.

### *Laws and regulation concerning penalty*

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法), the relevant authorities may demand us to register within a prescribed period if we have not registered on time, and may demand us to pay the difference in social insurance funds contribution based on the actual wages of employees within a stipulated deadline and we may be liable to a penalty equal to 0.05% of the difference calculated daily from the date the relevant insurance funds became payable and if we fail to make the required payment within the prescribed time limit, we may be subject to a fine of one to three times of the overdue amount.

### *Corrective actions and impact on our Group*

We have obtained confirmations on 19 March 2015 from the relevant and competent local social insurance funds authorities confirming that no penalty has been imposed on our PRC subsidiaries. Our PRC subsidiary has registered with the relevant local social insurance funds authorities on 2 February 2015. We have made social insurance contributions in full with the relevant laws and regulations since March 2015.

### *Measures in place to prevent recurrence*

To rectify such non-compliance, we will continue to communicate with our employee with regard to the social welfare scheme and contribute to the social welfare scheme for our employees in line with the standards stipulated under the applicable PRC laws and regulations. The Audit Committee will review, on a monthly basis, if the social insurance contributions have been made for all employees in compliance with the Social Insurance Law of the PRC (中華人民共和國社會保險法). Mr. Yang and Mr. Sun, our executive Directors, will review the records of the social insurance contributions regularly.

We have set up a compliance and internal control department on 13 April 2015, to ensure our future compliance with the relevant laws and regulations, and to further enhance our internal control measures. The compliance and internal control department, comprising four personnel, is led by Mr. Ho Ho Tung Armen, our chief financial officer and company secretary and the other members of the department include Mr. Sun, our executive Director, and two other staff. For further information of the qualification and experience of Mr. Sun and Mr. Ho, please refer to the section headed "Directors and senior management" of this prospectus. The duties of the compliance and internal control department are contained in a written policy approved by our Directors and include, among others, (1) formulating the internal control policies of our Group; (2)

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monitoring the internal control system of our Group; (3) identifying, assessing and reporting risks associated with the general operation and regulatory compliance of our Group; and (4) seek external advice on compliance and internal control related matters when appropriate. The compliance and internal control department reports directly to the Audit Committee and Mr. Yang, our executive Director, chief executive officer and chairman of the Board. The Audit Committee will be in charge of monitoring the entire internal control system of our Company, and report directly to the Directors and the Shareholders when needed.

We have also engaged our PRC Legal Adviser on 27 April 2015 to act as our external PRC legal adviser for a period of 12 months following the Listing, and provide our Directors, senior management members and employees with relevant training to update them with the latest PRC laws and regulations.

### **Failure to register with the relevant authorities and did not make any contributions to the housing provident funds**

#### *The incident*

During the Track Record Period, two of our PRC subsidiaries had not registered with the relevant authorities in respect of the housing provident funds and did not make any contributions to the housing provident funds for their employees.

For the years ended 31 December 2012, 2013 and 2014, the amount of housing provident fund which should have been paid by us pursuant to the requisite contribution requirements were approximately RMB1.0 million, RMB1.2 million and RMB1.7 million, respectively. We believe that such amount of housing provident funds contribution will not have material adverse impacts on our Group's business and operations.

#### *Reason*

The non-compliance was mainly due to some employees are of the view that they might not be able to enjoy the benefit of the housing provident contribution and they do not want to participate in the housing provident contribution scheme and make their portion of contribution.

#### *Laws and regulation concerning penalty*

According to the Regulations on the Management of the Housing Provident Funds (住房公積金管理條例), the relevant authorities may demand us to register and establish an account for housing provident funds for its employees within a prescribed period and the relevant housing provident funds authorities may impose a penalty from RMB10,000 to RMB50,000 if we fail to do so. The relevant housing provident funds authorities may also order our relevant PRC subsidiaries to pay the outstanding amounts of the housing provident funds within the prescribed time period. If our PRC subsidiaries fail to do so, the relevant housing provident funds authorities may apply to the relevant PRC court for the enforcement of the unpaid amounts.

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### *Corrective actions and impact on our Group*

We have obtained confirmations on 13 March 2015 from the relevant and competent local housing provident funds authorities confirming that no penalty has been imposed on our PRC subsidiaries. Our PRC subsidiaries have registered with the relevant local housing provident authorities on 3 February 2015. We have made housing provident fund contributions in full with the relevant laws and regulations since March 2015.

### *Measures in place to prevent recurrence*

To rectify such non-compliance, we will continue to communicate with our employee with regard to the housing provident fund and contribute to the housing provident funds for our employees in line with the standards stipulated under the applicable PRC laws and regulations. The Audit Committee will review, on a monthly basis, if the housing provident fund contributions have been made for all employees in compliant with the Regulations on the Management of the Housing Provident Funds (住房公積金管理條例). Mr. Yang and Mr. Sun, our executive Directors, will review the records of the housing provident fund contributions regularly.

We have taken measures to prevent the recurrence of this non-compliance incident. For details of such measures in place, please refer to the paragraph headed “Failure to register with the relevant authorities and did not make contributions in full to the social insurance funds – Measure in place to prevent recurrence” of this section of the prospectus.

On the basis that (1) since the non-compliance incidents were identified and drawn to the attention of our Directors, our Directors have taken proactive and prompt actions to stop and rectify in order to ensure that such non-compliance incidents would not have any material adverse impact on our Group going forward; (2) we have set up the compliance and internal control team to monitor the compliance status of our Group; (3) the Audit Committee will be in charge of monitoring the entire internal control system of our Group; and (4) we have appointed an external PRC legal adviser to monitor and advise our Group on all relevant PRC laws and regulations, our Directors are of the view that we have an effective system in place to continuously and closely monitor its compliance status with the latest applicable PRC laws and regulations and to take any corrective actions on a prompt basis.

Having considered the facts and circumstances leading to the non-compliance incidents disclosed herein, the advices given by our PRC Legal Adviser, the relevant rectification and on-going compliance measures mentioned above, our Directors are of the view that our Group has adequate internal control procedures in place and these past non-compliance incidents do not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules, and the suitability of our Company for listing under Rule 8.04 of the Listing Rules. The Sole Sponsor concurred with such view of our Directors on the same basis as described above.

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### RISK MANAGEMENT AND INTERNAL CONTROL

We are devoted to establishing risk management and internal control systems that we consider to be appropriate to manage risks in our business operations, and we are dedicated to monitoring these systems for effectiveness and modifying them as necessary as our business grows to maintain effectiveness. We have established control systems for various aspects of our operations. The following are major risks we encounter in our operations and the corresponding internal control measures that we have adopted or plan to adopt to manage these risks.

#### Major Risks identified

#### Our risk management measures and procedures

Limited control over our distributors

- We select and evaluate the performance of our distributors based on a number of factors, including their coverage of distribution channels, recent sales performance of other products, warehousing facilities, delivery capabilities, operating and business management capabilities, creditworthiness and compatibility with our business strategies.
- Our designated staff responsible for each distribution regions will conduct regular inspections on our distributors.
- We only grant credit period or credit amount to our distributors on a case-by-case basis and we monitor our receivable balances on an ongoing basis.

Financial reporting

- Any non-compliance with accounting policies may cause inaccuracy in financial statements. We undertake three steps to manage financial reporting risks: (1) adoption of accounting policies, (2) implementation of policies, and (3) review of implementation results. Our finance department formulates our accounting policies. We have in place a set of book closing guidelines in relation to the preparation of monthly management accounts. Our finance department reviews the management accounts prepared based on the guidelines.

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| Protection of our intellectual property rights | <ul style="list-style-type: none"><li>• We enter into confidentiality agreements with our employees who are required to undertake to keep our trade secrets confidential during and after the termination of their employment with us.</li><li>• We inform and cooperate with the relevant PRC government authorities of the existence of counterfeit products bearing our brands and request appropriate actions to be taken to protect us.</li></ul>   |
| Occupational safety                            | <ul style="list-style-type: none"><li>• We have implemented safety guidelines based on such regulations and require all of our employees to strictly comply with such guidelines.</li><li>• We carry out regular safety checks on our production equipment to ensure that it is thoroughly tested and safe for use.</li><li>• We require operators of our production equipment to attend training sessions on the required safety standards.</li><li>• We provide our employees with regular work place safety trainings and an internal health and safety manual.</li></ul> |

There are various other risks to our business and industry. For further details, please refer to the section headed “Risk factors” in this prospectus.

## **SANCTION RISKS IN RELATION TO EXPORT OF OUR PRODUCTS TO RUSSIA AND UKRAINE**

### **Sales to customer in Ukraine and the sanctions in relation to Ukraine**

The sales to customer in Ukraine for the years ended 31 December 2012, 2013 and 2014 was nil, RMB109,902 and nil, respectively, representing 0%, approximately 0.03% and 0%, respectively, of our total revenue during the corresponding period. Subsequent to the sales to Ukraine during the year ended 31 December 2013, our Group did not, and does not expect to, export any more products to Ukraine thereafter.

The U.S., European Union and Australian sanctions in relation to Ukraine in general involve individuals, entities and areas in Crimea, Sebastopol and the separatist areas in South Eastern Ukraine.

### **Sales to a customer in Russia and the sanctions in relation to Russia**

The sales to a customer in Russia for the years ended 31 December 2012, 2013 and 2014 was nil, nil and RMB223,490, respectively, representing 0%, 0% and approximately 0.05%, respectively, of our total revenue during the corresponding period. The sales to Russia were made by our Group during the second half of 2014. Since 1 January 2015 and up to the Latest Practicable Date, we have not exported any of our products to Russia and going forward, we may continue to export our products to Russia after taking into consideration the then market conditions in Russia.

The sanctions imposed by the U.S., European Union and Australia against Russia are, in general, targeted at (i) military, technology, energy, securities related items or (ii) specific enterprises or specific individuals in Russia. Our Directors confirm that, after making all reasonable enquiries, none of our Russian customer(s) who had business transactions with us during the Track Record Period is a target of sanctions or is owned by any sanctions target.

### **Applicability of the sanctions imposed by the U.S., the European Union and Australia**

According to our Sanctions Laws Legal Adviser, the sanctions imposed by the U.S. generally only apply to U.S. citizens or permanent residents, persons physically in the United States, activities that take place inside the U.S., entities organised under the U.S. law and certain transactions involving products or technology with origins from the U.S. However, the U.S. sanctions are still applicable in the absence of the above factors if there are U.S. dollar transactions involving sanctioned countries, third-party country entities or individuals that clear through U.S. banks. Our Group is paid in U.S. dollars for its sales to a Russian customer, but in light of the fact that such customer is not an sanctioned entity, such transaction would not be contrary to the applicable sanctions laws of the U.S.

According to our Sanctions Laws Legal Adviser, the sanctions imposed by the European Union, on the other hand, generally apply within the territory of the European Union, on board aircraft and vessels under the jurisdiction of a member state of the European Union, to nationals of and legal persons, entities and bodies incorporated or constituted under the laws of a member state of European Union, as well as to any natural person or legal person, entity or body (of any nationality) in respect of business done in whole or in part within the European Union.



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According to our Sanctions Laws Legal Adviser, the sanctions imposed by Australia will not affect products exported by our Group because Australian sanctions are limited in application in a manner similar to sanctions imposed by the European Union.

As advised by our PRC Legal Adviser, the exports of our products complying with the applicable PRC export laws and regulations to Ukraine and Russia, notwithstanding the sanctions, do not violate any laws of the PRC.

### **Sanction risks faced by our Group in relation to our export of products to Russia and Ukraine**

In light of the following factors, namely, (1) the amount of export of our products to Ukraine and Russia during the Track Record Period was negligible; (2) the sanctions in relation to Russia are in general targeted at (i) military, technology, energy, securities related items or (ii) specific enterprises or specific individuals in Russia; (3) since the imposition of the sanctions in relation to Ukraine, our Group has not, and does not expect to, export any more products to Ukraine; (4) our Directors confirm that, after making all reasonable enquiries, none of its Russian customers is a target of sanctions or is owned by any sanction target; (5) the sanctions have little if any extra-territorial effects; and (6) as confirmed by our PRC Legal adviser, the exports of our products complying with the applicable PRC export laws and regulations to Ukraine and Russia, notwithstanding the sanctions, do not violate any laws of the PRC, our Directors confirm, and our Sanctions Laws Legal Adviser concurs that the sanctions risk imposed by the United States, the European Union and Australia on our Company, our investors and Shareholders and persons who might, directly or indirectly, be involved in permitting the listing, trading and clearing of our Shares including the Stock Exchange and related group companies is minimal because of the following reasons: (i) neither our Company nor any of its affiliates are United States or European Union persons; (ii) there is only a remote possibility that our Group might engage in business with companies that the United States or some other sanctions-implementing authority would find to be acting as false-fronts for sanctioned entities or individuals; and (iii) the businesses of our Group are not of a type that should place it in any danger of engaging in the types of actions that have been sanctioned by the United States or the European Union in the past such as selling tankers to a sanctioned Iranian shipping line, brokering the sales of such ships, providing financial services to money launderers and terrorist organisations, providing support for the spread of weapons of mass destruction, or facilitating violations or evasions of sanctions laws.

### **Measures in place to identify and monitor our exposure to sanctions risks**

To identify and monitor our exposure to sanctions risks, we will adopt the following measures:

- (a) maintain an updated log based on the publicly available sanction lists such as the sanction lists maintained by the U.S., European Union and Australia (together the “**Sanction Lists**”), and disseminate the updated Sanction Lists to our sales and marketing team on a regular basis to promote staff awareness in general and to facilitate effective monitoring of sanction laws and orders;

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- (b) intake of new businesses or clients will be pre-screened by our compliance and internal control department (headed by the Chief Financial Officer). Such personnel will also ensure our products will not be directly sold to countries, persons or entities that are subject to country-wide sanctions; and
- (c) upon identifying material risks relating to sanctions in our operations, we will seek appropriate advice from reputable external legal advisers.

### **Undertakings to the Stock Exchange**

We have undertaken to the Stock Exchange that we will not, (i) enter into any future dealings or transactions with sanction entities and entities in countries where country-wide sanctions have been imposed; and (ii) use the proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, any projects or businesses with sanctioned entities and entities in countries where country-wide sanctions have been imposed. If we were in breach of such undertaking to the Stock Exchange, we risk the possible delisting of our Shares on the Stock Exchange.

### **CORPORATE GOVERNANCE**

Our Company recognises the importance of good corporate governance in management and internal control procedures and will adopt the following measures to safeguard the interests of our Shareholders:

- the Articles provide that, except in certain limited circumstances, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his associates have a material interest, nor shall such Director be counted in the quorum present at the meeting. As such, any Director who is connected with our Controlling Shareholders shall not vote or be counted in the quorum in respect of any proposals involving the Controlling Shareholders or any of their affiliates;
- we are committed to the principle that our Board should include a balanced composition of executive and independent non-executive Directors. We believe our independent non-executive Directors are of sufficient calibre, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide an impartial, external opinion to protect the interests of our Shareholders;

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## BUSINESS

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- we have established an audit committee to review and supervise the financial reporting process and internal control system of our Group. The Audit Committee consists of three members, namely Mr. Tsang Yuen Wai, Mr. Liang Zhongkang and Ms. Hui Yung Yung Janet, Mr. Tsang Yuen Wai will serve as chairman of the committee. For the qualifications and experience of these committee members, please refer to the section headed “Directors and senior management” in this prospectus. We have prepared written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules;
- we intend to ensure that any transaction that is proposed between us and connected persons will comply with Chapter 14A of the Listing Rules including, where applicable, the announcement, reporting and independent shareholders’ approval requirements of those rules;
- if our independent non-executive Directors consider it necessary or desirable, they may engage professional advisers at the cost of our Company to advise them on matters relating to any non-competition agreement or on any business opportunities which may be referred to us by our Controlling Shareholders; and
- we have appointed Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Please refer to the section headed “Directors and senior management” of this prospectus for further details.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Immediately upon completion of the Capitalisation Issue and the Global Offering, Wealthy Active, an investment holding company, will own approximately 43.7% of our issued shares, taking no account into Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme. The entire share capital of Wealthy Active is owned by Mr. Yang. Accordingly, Wealthy Active and Mr. Yang will be our Controlling Shareholders upon Listing. Our Controlling Shareholders, confirm that they do not have interests in any business which is, whether directly or indirectly, in competition with our business.

### COMPANIES OWNED BY CONTROLLING SHAREHOLDERS BUT NOT INCLUDED IN OUR GROUP

#### **Yuanyu**

Yuanyu is a company established in the PRC on 24 January 1995 and is owned by Mr. Yang as to 50%, Mr. Sun as to 25% and an Independent Third Party as to 25%. The principal business of Yuanyu is operating of and acting as agent for import and export of various types of goods and technology. During the Track Record Period and up to the completion of the transfer of the land as referred to in the paragraph headed “Properties” of the section headed “Business” of this prospectus. Yuanyu leased to us the properties where our existing production facilities are located in Linyi City, Shandong Province, the PRC comprising production plants, ancillary facilities, offices, dormitories and canteens with a total gross floor area of approximately 34,551.78 square metres. For the years ended 31 December 2012, 2013 and 2014, the amount of rent paid by us to Yuanyu amounted to RMB2.8 million, RMB2.8 million and RMB2.8 million, respectively. On 19 March 2015, Shandong Tiantong entered into a sale and purchase agreement with Yuanyu to purchase the properties at a consideration of RMB80.0 million, and our lease from Yuanyu ceased accordingly. Save as disclosed in this prospectus, we did not enter into any transaction with Yuanyu during the Track Record Period.

#### **Linyi Jinhua Food Company Limited**

Linyi Jinhua Food Company Limited (臨沂金花食品有限公司) is a company established in the PRC on 6 January 1998 and is owned by Yuanyu as to 60% and Fully Gain Development Limited, the entire issued share capital of which is held by Ms. Chu Yinghong, our non-executive Director and the spouse of Mr. Yang, as to 40%. The principal business of Linyi Jinhua Food Company Limited is processing of roasted food and nut products. During the Track Record Period, we did not enter into any transaction with Linyi Jinhua Food Company Limited.

#### **Linyi Beibei Door Company Limited**

Linyi Beibei Door Company Limited (臨沂貝貝門業有限公司) is a company established in the PRC on 27 September 2006 and is owned by Yuanyu as to 60% and an Independent Third Party as to 40%. The principal business of Linyi Beibei Door Company Limited is the production and sales of various types of security doors, windows, household doors, locks and accessories. At present, Linyi Beibei Door Company Limited does not engage in any operating activities. During the Track Record Period, we did not enter into any transaction with Linyi Beibei Door Company Limited.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having taken into account of the following factors, our Directors are satisfied that our Group can carry on its business independently of our Controlling Shareholders following the Listing:

#### **Management independence**

Our Group's management and operational decisions are made by our Board and a team of senior management. Our Board consists of seven members, comprising two executive Directors, two non-executive Directors and three independent non-executive Directors. Each of our Directors is aware of his/her fiduciary duties as a Director of our Company which requires, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests. In the event that there is a potential conflict of interests arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum. Further, the independent non-executive Directors will bring independent judgement to the decision making process of our Board. The senior management team possesses in-depth experience and understanding of the industry in which our Group is engaged. In this regard, our Directors are of the view that our Group can be managed independently notwithstanding that Mr. Yang being our Controlling Shareholders, is our executive Director.

#### **Operational independence**

The organisational structure of our Group is made up of a number of departments, comprising human resources and administration, production, quality control, procurement, sales and marketing, research and development, inventory management and finance departments. Each department takes a specific role in our Group's operations. There are internal control procedures to ensure effective operation of our Group's business. Furthermore, our Group has its own production lines and its own sources of independent suppliers and customers. Accordingly, our Group can conduct its business operations independently.

#### **Financial independence**

Our Directors are of the view that our Group does not unduly rely on the advances from our Controlling Shareholders for its business operations. Our Directors believe that our Group will be capable of obtaining financing from external sources without reliance on our Controlling Shareholders upon Listing. Furthermore, our Group has its own finance department and has established its own financial accounting system independent of our Controlling Shareholders. Our Group has its own bank accounts, makes its tax registrations and has employed a sufficient number of financial accounting and treasury personnel. Accordingly, our Directors consider that our Group is capable of operating independently from a financial perspective.

### COMPETING INTEREST

Each of our Controlling Shareholders and our Directors confirms that he/it does not have any interests in any business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with the business of our Group, which would require disclosure under Rule 8.10 of the Listing Rules.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### DEED OF NON-COMPETITION

To better safeguard our Group from any potential competition, each of Wealthy Active and Mr. Yang (the “**Covenantors**”) has entered into the Deed of Non-competition with our Company whereby each of the Covenantors irrevocably and unconditionally, undertakes with our Company that with effect from the Listing Date and for as long as our Shares remain listed on the Stock Exchange and the Covenantors individually or collectively are, directly or indirectly, interested in not less than 30% of our Shares in issue, each of the Covenantors shall, and shall procure that its/his respective close associates shall:

- (a) not directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activities of our Group or any business activities which our Group may undertake in the future;
- (b) not take any direct or indirect action which constitutes an interference with or a disruption to the business activities of our Group including, but not limited to, solicitation of customers, suppliers and staff of our Group;
- (c) keep our Board informed of any matter of potential conflicts of interests between the relevant Covenantor (including its/his close associates) and our Group, in particular, a transaction between any of the relevant Covenantor (including its/his close associates) and our Group; and
- (d) provide as soon as practicable upon our Company’s request a written confirmation in respect of compliance by it with the terms of the Deed of Non-competition and their respective consent to the inclusion of such confirmation in our Company’s annual report and all such information as may be reasonably requested by the Company for its review.

In addition, each of the Covenantors hereby irrevocably and unconditionally, undertakes that if any new business opportunity relating to any products and/or services of our Group (the “**Business Opportunity**”) is made available to it/him or its/his close associates (other than members of our Group), it or he will direct or procure the relevant close associate to direct such Business Opportunity to our Group with such required information to enable our Group to evaluate the merits of the Business Opportunity.

The relevant Covenantor shall provide or procure its/his close associates to provide all such reasonable assistance to enable our Group to secure the Business Opportunity. If he or it (or his/its associates) plans to participate or engage in any new activities or new business which may, directly or indirectly, compete with the existing business activities of our Group, he or it shall give our Company a first right of refusal to participate or engage in the Business Opportunity and will not participate or engage in these activities unless with the prior written consent of our Company. None of the Covenantors nor any of their respective close associates (other than members of our Group) will pursue the Business Opportunity until our Group decides not to pursue the Business Opportunity because of commercial reasons. Any decision of our Company will have to be approved by our independent non-executive Directors taking into consideration the prevailing business and financial resources of our Group, the financial resources required for the Business Opportunity and, where necessary, any expert opinion on the commercial viability of the Business Opportunity.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Each of the Covenantors further irrevocably and unconditionally, undertakes that it or he will (i) provide to our Group all information necessary for the enforcement of the undertakings contained in the Deed of Non-competition; and (ii) confirm to our Company on an annual basis as to whether it or he has complied with such undertakings.

The Deed of Non-competition will cease to have any effect on the earliest of the date on which:

- (a) our Company becomes wholly-owned by any of the Covenantor and/or its/his associates;
- (b) the aggregate beneficial shareholding (whether direct or indirect) of the Covenantors and/or its/his associates in the Shares in issue falls below 30% of the number of Shares in issue and the relevant Covenantor shall cease to be our executive Director; or
- (c) the Shares cease to be listed on the Stock Exchange.

### NON-DISPOSAL UNDERTAKINGS GIVEN BY OUR CONTROLLING SHAREHOLDERS UNDER THE LISTING RULES

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken with our Company and the Stock Exchange that each of them shall not and shall procure that the relevant registered holder(s) shall not:

- (a) in the period commencing on the date of by reference to which disclosure of the shareholding of our Controlling Shareholders is made in 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 (save for using as security, including a pledge or a charge, in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan) in respect of, any of the 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, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances (save for using as security, including a pledge or a charge, in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan) in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would cease to be our Controlling Shareholders of our Company, i.e. they cease to control 30% or more of the voting power at general meetings of our Company.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Further, each of our Controlling Shareholders has undertaken with our Company and the Stock Exchange that within a period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date on which is 12 months from the Listing Date, he or it shall:

- (a) when he or it pledges or charges any securities of our Company beneficially owned by he or it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform our Company in writing 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 of our Company will be disposed of, immediately inform our Company in writing of such indications.

### CORPORATE GOVERNANCE MEASURES ON CONFLICT OF INTERESTS

Our Company will adopt the following corporate governance measures to manage the potential conflict of interests between us and our Controlling Shareholders, and to safeguard the interests of our Shareholders:

- (i) our independent non-executive Directors will review, at least on an annual basis, compliance and enforcement of the terms of the Deed of Non-competition;
- (ii) our Controlling Shareholders have undertaken to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (iii) we will disclose any decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition either through our annual report or by way of announcement;
- (iv) we will disclose in the corporate governance report of our annual report on how the terms of the Deed of Non-competition have been complied with and enforced; and
- (v) in the event that any of our Directors and/or their respective associates has material interest in any matter to be deliberated by our Board in relation to compliance and enforcement of the Deed of Non-competition, he/she may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.



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## SUBSTANTIAL SHAREHOLDERS

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So far as our Directors are aware, the following persons will, immediately following the completion of the Global Offering and the Capitalisation Issue taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, have beneficial interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of Shares carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Wealthy Active ( <i>note 1</i> )	Beneficial owner	436,771,000	43.7%
Mr. Yang ( <i>note 1</i> )	Interest of a controlled corporation	436,771,000	43.7%
Ms. Chu Yinghong ( <i>note 1</i> )	Interest of spouse	436,771,000	43.7%
Wealthy Maker ( <i>note 2</i> )	Beneficial owner	120,000,000	12.0%
Mr. Sun ( <i>note 2</i> )	Interest of a controlled corporation	120,000,000	12.0%
Tiger Star ( <i>note 3</i> )	Beneficial owner	75,750,000	7.6%
Ms. Yeung Yik Hing Annie ( <i>note 3</i> )	Interest of a controlled corporation	75,750,000	7.6%
Sino Red ( <i>note 4</i> )	Beneficial owner	76,111,000	7.6%

*Notes:*

1. Wealthy Active is a company incorporated in the BVI and is wholly-owned by Mr. Yang. Mr. Yang is deemed to be interested in these Shares under the SFO. Ms. Chu Yinghong is the spouse of Mr. Yang and is deemed to be interested in the Shares held by Mr. Yang.
2. Wealthy Maker is a company incorporated in the BVI and is wholly-owned by Mr. Sun. Mr. Sun is deemed to be interested in these Shares under the SFO.
3. Tiger Star is a company incorporated in the BVI and is wholly-owned by Ms. Yeung Yik Hing Annie, an Independent Third Party. Ms. Yeung Yik Hing Annie is deemed to be interested in these Shares under the SFO.
4. Sino Red is a company incorporated in the BVI and is wholly-owned by Ocean Equity Partners Fund L.P..

If the Over-allotment Option is fully exercised, the approximate percentage of shareholding in our Company of Wealthy Active, Wealthy Maker, Tiger Star and Sino Red will be 42.1%, 11.6%, 7.3% and 7.3%, respectively.

Except as disclosed in this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and no Shares are to be issued upon the exercise of any options which may be granted under the Share Option Scheme), have beneficial interests or short positions in any Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in the circumstances at general meetings of any member of Shares. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

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## DIRECTORS AND SENIOR MANAGEMENT

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### DIRECTORS

Name	Age	Position	Date of appointment as our Director	Date of joining our Group	Existing Position in our Company, Roles and Responsibilities
<b>Executive Directors</b>					
Mr. Yang Ziyuan (楊自遠)	51	Executive Director; chief executive officer; chairman of our Board	8 September 2011	8 March 1995	Responsible for the overall planning and strategic development of our Group's business; member/chairman of the Nomination Committee and member of the Remuneration Committee
Mr. Sun Xingyu (孫興宇)	54	Executive Director	10 November 2014	20 December 1996	Responsible for financial management of our Group
<b>Non-executive Directors</b>					
Ms. Chu Yinghong (褚迎紅)	55	Non-executive Director	10 November 2014	21 January 2003	Responsible for providing advice on strategic development of our Group
Mr. Wong Yim Pan (黃炎斌)	48	Non-executive Director	10 November 2014	10 November 2014	Responsible for providing advice on strategic development of our Group
<b>Independent non-executive Directors</b>					
Mr. Liang Zhongkang (梁仲康)	71	Independent non-executive Director	16 June 2015	16 June 2015	Supervising our Group's compliance and corporate governance matters, providing independent judgement to our Board
Mr. Tsang Yuen Wai (曾苑威)	39	Independent non-executive Director	16 June 2015	16 June 2015	Supervising our Group's compliance and corporate governance matters, providing independent judgement to our Board
Ms. Hui Yung Yung Janet (許蓉蓉)	49	Independent non-executive Director	16 June 2015	16 June 2015	Supervising our Group's compliance and corporate governance matters, providing independent judgement to our Board

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## DIRECTORS AND SENIOR MANAGEMENT

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### BOARD OF DIRECTORS

Our Board currently consists of seven Directors, comprising two executive Directors, two non-executive Directors and three independent non-executive Directors. The powers and duties of our Board include determining business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions as well as exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association. We have also entered into service contracts with each of our executive Directors. We have also entered into letters of appointment with each of our non-executive Directors and independent non-executive Directors.

#### Executive Directors

**Mr. Yang Ziyuan (楊自遠)**, aged 51, is our executive Director, chief executive officer and chairman of our Board. He is responsible for the overall planning and strategic development of our Group's business. He joined Tongtai as a director and vice chairman in March 1995 and co-founded Shandong Tiantong with Mr. Sun in 2003 as a president and chairman of the board.

Mr. Yang graduated from Qinggong Worker University of Hangzhou (杭州輕工職工大學) focusing on food engineering in July 1988, and completed a course in Master of Business Administration in Renmin University of China in July 2001. Prior to founding our Group, he worked as an equipment technician in Linyi Canney (臨沂市罐頭廠) from September 1989 to May 1990. Between May 1990 and March 1995, he was the manager in the production technology department, the assistant of the general manager, the deputy chief engineer and deputy general manager of Linyi Carrie Enterprises Company (臨沂凱利實業公司). Between January 1998 and December 2012, he was the general manager and chairman of the board of Linyi Jinhua Food Company Limited (臨沂金花食品有限公司), a company established in the PRC and whose principal business is the processing of roasted food and nut products. Since January 1995, he has been the general manager and chairman of the board of Yuanyu, whose principal business is operating of and acting as agent for import and export of various types of goods and technology.

Under code provision A.2.1 of the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules, the responsibilities between the chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Yang is our chief executive officer, and he also performs as the chairman of our Board as he has considerable experience in the fruit processing industry. The Board believes that vesting the roles of both the chairman of our Board and the chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning of our Group.

**Mr. Sun Xingyu (孫興宇)**, aged 54, is our executive Director. He is responsible for financial management of our Group. He has been a director of Tongtai since December 1996 and co-founded Shandong Tiantong in 2003, being responsible for the financial management of our Group.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Sun graduated from Finance School of Shandong Province (山東省財政學校) in July 1981 and completed a course in Chinese Language and Literature in Shandong Radio and Television University (山東廣播電視大學) in November 1988. Prior to joining our Group, he has been the deputy general manager of Yuanyu, whose principal business is operating and acting as agent for import and export of various types of goods and technology. Between January 1998 and December 2012, he was the deputy general manager of Linyi Jinhua Food Company Limited (臨沂金花食品有限公司), a company established in the PRC and whose principal business is processing of roasted food and nuts products.

### Non-executive Directors

**Ms. Chu Yinghong (褚迎紅)**, aged 55, is our non-executive Director. She is responsible for providing advice on strategic development of our Group. She joined our Group in January 2003 as a Director of Shandong Tiantong. Ms. Chu is the spouse of Mr. Yang, one of our executive Directors.

Ms. Chu completed a course in Chinese Language and Literature in Shandong Radio and Television University (山東廣播電視大學) in November 1988. Prior to joining our Group, she has been employed by Linyi Carrie Enterprises Company (臨沂凱利實業公司) as an assistant engineer during the period of July 1993 and July 1996. Since September 2000, she has been the deputy general manager, general manager and the chairman of the board of Linyi Jinhua Food Company Limited (臨沂金花食品有限公司).

**Mr. Wong Yim Pan (黃炎斌)**, aged 48, was appointed as our Director on 10 November 2014 and re-designated as our non-executive Director on 16 June 2015. He is responsible for providing advice on strategic development of our Group. Mr. Wong graduated from The University of Hong Kong with a degree of bachelor of science in engineering in December 1989. He obtained a master degree in business administration from The Chinese University of Hong Kong in October 1992.

Mr. Wong was conferred by Hong Kong Institute of Certified Public Accountants as a certified public accountant in July 1995. He has been a fellow of The Association of Chartered Certified Accountants since February 2000, and of The Institute of Chartered Accountants in England & Wales since April 2015. He has been an associate of The Chartered Institute of Management Accountants since August 1998, and of The Hong Kong Institute of Chartered Secretaries since August 2011. He has also been a CFA charterholder of the CFA Institute since September 2006, and a member of The Association of Corporate Treasurers since January 2006.

Mr. Wong worked as a supervisor of the audit division of Coopers & Lybrand (now known as PricewaterhouseCoopers), an international audit firm at that time from December 1992 to March 1996. He has been the assistant manager of New World Infrastructure Limited, an infrastructure company then listed on the Stock Exchange (stock code: 0301), from March 1996 to May 2000. He worked at Alcatel-Lucent, a global telecommunications equipment company as the internal auditor, senior internal auditor and audit manager from May 2000 to August 2010, and worked as the senior audit manager of Shui On Land Limited, a property development company listed on the Stock Exchange (stock code: 0272) from September 2010 to February 2012. Afterwards, he has been the chief operating officer of Ocean Equity Partners Limited since March 2012, being responsible for project appraisal, operational control and management, accounting and administrative matters.

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## DIRECTORS AND SENIOR MANAGEMENT

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### Independent non-executive Directors

**Mr. Liang Zhongkang (梁仲康)**, aged 71, was appointed as our independent non-executive Director on 16 June 2015. Mr. Liang completed a course in food engineering in Wuxi Institute of Light Industry (無錫輕工業學院) (now known as Jiangnan University (江南大學)) in August 1968. He was conferred as a senior engineer by China Light Industry Association (中國輕工總會) in December 1993.

Mr. Liang worked as a senior engineer in the division of food and paper manufacturing of China Light Industry Association (中國輕工總會) from July 1987 to December 2000. He is currently the chairman of the executive committee of China Canned Food Industry Association (中國罐頭工業協會), and he has also been an independent director of ORG Packaging Co., Ltd. (奧瑞金包裝股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002701), since January 2011.

**Mr. Tsang Yuen Wai (曾苑威)**, aged 39, was appointed as our independent non-executive Director on 16 June 2015. Mr. Tsang graduated from The Hong Kong Polytechnic University with a degree of bachelor of arts in accountancy in November 1998.

Mr. Tsang has been admitted as a Fellow of The Association of Chartered Certified Accountant since May 2007. Mr. Tsang is currently a member of the Hong Kong Institute of Certified Public Accounts.

Mr. Tsang has worked in PricewaterhouseCoopers Ltd. as an associate and was promoted to manager during the period from September 1998 to August 2003. He has been the general manager of SPRO Technology Consulting Limited since April 2008.

**Ms. Hui Yung Yung Janet (許蓉蓉)**, aged 49, was appointed as our independent non-executive Director on 16 June 2015. Ms. Hui graduated from University of Hong Kong with a bachelor degree in law in November 1987, and completed a course of Postgraduate Diploma in Chinese Law, which was a distance learning course jointly organised by Tsinghua University and HKU Space, in December 2002.

Ms. Hui was admitted as a solicitor of the High Court of Hong Kong in September 1990. She was an associate of Johnson Stokes & Master (now known as Mayer Brown JSM) from May 1992 to June 1995. She worked as a solicitor in the Asian department of a law firm in New Zealand from April 1996 to February 1999. She acted as the senior legal consultant of Wharf T&T Limited from January 1999 to July 2004. Afterwards, she joined Jun He Law Offices in August 2004, and has been a partner of the firm since 2007.

Save as disclosed above, each of our Directors has not been involved in any of the events described under Rule 13.51(2) of the Listing Rules. Save as disclosed above, none of our Directors has been a director of other listed entities for the three years immediately preceding the date of this prospectus.

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## DIRECTORS AND SENIOR MANAGEMENT

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### SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group and as senior management	Principal responsibilities
Ms. Lv Chunxia (呂春霞)	50	Deputy general manager	January 2003	Overseeing our production process, product quality inspection and product development
Mr. Ho Ho Tung Armen (何浩東)	39	Chief financial officer and company secretary of our Group	February 2015	Overseeing operations of finance department and company secretarial work
Ms. Jiang Xiulan (姜秀蘭)	43	Human resources manager and internal audit manager	January 2003	Overseeing matters relating to human resources and internal control
Mr. Jiang Yubao (蔣余寶)	41	Trading manager	August 1995	Overseeing sales and matters relating to import and export

**Ms. Lv Chunxia (呂春霞)**, aged 50, is our deputy general manager who joined our Group in January 2003 being responsible for overseeing our production, product quality inspection and product development.

Ms. Lv completed a course in Chinese Language and Literature in Shandong Radio and Television University (山東廣播電視大學) in July 1988. Between December 1980 and January 2003, Ms. Lv acted as a quality inspector, chief inspector and the deputy director of Linyi Cannery (臨沂罐頭廠). She has been accredited as the Expert of Canned Food Technology Committee of China National Food Industry Association (中國食品工業協會罐藏食品科技工作委員會專家委員) in August 2014. She has also been appointed as a committee member of Expert Committee of Focus Working Group on National Canned Food Safety and Inspection by Sampling and Risk Detection (國家罐頭類食品安全監督抽檢和風險檢測牽頭單位工作組專家委員會) since February 2015 for a term of three years.

**Mr. Ho Ho Tung Armen (何浩東)**, aged 39, was appointed as our Chief Financial Officer and Company Secretary in February 2015. Mr. Ho is currently a member of the Hong Kong Institute of Certified Public Accountants. He obtained a bachelor degree in accountancy from City University of Hong Kong in November 1998 and a master degree in financial economics, which is a distance learning programme, from University of London in December 2002. He has been enrolled in the course of Executive MBA Program Asia by The University of Chicago Booth School of Business since June 2014.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Ho was an associate and a senior associate of PricewaterhouseCoopers Ltd. from September 1998 to October 2002. He worked as an assistant manager of KPMG UK Limited from October 2003 to October 2004. He then worked as a corporate finance executive of Grant Thornton Services LLP from November 2004 to May 2006. From June 2006 to December 2008, he worked in Evolution Securities China Ltd, an investment bank based in London as corporate finance manager. He worked as the vice president of Wisdom Asset Management Limited, an asset management company from June 2009 to March 2011 and Hermes Capital Limited, a financial advisory services company from March 2011 to April 2012. Prior to joining our Group, he has also worked as the chief financial officer at Tuenbo Management Company Limited, a company focusing on project developments in Hong Kong and China during the period of October 2013 to August 2014.

**Ms. Jiang Xiulan (姜秀蘭)**, aged 43, is our human resources manager and internal audit manager. She is responsible for overseeing matters relating to human resources and internal control of our Group. She joined our Group in January 2003 as a manager in the quality control department.

Ms. Jiang completed a course specialising in accounting and auditing in Heilongjiang Business School (黑龍江商學院) in July 1991. Between October 1992 and January 2003, she was the statistician, Chief of Enterprise Management of Linyi Cannery (臨沂罐頭廠).

**Mr. Jiang Yubao (蔣余寶)**, aged 41, joined Tongtai of our Group in August 1995. He was then transferred to Shandong Tiantong in January 2003, being the trading manager and responsible for overseeing sales and import and export matters of our Group.

Mr. Jiang graduated from Linyi Business School of Shandong Province (山東省臨沂商業學校) in July 1995 studying accountancy and statistics. He joined our Group upon his graduation.

### BOARD COMMITTEES

#### Audit Committee

We established the Audit Committee on 16 June 2015 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The Audit Committee consists of three independent non-executive Directors, namely, Mr. Liang Zhongkang, Mr. Tsang Yuen Wai and Ms. Hui Yung Yung Janet. The Audit Committee is chaired by Mr. Tsang Yuen Wai. 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 system of the Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.



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## DIRECTORS AND SENIOR MANAGEMENT

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### **Remuneration Committee**

We established the Remuneration Committee on 16 June 2015 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The Remuneration Committee consists of four members, being Mr. Liang Zhongkang, Mr. Yang, Mr. Tsang Yuen Wai and Ms. Hui Yung Yung Janet. Three of the members of the Remuneration Committee are our independent non-executive Directors. The Remuneration Committee is chaired by Mr. Liang Zhongkang. The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to our Board on the remuneration packages of our Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to our Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

During the Track Record Period, the remuneration policy for our Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the performance of the Group and the individual performance of our Directors and senior management members. We intend to adopt the same remuneration policy after the Listing, subject to review by and the recommendations of our remuneration committee.

### **Nomination Committee**

We established the Nomination Committee on 16 June 2015 with written terms of reference. The Nomination Committee consists of four members, being Mr. Yang, Mr. Liang Zhongkang, Mr. Tsang Yuen Wai and Ms. Hui Yung Yung Janet. Three of the members of the Nomination Committee are our independent non-executive Directors. The Nomination Committee is chaired by Mr. Yang. The primary function of the Nomination Committee is to make recommendations to our Board on the appointment of members of our Board.

### **Strategic Development Committee**

We established the Strategy Development Committee on 16 June 2015. Our Strategic Development Committee consists of five members, being Mr. Yang, Mr. Sun, Ms. Chu Yinghong, Mr. Wong Yim Pan and Mr. Liang Zhongkang. Mr. Yang has been appointed as the chairman of our Strategic Development Committee. The primary function of the strategy development committee is to formulate the overall business strategies of our Group. Our strategic development committee is also responsible for monitoring the implementation of the business strategies of our Group.

### **Compensation of employees**

For the years ended 31 December 2012, 2013 and 2014, we incurred employee costs (including Directors remuneration) of RMB19.1 million, RMB23.7 million and RMB28.9 million, respectively, representing 6.4%, 6.4% and 6.5%, respectively, of our revenue during the same period.



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## DIRECTORS AND SENIOR MANAGEMENT

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As required by PRC regulations as well as compulsory rules of the PRC local governments, we participate in various social welfare schemes including pension, medical, maternity, work-related injury insurances, unemployment insurance and housing provident fund contributions. We are required under PRC law to make contributions to these schemes based on certain percentages of the salaries, bonuses and certain allowances of our employees in accordance with the respective regulatory requirement, up to a minimum amount specified by the relevant local governments from time to time. During the Track Record Period, the total amount of contributions in relation to such social welfare schemes in accordance with the relevant PRC laws for the years ended 31 December 2012, 2013 and 2014 was approximately RMB0.5 million, RMB0.5 million and RMB4.6 million, respectively.

### **Compensation of Directors and senior management**

Our executive Directors, who are also our employees, receive, in their capacity as our employees, compensation in the form of salary and bonus.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, allowances and benefits in kind and discretionary bonuses which were paid to our Directors for the years ended 31 December 2012, 2013 and 2014 was RMB0.1 million, RMB0.2 million and RMB0.2 million, respectively.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, allowances and benefits in kind and discretionary bonuses which were paid by our Group to our five highest paid individuals for the years ended 31 December 2012, 2013 and 2014 was RMB0.2 million, RMB0.2 million and RMB0.2 million, respectively.

No remuneration was paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office in respect of the years ended 31 December 2012, 2013 and 2014. Further, none of our Directors waived any remuneration during the same periods.

Under our arrangements currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes, allowances and benefits in kind) of our Directors for the year ending 31 December 2015 is estimated to be approximately RMB1.0 million.

### **Share Option Scheme**

We have adopted the Share Option Scheme. For details of the Share Option Scheme, see the paragraph headed “Share Option Scheme” in Appendix V to this prospectus.

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## DIRECTORS AND SENIOR MANAGEMENT

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### COMPLIANCE ADVISER

We have appointed Guotai Junan 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 in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (iii) if we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or if the business activities, developments or results of our Group deviate from any forecast, estimate or other information in this prospectus; and
- (iv) if the Stock Exchange makes an inquiry of our Group under Rule 13.10 of the Listing Rules regarding unusual movements in the price or trading volume of the Shares.

The term of appointment of the compliance adviser shall commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules upon the distribution of our annual report in respect of the financial results of the first full financial year commencing after the Listing Date.

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## SHARES

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Our Company is authorised to issue an unlimited number of shares and our Shares do not have any par value. The following is a description of Shares in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and no Shares are to be issued upon the exercise of any options which may be granted under the Share Option Scheme):

*Issued and to be issued, fully paid or credited as fully paid:*

100	Shares in issue as at the date of this prospectus
749,999,900	Shares to be issued pursuant to the Capitalisation Issue
<u>250,000,000</u>	Shares to be issued pursuant to the Global Offering
<u><u>1,000,000,000</u></u>	

### ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the issue of Shares pursuant to the Global Offering and Capitalisation Issue are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandate granted to our Directors to issue or repurchase Shares as described below.

### RANKINGS

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

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## SHARES

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### GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares of our Company with a total number of not more than the sum of:

- (a) 20% of the total number of Shares in issue immediately following the completion of Global Offering and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme); and
- (b) the total number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to the Shares which they are authorised to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement, or on the exercise of any option granted or which may be granted under the Share Option Scheme.

This mandate will expire:

- at the conclusion of our Company's next annual general meeting; or
- at the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

Further information on this general mandate is set out in the paragraph headed "Resolutions in writing of the sole Shareholder passed on 16 June 2015" in Appendix V to this prospectus.

### GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with not more than 10% of the total number of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme).

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## SHARES

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

This mandate will expire:

- at the conclusion of our Company’s next annual general meeting; or
- at the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

whichever is earliest.

Further information on this general mandate is set out in the paragraph headed “Resolutions in writing of the sole Shareholder passed on 16 June 2015” in Appendix V to this prospectus.

### **SHARE OPTION SCHEME**

Pursuant to the written resolutions of the sole Shareholder dated 16 June 2015, we conditionally adopted the Share Option Scheme. Summaries of the principal terms of the Share Option Scheme are set out in the paragraph entitled “Share Option Scheme” in Appendix V to this prospectus.

### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED**

Pursuant to the BVI Companies Act and the terms of the Memorandum and Articles of Association, our Company may from time to time by ordinary resolution amend the Memorandum to increase or reduce the maximum number of Shares that the Company is authorised to issue, or to authorise the Company to issue an unlimited number of Shares. Subject to the Memorandum and Articles, the Company may by ordinary resolution (i) combine its Shares, including issued Shares, into a small number of Shares; or (ii) sub-divide its Shares, or any of them, into a greater number of Shares. For details, see the paragraph headed “Alteration of capital” in Appendix IV to this prospectus.

Pursuant to the BVI Companies Act and the terms of the Memorandum and Articles of Association, all or any of the special rights attached to the Share or any class of Shares may 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. For details, see the paragraph headed “Variation of rights of existing shares or classes of shares” in Appendix IV to this prospectus.

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## FINANCIAL INFORMATION

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*The following discussion and analysis of our financial condition and operating results should be read in conjunction with our consolidated financial information, including the notes thereto, as set out in the Accountant's Report included as Appendix I to this prospectus. Our consolidated financial information have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which may differ in material aspects from generally accepted accounting principles in other jurisdictions.*

*This following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set out under section headed "Risk factors" and elsewhere in this prospectus.*

### OVERVIEW

We principally engage in the production and sales of processed fruit products<sup>Note</sup> packaged in metal containers, plastic cups and glass containers. We also engage in the trading of fresh fruit. Our revenue increased from approximately RMB300.3 million in 2012 to approximately RMB370.5 million in 2013, and further to approximately RMB447.7 million in 2014 representing a CAGR of approximately 22.1% over the same period.

During the Track Record Period, our domestic sales of processed fruit products were conducted on both an OEM basis and under our own brand 天同時代 ("天同時代") and all our export sales of processed fruit products were made on an OEM basis. We exported our products to countries including Canada, the United States, the United Kingdom, Germany, France, New Zealand, Japan, South Africa, the Netherlands and Malaysia.

During the Track Record Period, our domestic sales accounted for majority of our total revenue. For the years ended 31 December 2012, 2013 and 2014, our domestic sales accounted for approximately 90.3%, 88.4% and 92.3%, respectively, of our total revenue, and our overseas sales accounted for approximately 9.7%, 11.6% and 7.7%, respectively, of our total revenue. Revenue from our domestic sales increased throughout the Track Record Period which was primarily due to the continuous increase in the sales of our products, especially our plastic cup products which was launched in 2012 and our processed peach products and processed mixed fruit products. The increase in the sales of our processed peach products and processed mixed fruit products, our major products, was primarily attributable to the increase in demand for these products in the markets to which our customer sold.

Our net profit for the years ended 31 December 2012, 2013 and 2014 amounted to approximately RMB58.0 million, RMB70.9 million and RMB89.3 million, respectively, representing a CAGR of 24.1% over the same period. Our net profit margin remained stable at approximately 19.3%, 19.1% and 19.9%, respectively, for the years ended 31 December 2012, 2013 and 2014.

*Note:* Our processed fruit products are solid processed fruit products and in particular, canned fruit products and do not include other types of solid processed fruit products such as fruit preserves, fruit jams and dried fruit products.

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## FINANCIAL INFORMATION

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### **BASIS OF PRESENTATION**

Our Company and companies now comprising our Group are under common control of Mr. Yang. For the purpose of the Accountant's Report, the text of which is set forth in Appendix I to this prospectus, the consolidated financial statements of our Group have been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants. The consolidated statements of financial position as at 31 December 2012, 2013 and 2014 and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period have been prepared as if our Company had always been the holding company of our Group and the current group structure had been in existence throughout the Track Record Period, except that the financial information of those companies newly set up by us during the Track Record Period is included in the financial information from their respective dates of establishment.

### **KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS**

Our results of operations and our financial condition have been and will continue to be affected by a number of factors, including those set out below.

#### **Consumer demand for processed fruit products**

Processed fruit products packaged in metal containers, plastic cups and glass containers are our primary products. Revenue attributable to the sales of processed fruit products amounted to approximately RMB232.9 million, RMB293.1 million and RMB364.4 million, respectively, for the years ended 31 December 2012, 2013 and 2014, representing approximately 77.5%, 79.1% and 81.4% of our total revenue, respectively, over the same period. The PRC is our largest market by geographical segment during the Track Record Period. Our domestic sales of processed fruit products, accounted for approximately 87.5%, 85.3% and 90.5%, respectively, of our total revenue of processed fruit products over the same period. Hence, our ability to sustain our growth will be primarily driven by economic growth of the PRC and the consumer's demand for processed fruit products in the PRC. Stable GDP growth of the PRC, the continuous urbanisation of the PRC and the improved purchasing power of the PRC residents have raised the demand for processed fruit products during recent years. According to the Frost & Sullivan Report, the per capita consumption of canned fruit products in China increased from 0.5kg in 2009 to 0.7kg in 2013, representing a CAGR of 8.8% whilst that of the U.S. was 6.0kg in 2013.

Our overseas sales of processed fruit products constitute 12.5%, 14.7% and 9.5% of our total sales of processed fruits products, respectively for the years ended 31 December 2012, 2013 and 2014.

As disclosed in the paragraph headed "We may be unable to anticipate and respond to changes in tastes, preferences and perceptions of consumers for processed fruit products, which may result in decreased demand for our products" in the section headed "Risk factors" of this prospectus, consumers are tempted to shift their choices and preference whenever there are new products launched or promoted by various marketing and pricing campaigns of different brands. Consumer's taste and demand may change from time to time and often unpredictable. Changes in consumer demands for processed fruit products may affect our financial condition and results of operation.

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## FINANCIAL INFORMATION

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### Costs of raw materials

Our cost of sales primarily comprises cost of raw materials, which mainly includes fresh fruit, sugar and packaging materials. For the years ended 31 December 2012, 2013 and 2014, cost of raw materials amounted to approximately RMB178.5 million, RMB219.7 million and RMB269.2 million, respectively, representing approximately 85.1%, 85.0% and 86.2%, respectively, of our cost of sales over the same period. During the Track Record Period, substantially all of our raw materials used in the production of our processed fruit products are purchased from suppliers in the PRC domestic market and primarily Shandong Province, to ensure adequate supply and efficient delivery to our production facilities.

The price of raw materials, including packaging materials, are determined primarily by market forces such as commodity price fluctuations and changes in governmental policies, as well as our bargaining power over suppliers. During the Track Record Period, the movement in the purchase cost of the major raw materials used in the production of our processed fruit products were in line with the market prices of the relevant raw materials in the PRC during the same period.

As disclosed in the paragraph headed “Business – Sales, distribution network and customers – Pricing strategy and policy”, the price of our products is in general determined on a “cost-plus” basis. Thus, the revenue from sales of our products will also be affected by the fluctuations in the purchase price of raw materials.

The following table sets out the average purchase prices of our major raw materials during the Track Record Period:

	<b>Year ended 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Fruit (RMB/kg)</b>			
Peach	2.3	2.5	2.8
Pear	1.4	1.8	2.0
Strawberry	3.2	3.6	5.6
Apple	2.1	2.1	2.8
Apricot	1.7	2.5	2.0
Grapes	4.1	4.3	4.9
<b>Sugar (RMB/kg)</b>	5.4	5.1	4.2
<b>Packaging materials</b>			
Metal containers (RMB/unit)	0.7	0.8	0.8
Plastic cups (RMB/unit)	0.2	0.2	0.2
Glass containers (RMB/unit)	0.7	0.7	0.4
Sealing film (RMB/square metre)	9.9	8.8	8.1
Label (RMB/piece)	0.1	0.1	0.1
Cartons and wrapping materials (RMB/unit)	0.1	0.2	0.3



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## FINANCIAL INFORMATION

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Procurement of raw materials is generally made upon receiving orders from our customers and hence, we generally do not enter into long-term purchase contracts so as to avoid commitment to a fixed quantity of raw materials we have to purchase from the suppliers. Our Directors therefore consider that we have been taking appropriate action and maintain a high level of flexibility in obtaining the raw materials we require for our production. For each kind of raw materials we procure, we in general purchase from a number of suppliers to ensure adequate supply and efficient delivery and to avoid over-reliance on any one particular supplier such that our production would not be disrupted in case of supply interruption of one particular supplier.

The following table sets out a sensitivity analysis on the impact of hypothetical fluctuations in the average unit purchase price of the major raw materials, namely fresh fruit and packaging materials on our net profit for the periods indicated, assuming all other factors affecting our profit margin remain constant.

(a) *Hypothetical fluctuations on average unit purchase price of fresh fruit*

	Increase/decrease by 10%	Increase/decrease by 20%	Increase/decrease by 40%
<b>Change in net profit (RMB'000)</b>			
Year ended 31 December 2012	6,850	14,502	29,805
Year ended 31 December 2013	9,514	19,029	38,058
Year ended 31 December 2014	13,062	26,124	52,247

*Note:* The maximum fluctuation in the average unit purchase prices of fruits we purchased on a year-on-year basis during the Track Record Period was 36.5%. Given that the maximum fluctuation of the same is within the range of 40.0%, our Directors are of the view that it is prudent to use 10%, 20% and 40% in the above sensitivity analysis.

(b) *Hypothetical fluctuations on average unit purchase price of packaging materials*

	Increase/decrease by 10%	Increase/decrease by 15%	Increase/decrease by 20%
<b>Change in net profit (RMB'000)</b>			
Year ended 31 December 2012	3,942	6,313	8,685
Year ended 31 December 2013	5,773	8,660	11,546
Year ended 31 December 2014	6,257	9,386	12,514

*Note:* The maximum fluctuation in the average unit purchase prices of packaging materials on a year-on-year basis during the Track Record Period was 16.5%. Given that the maximum fluctuation of the same is within the range of 20%, our Directors are of the view that it is prudent to use 10%, 15% and 20% in the above sensitivity analysis.

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## FINANCIAL INFORMATION

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### **Our ability to maintain our competitive advantages that differentiate us from our competitors**

We compete with other large PRC manufacturers and certain global brands of the fruit processing industry. We also face competition when we expand into other markets, and from new entrants entering into our existing markets. The fruit processing industry in the PRC is also impacted by various other factors including economic and market conditions, demographic trends and regulatory developments.

The fruit processing industry in the PRC is a fragmented market with a number of players. While there were more than 1,000 canned fruit manufacturers in the PRC by the end of 2014, according to Frost & Sullivan, the ten largest canned fruit manufacturers in the PRC, in aggregate, accounted for approximately 34.1% of the total market share in the PRC in terms of sales value in 2014. We believe that we are able to remain competitive in the fruit processing market as we have (i) stable supply of fresh fruit, our key raw materials; (ii) recognised quality control system for maintaining high hygiene and food safety standard of our products; and (iii) a management team with considerable experience in the industry. New market entrants to the fruit processing market in the PRC are expected to be confronted with increasing entry barriers mainly from regulatory compliance, consumers' recognition, market experience and sales network and sufficient supply of raw materials.

### **Product mix and specifications**

We offer our processed fruit products covering a wide variety of fruit types such as apple, grapes, peach, pear, strawberries, apricot, etc, to satisfy the requirements of our customers from time to time. We currently offer our processed fruit products with different specifications packaged in three forms of packaging, namely metal containers, plastic cups and glass containers with either syrup, water or juice as fillings or liquid base. We are also engaged in the trading of fresh fruits such as apple, strawberries, pear, peach, grapes, etc. As such, our Directors believe that our diverse product offerings with different specifications enable us to capitalise on changing market trends and consumer preferences. Different products have different gross profit margins depending on factors such as raw material costs, production costs, product pricing and in relation to products of our own brand, our marketing and branding strategy. The ability to offer a diversified range of processed fruit products covering a wide variety of fruit types, in different forms of packaging and with different specifications (e.g. weight and size) is one of the essential factors for processed fruit manufacturers in the PRC to compete against each other and also to enhance the overall profit margins for their products. As a result, our overall gross profit margin, so as our competitiveness in the processed fruit products and fresh fruit markets, will vary depending on product mix across segments, which in turn, depends on our ability to expand our product offerings and to diversify our product mix. We intend to continue to optimise our product portfolio in response to the changes in market conditions and consumer preferences to maximise sales and profits. The ability to offer products of different packaging, volume specifications and liquid base enable us to satisfy the requirements of different groups of end consumers and therefore widen our customer base. For the year ended 31 December 2012, 2013 and 2014, we offered 87, 120 and 128, respectively, specifications of our processed fruit products to our customers.

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## FINANCIAL INFORMATION

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### **Our sales and distribution network**

Our sales volume is and will continue to be affected by the size of our sales and distribution network. Currently, we sell (i) our OEM processed fruit products to brand owners and trading entities located in the PRC and overseas, (ii) our own brand processed fruit products to distributors and retailers located in the PRC, and (iii) our fresh fruits to fresh fruit wholesalers. During the Track Record Period, the number of our customers was on the increasing trend. Detailed information on the movement of the number of our customers was set out in the section headed “Sales, distribution network and customers” in the section headed “Business” of this prospectus. Our extensive sales and distribution network allows us to sell our products at different levels, from cities and urban centres to counties and towns across the PRC and overseas. Our continuous increase in revenue was in part due to our expanding sales and distribution network.

We intend to broaden our current sales and distribution network through increasing the number of our customers and expanding our sales network coverage into new sales regions with higher growth potential. For details on our business strategies in this regard, please refer to the paragraph headed “Our business strategies – Increase our domestic sales under our own brand and market share through the expansion of the breadth and depth of our distribution and sales network” in the section headed “Business” of this prospectus.

We have launched the on-line sales of our processed fruit products in the PRC through a third party on-line shopping platform in April 2015 to broaden our customers’ base and reach different groups of customers.

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## FINANCIAL INFORMATION

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### Relationship with our major customers

Our five largest customers during the Track Record Period accounted for approximately 64.3%, 47.4% and 43.9%, respectively, of our total revenue for the years ended 31 December 2012, 2013 and 2014.

The following table sets out certain information with respect to our five largest customers during the Track Record Period:

Five largest customers	The year in which the customer was one of our five largest customers	Customer type	Length of relationship with our Group as at 31 December 2014
Customer A	2012, 2013 and 2014	Trading entity	12 years
Customer B	2012, 2013 and 2014	Trading entity	10 years
Customer C	2012	Trading entity	6 years
Customer D	2012	Trading entity	7 years
Customer E	2013 and 2014	Trading entity	over 10 years
Customer F ( <i>Note</i> )	2013	Distributor	2 years
Customer G	2013 and 2014	Trading entity	5 years
Customer H	2014	Trading entity	2 years
Customer I	2012	Distributor	3 years

*Note:* Customer F is an individual businessman based in Zhejiang Province, the PRC who engaged in the domestic sales of canned food, health food and wine.

We have not entered into any long-term sales contract with our five largest customers. If we are unsuccessful in maintaining business relationship with these major customers and we are unable to secure new customers to recover such loss of revenue, our business, financial conditions and results of operations may be adversely affected.

### PRC taxation and preferential tax treatment

The profit attributable to our Shareholders is affected by the amount of income tax that we pay and the level of preferential tax treatments to which we are entitled. The rate of income tax chargeable on our Group depends on the availability of preferential tax treatments. Termination or revision of preferential tax treatments that our Group currently enjoys will have a negative impact on the results of operations and financial condition of the Group.

The rate of income tax chargeable on companies in the PRC may vary depending on the availability of preferential tax treatments or subsidies based on their industry or location. The current maximum PRC enterprise income tax rate chargeable on companies in the PRC is 25%. As Shandong Tiantong had satisfied the requirements under the PRC EIT Law, its implementation regulations, and the Notice Issued by Ministry of Finance and State Administration of Taxation on

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Releasing the Primary Processing Ranges of Agricultural Products Entitled to Preferential Policies on Enterprise Income Tax (Trial) 《財政部國家稅務總局於發佈享受企業所得稅優惠政策的農產品初加工範圍(試行)的通知》, the relevant taxation authorities have granted beneficial treatment to Shandong Tiantong from its payment of the PRC enterprise income tax for its primary processing stage of its products during the Track Record Period. For the years ended 31 December 2012, 2013 and 2014, the amount of PRC enterprise income tax waived in this respect amounted to approximately RMB3.7 million, RMB4.2 million and RMB4.2 million, respectively. If we fail to satisfy the requirements for entitlement to the beneficial treatment of the PRC enterprise income tax in the future or if there is any change in the existing PRC policy relating to preferential tax treatments applicable to us, we may no longer be entitled to the preferential tax treatments currently enjoyed by us. There is no assurance that we will continue to receive the preferential tax treatments currently enjoyed by us in the future. Any loss or substantial reduction of the tax benefits enjoyed by us would adversely affect our financial condition and performance.

### SIGNIFICANT ACCOUNTING POLICIES

The discussion and analysis of our financial position and results of operations are based on the consolidated financial statements prepared in accordance with HKFRSs issued by the HKICPA. Preparation of our individual and consolidated financial information requires us to make estimates and judgments in applying certain critical accounting policies which may have a significant impact on our consolidated results. Our estimates are made based on historical experience and other assumptions which our management believes to be reasonable under the circumstances. Results may differ from these estimates under different assumptions and conditions. Our significant accounting policies and estimates are set forth in detail in Note 2 and Note 4, respectively of the Accountant's Report included in Appendix I to this prospectus. Our management has discussed the development, selection and disclosure of these estimates with our Directors.

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, net of rebates and discounts. Rebates and discounts granted to customers are classified as a reduction of revenue. Our Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

(a) *Sales of goods*

Sales of goods are recognised when the transfer of risks and rewards of ownership, which generally considers with the time when the goods are delivered to customers and title has passed.

(b) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

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## FINANCIAL INFORMATION

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### Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to our Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the consolidated statements of comprehensive income during the financial year in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs over their estimated useful lives, as follows:

Leasehold improvements	Shorter of remaining period of the lease or useful lives
Furniture and fixtures	5 years
Plant and machinery	10 years
Motor vehicles	5 years
Office and computer equipment	5 years

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the net proceeds with the carrying amounts of the relevant assets, and are recognised within 'General and administrative expenses' in the consolidated statements of comprehensive income.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

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## FINANCIAL INFORMATION

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### Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). The Financial Information is presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the consolidated statements of comprehensive income.

(c) *Group companies*

The results and financial position of all the Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

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## FINANCIAL INFORMATION

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### RESULTS OF OPERATIONS

The table below sets out selected financial information for the periods indicated:


	<b>Year ended 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>	<b>300,340</b>	<b>370,493</b>	<b>447,678</b>
Cost of sales	<u>(209,630)</u>	<u>(258,506)</u>	<u>(312,307)</u>
<b>Gross profit</b>	<b>90,710</b>	<b>111,987</b>	<b>135,371</b>
Gross profit margin	30.2%	30.2%	30.2%
– Processed fruit products	31.0%	31.0%	31.0%
– Fresh fruits	27.3%	28.0%	26.2%
Other income	760	98	1,404
Selling and distribution costs	(8,302)	(9,865)	(10,985)
General and administrative expenses	<u>(6,124)</u>	<u>(8,536)</u>	<u>(9,894)</u>
<b>Operating profit</b>	<b>77,044</b>	<b>93,684</b>	<b>115,896</b>
Finance income	12	104	59
Finance costs	<u>(3,409)</u>	<u>(3,782)</u>	<u>(2,438)</u>
<b>Finance costs – net</b>	<b>(3,397)</b>	<b>(3,678)</b>	<b>(2,379)</b>
Profit before income tax	73,647	90,006	113,517
Income tax expense	<u>(15,662)</u>	<u>(19,106)</u>	<u>(24,206)</u>
<b>Profit for the year</b>	<b>57,985</b>	<b>70,900</b>	<b>89,311</b>



## FINANCIAL INFORMATION

### PRINCIPAL INCOME STATEMENT ITEMS

#### Revenue

Our revenue is mainly derived from the sales of our processed fruit products. We produce our products in the PRC and sell our products in the PRC and the overseas markets. We produce and sell our processed fruit products on an OEM basis and under our own brand  (“天同时代”). In addition to our fruit processing business, we also engage in the trading of fresh fruits and other fruit related products.

The following table sets out a breakdown of our revenue by major products for the periods indicated:

	2012		Year ended 31 December 2013		2014	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
<b>Processed fruit products packaged with</b>						
– metal containers	212,695	70.8	218,747	59.0	289,145	64.6
– plastic cups	3,906	1.3	61,860	16.7	49,799	11.1
– glass containers	16,260	5.4	12,534	3.4	25,489	5.7
Sub-total	232,861	77.5	293,141	79.1	364,433	81.4
<b>Fresh fruits</b>	67,052	22.3	73,803	19.9	81,541	18.2
<b>Others (Note)</b>	427	0.2	3,549	1.0	1,704	0.4
<b>Total</b>	<b>300,340</b>	<b>100.0</b>	<b>370,493</b>	<b>100.0</b>	<b>447,678</b>	<b>100.0</b>

*Note:* “Others” mainly represents sales of (i) frozen processed fruits; (ii) a by product, namely apricot seed (杏核); and (iii) excessive packaging materials purchased. As these products are of different nature, the calculation of their weight does not provide a meaningful presentation.

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Revenue attributable to the sales of processed fruit products amounted to approximately RMB232.9 million, RMB293.1 million and RMB364.4 million, respectively, for the years ended 31 December 2012, 2013 and 2014, representing approximately 77.5%, 79.1% and 81.4%, respectively, of our total revenue over the same period. We mainly process five major types of fruit, namely peach, strawberry, pear, apple, and apricot. We also offer to our customers mixed fruits, which is a mixture of any combination of the fruits we process including peach, pear, pineapple, grapes, cherry, etc. Our processed fruit products are packaged with three major forms of packaging, namely metal containers, plastic cups, and glass containers. As at 31 December 2014, we offered 128 specifications packaged in such three forms of packaging. In addition to our fruit processing business, we also engage in the trading of fresh fruits.

During the Track Record Period, our total revenue increased by 23.4% from approximately RMB300.3 million in 2012 to approximately RMB370.5 million in 2013, and further increased by 20.8% to approximately RMB447.7 million in 2014. The continuous increase in our total revenue during the Track Record Period is primarily attributable to the continuous increase in the sales volume of our processed fruit products. Our continuous increase in the sales volume of processed fruit products is primarily attributable to our broadened customers base of our processed fruit products and the increased number of product types with different specifications. The total number of our customers of processed fruit products increased from 37 for the year ended 31 December 2012 to 53 for the year ended 31 December 2013, and further increased to 72 for the year ended 31 December 2014. We offered 87, 120 and 128, respectively, specifications of processed fruit products to our customers for the years ended 31 December 2012, 2013 and 2014.

Our revenue attributable to the sales of fresh fruits amounted to approximately RMB67.1 million, RMB73.8 million and RMB81.5 million, respectively, for the years ended 31 December 2012, 2013 and 2014, representing 22.3%, 19.9% and 18.2%, respectively, of our total revenue over the same period. The continuous increase was primarily attributable to the increasing number of fresh fruit wholesalers and the number of fruit types we offered. The number of our wholesalers were 68, 92 and 90, respectively, for the years ended 31 December 2012, 2013 and 2014, and the number of fresh fruit types we offered were four, six and seven, respectively, for the same period.

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The following table sets out a breakdown of our revenue by different types of fruit for the periods indicated:

	Year ended 31 December								
	2012			2013			2014		
	RMB'000	'000 kg	Average selling price (RMB/kg)	RMB'000	'000 kg	Average selling price (RMB/kg)	RMB'000	'000 kg	Average selling price (RMB/kg)
<b>Processed fruit products</b>									
Peach	56,069	6,282	8.9	86,911	9,826	8.8	123,603	14,786	8.4
Mixed fruits	57,082	5,699	10.0	70,228	6,382	11.0	106,387	11,089	9.6
Pear	36,905	4,828	7.6	47,732	7,140	6.7	48,202	6,525	7.4
Strawberry	34,589	3,722	9.3	47,563	5,246	9.1	40,914	4,886	8.4
Apple	22,637	2,556	8.9	15,625	1,891	8.3	26,677	3,040	8.8
Apricot	25,286	3,433	7.4	23,996	2,973	8.1	17,890	2,513	7.1
Others	293	37	8.0	1,086	82	13.2	760	93	8.2
Sub-total	232,861	26,557	N/M	293,141	33,540	N/M	364,433	42,932	N/M
<b>Fresh fruits</b>									
Pear	31,179	13,211	2.4	11,095	4,012	2.8	19,898	5,035	4.0
Grapes	-	-	-	18,114	2,791	6.5	16,894	2,476	6.8
Apple	29,417	8,787	3.3	22,197	6,359	3.5	16,426	4,515	3.6
Strawberry	4,767	669	7.1	7,987	1,096	7.3	12,324	1,050	11.7
Peach	-	-	-	8,316	984	8.5	9,375	2,587	3.6
Cherry	-	-	-	6,094	164	37.1	3,321	117	28.4
Apricot	1,689	607	2.8	-	-	-	3,303	1,055	3.1
Sub-total	67,052	23,274	N/M	73,803	15,406	N/M	81,541	16,835	N/M
Others	427	N/A	N/M	3,549	N/A	N/M	1,704	N/A	N/M
<b>Total</b>	<b>300,340</b>			<b>370,493</b>			<b>447,678</b>		

N/M: Not meaningful as average selling price of each type of fruits may vary to a large extent;

N/A: Not applicable as some packaging materials, such as paper and cartons, were not measured in terms of weight.

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### *Processed peach products*

Sales of processed peach products represents approximately 24.1%, 29.6% and 33.9%, respectively, of our total sales of processed fruit products for the three years ended 31 December 2012, 2013 and 2014. Revenue attributable to the sales of processed peach products increased by 54.9% from RMB56.1 million for the year ended 31 December 2012 to RMB86.9 million for the year ended 31 December 2013, and further increased by 42.2% to RMB123.6 million for the year ended 31 December 2014. The continuous increase was primarily due to our increase in the sales of processed fruit products to three customers, namely Customer E, Customer G and Customer H. Customer E and G have established over 10 years and five years, respectively, of business relationship with us and both of them were our five largest customers for the years ended 31 December 2013 and 2014. These two customers engaged in domestic and export sales of processed fruit products. Customer H was our new customer since 2013 and was one of our five largest customers in 2014.

The aggregate sales of processed peach products to these three customers were RMB1.0 million, RMB33.6 million and RMB43.8 million, respectively, for the years ended 31 December 2012, 2013 and 2014, respectively. Our Directors believe such increase of sales of processed peach products to these three customers was primarily due to the increase in demand by their customers.

The average selling price of processed peach decreased by 4.5% from RMB8.8 per kg for the year ended 31 December 2013 to RMB8.4 per kg for the year ended 31 December 2014. The decrease in the average selling price of processed peach products for the year ended 31 December 2014 as compared with the year ended 31 December 2013 was a combined result of the increase in the proportion we use glass containers as packaging materials for our processed peach products for the year ended 31 December 2014 and the decreased average unit purchase price of glass containers for the year ended 31 December 2014 as compared with the year ended 31 December 2013. The average selling price of processed peach remained stable at RMB8.9 per kg for the year ended 31 December 2012 and RMB8.8 per kg for the year ended 31 December 2013.

### *Processed pear products*

Sales of processed pear products represents 15.8%, 16.3% and 13.2%, respectively, of our total sales of processed fruit products for the years ended 31 December 2012, 2013 and 2014. Revenue attributable to our sales of processed pear products remained at similar level at RMB36.9 million, RMB47.7 million, and RMB48.2 million, respectively, for the years ended 31 December 2012, 2013 and 2014.

The average selling price of our processed pear products was RMB7.6 per kg, RMB6.7 per kg and RMB7.4 per kg, respectively, for the years ended 31 December 2012, 2013 and 2014. We offered our processed pear products in package specifications ranging from 120 grams to 4,200 grams during the Track Record Period. The proportion of the sales of our processed pear products in package specifications of 2,500 grams or above to the total sales of our processed pear products was 25.1%, 62.2% and 21.7%, respectively, for the years ended 31 December 2012, 2013 and 2014.

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### *Processed strawberry products*

Sales of processed strawberry products represent 14.9%, 16.2% and 11.2%, respectively, of our total sales of processed fruit products for the years ended 31 December 2012, 2013 and 2014. Revenue attributable to our sales of processed strawberry products increased by 37.6% from RMB34.6 million for the year ended 31 December 2012 to RMB47.6 million, respectively for the year ended 31 December 2013, but decreased by 14.1% to RMB40.9 million for the year ended 31 December 2014. Such change was primarily due to the fluctuation of our sales of processed strawberry products to Customer E. Our sales of processed strawberry products to Customers E were nil, RMB11.3 million and RMB4.7 million for the years ended 31 December 2012, 2013 and 2014, respectively. Our Directors believe such fluctuation of our sales to Customer E was mainly driven by the change in the consumers' preference on our processed strawberry products in the markets to which Customer E sold its products.

The average selling price of processed strawberry products decreased by 7.7% from RMB9.1 per kg for the year ended 31 December 2013 to RMB8.4 per kg for the year ended 31 December 2014. During the Track Record Period, we offered our processed strawberry products in different package specifications ranging from 280 grams to 825 grams. The proportion of the sales of our processed strawberry products in package specifications of 600 grams or above to the total sales of our processed strawberry products increased from approximately 1.7% for the year ended 31 December 2013 to approximately 38.5% for the year ended 31 December 2014. Processed strawberry products in package specifications of 600 grams or more were sold at lower average selling prices per kg than those in package specifications of less than 600 grams. Our Directors believe such increase in the proportion of our sales of processed strawberry products in larger package specifications for the year ended 31 December 2014 was primarily attributable to change in consumers' preference on the package specifications of our processed strawberry products. The average selling price of processed strawberry remained stable at RMB9.3 per kg and RMB9.1 per kg, respectively, for the years ended 31 December 2012 and 2013.

### *Processed apple products*

Sales of processed apple products represents 9.7%, 5.3% and 7.3%, respectively, of our total sales of processed fruit products for the years ended 31 December 2012, 2013 and 2014. Revenue attributable to the sales of our processed apple products decreased by 31.0% from RMB22.6 million for the year ended 31 December 2012 to RMB15.6 million for the year ended 31 December 2013, but increased by 71.2% to RMB26.7 million for the year ended 31 December 2014. Such fluctuation was primarily attributable to the sales of our processed apple products to three of our customers, namely Customer B, Customer C and Customer A. Customer C was one of our five largest customers for the year ended 31 December 2012, Customer B and Customer A were our five largest customers in each of the years ended 31 December 2012, 2013 and 2014. Our Directors believe such fluctuation trend in the sales of our processed apple products was primarily attributable to the change of consumers' preference on our processed apple products in the markets of which the customers of Customer B, Customer C and Customer A are located.

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The average selling price of our processed apple products decreased by 6.7% from RMB8.9 per kg for the year ended 31 December 2012 to RMB8.3 per kg for the year ended 31 December 2013, primarily due to the decrease in the proportion of sales of our processed apple products in package specifications of less than 2,500 grams from 66.1% for the year ended 31 December 2012 to 37.4% for the year ended 31 December 2013, of which our processed apple products in package specifications of less than 2,500 grams has higher average selling price per kg than the same in package specifications of 2,500 grams or more. The average selling price of our processed apple products increased by 6.0% from RMB8.3 per kg for the year ended 31 December 2013 to RMB8.8 per kg for the year ended 31 December 2014, primarily due to the increase in the proportion of the sales of our processed apple products in package specifications of less than 2,500 grams from 37.4% for the year ended 31 December 2013 to 95.4% for the year ended 31 December 2014. Processed apple products in package specifications of less than 2,500 grams have higher average selling price per kg than the same in large package size of less than 2,500 grams.

### *Processed apricot products*

Sales of our processed apricot products represents 10.9%, 8.2% and 4.9%, respectively, of our total sales of processed fruit products for the years ended 31 December 2012, 2013 and 2014. Revenue attributable to the sales of our processed apricot products decreased by 5.1% from RMB25.3 million for the year ended 31 December 2012 to RMB24.0 million for the year ended 31 December 2013, and further decreased by 25.4% to RMB17.9 million for the year ended 31 December 2014. In view of the higher fluctuation in the average purchase price of apricot, our management has strategically decided to accept fewer orders for processed apricot products from customers during the Track Record Period.

The movement of the average selling price of our processed apricot products for the years ended 31 December 2012, 2013 and 2014 was in line with the fluctuation trend of the price of fresh apricot we purchase to produce our processed apricot products over the same period.

### *Processed mixed fruit products*

Processed mixed fruit products represent 24.5%, 24.0% and 29.2%, respectively, of our total sales of processed fruit products for the years ended 31 December 2012, 2013 and 2014. Revenue attributable to the sales of processed mixed fruit products increased by 51.6% from approximately RMB70.2 million for the year ended 31 December 2013 to RMB106.4 million for the year ended 31 December 2014, primarily due to the increase of the sales of our processed mixed fruit products to Customer A and Customer E. Customer A is one of our five largest customers for the years ended 31 December 2012, 2013 and 2014. This customer has established 12 years of business relationship with us and engaged in export and domestic sales of processed fruit products. Both of these two customers increased their purchases of processed mixed fruit products with package specifications of 2,500 grams or more from us for the year ended 31 December 2014. Our Directors believe such increase was primarily driven by the increase in demand of processed fruit products in the markets to which they sell their products.

Revenue attributable to the sales of processed mixed fruit products increased by 22.9% from approximately RMB57.1 million for the year ended 31 December 2012 to RMB70.2 million for the year ended 31 December 2013, primarily due to the increase of our product specifications offered under processed mixed fruits series from 19 types for the year ended 31 December 2012 to 34 types in year 2013.

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The average selling price of processed mixed fruit products increased by 10.0% from RMB10.0 per kg for the year ended 31 December 2012 to RMB11.0 per kg for the year ended 31 December 2013, but decreased to RMB9.6 per kg for the year ended 31 December 2014. Such fluctuation was mainly attributable to the change in the proportion of our sales of processed mixed fruit products in package specifications of less than 2,500 grams. The proportion of our sales of processed mixed fruit products in small and medium package specifications to the total sales of our processed mixed fruit products was 90.8%, 96.2% and 75.3% for the years ended 31 December 2012, 2013 and 2014, in which the average selling price per kg of processed mixed fruit products in package specifications of less than 2,500 grams was higher than the same in package specifications of 2,500 grams or more. Our Directors believe such fluctuation in the proportion of our sales of our processed mixed fruit products in different package specifications was primarily attributable to the change of consumers' preference on our processed mixed fruit products.

The following table sets out a sensitivity analysis on the impact of hypothetical fluctuations in the average selling price of processed fruit products on our net profit for the periods indicated, assuming all other factors affecting our profit margin remain constant.

### *Hypothetical fluctuations on average selling price of processed fruit products*

	<b>Increase/ decrease by 5%</b>	<b>Increase/ decrease by 10%</b>	<b>Increase/ decrease by 15%</b>
<b>Change in net profit (RMB'000)</b>			
Year ended 31 December 2012	8,365	17,533	26,700
Year ended 31 December 2013	11,546	23,091	34,637
Year ended 31 December 2014	14,336	28,672	43,008

*Note:* The maximum fluctuation in the average selling prices of our processed fruit products we sold on a year-on-year basis during the Track Record Period was 12.8%. Given that the maximum fluctuation of the same is within the range of 15.0%, our Directors are of the view that it is prudent to use 5%, 10% and 15% in the above sensitivity analysis.

### *Fresh fruits*

We also engage in the trading of fresh fruits as part of our ordinary course of business. We select some fruits, in particular, apple, strawberry, peach, pear, grapes, cherry and apricot, out of the fresh fruits we source for the purpose of manufacture of processed fruit products, for direct sales mainly to the fresh fruit wholesalers. Notwithstanding the decrease in sales volume of fresh fruit in 2013, our revenue derived from sales of fresh fruit increased continuously throughout the Track Record Period, primarily due to our increase in sales of fresh fruit with higher average selling price, such as grapes and strawberry, and decrease in sales of fresh fruit with lower average selling price, such as pear. Our Directors believe there are numbers of factor affecting the prices of fresh fruits such as its specie, quality, seasons, climate and market supply. The fluctuation of the average selling prices of the fresh fruits we traded was in general consistent with the fluctuation of the average purchase price of such fresh fruits during the Track Record Period.

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### *Fresh pear*

During the Track Record Period, we sell pear of different species include *pyrus communis* (陽梨), *pyrus nivalis* (雪梨) and pear with horizontal diameter of “above 65mm” and “65mm or below”). Our sales of fresh pear amounted to approximately RMB31.2 million, RMB11.1 million and RMB19.9 million, respectively, for the years ended 31 December 2012, 2013 and 2014, representing 46.5%, 15.0% and 24.4%, respectively, of our total sales of fresh fruits over the same period.

The overall average selling price of fresh pear increased from RMB2.4 per kg in 2012 to RMB2.8 per kg in 2013, and further to RMB4.0 per kg in 2014. This is primarily attributable to the increasing proportion of the sales of *pyrus communis* (陽梨) to the total sales of fresh pear during the Track Record Period. We were able to sell *pyrus communis* (陽梨) and pear (with diameter of 65mm above) at generally higher prices than pear (with diameter of 65mm or less) and *pyrus nivalis* (雪梨).

### *Fresh peach*

We sell our peach of different species such as white peach, yellow peach and nectarines (油桃). Our sales of fresh peach amounted to nil, approximately RMB8.3 million and RMB9.4 million, respectively, for the years ended 31 December 2012, 2013 and 2014, representing nil, approximately 11.3% and 11.5% of our total sales of fresh fruits over the same period, respectively.

The overall average selling price of fresh peach decreased from RMB8.5 per kg in 2013 to RMB3.6 per kg in 2014. As we sold a higher proportion of nectarines (油桃), which in general have higher average selling price in 2013 as compared with 2014, the overall average selling price of fresh peach in 2013 was higher than that in 2014.

### *Fresh apple*

Our sales of fresh apple amounted to approximately RMB29.4 million, RMB22.2 million and RMB16.4 million, respectively, for the years ended 31 December 2012, 2013 and 2014, representing approximately 43.9%, 30.1% and 20.1%, respectively, of our total sales of fresh fruits over the same period.

### *Fresh grapes*

Our sales of fresh grapes amounted to nil, approximately RMB18.1 million and RMB16.9 million, respectively, for the years ended 31 December 2012, 2013 and 2014, representing nil, approximately 24.5% and 20.7%, respectively, of our total sales of fresh fruits over the same period.

### *Fresh strawberry*

Our sales of fresh strawberry amounted to approximately RMB4.8 million, RMB8.0 million and RMB12.3 million, respectively, for the years ended 31 December 2012, 2013 and 2014, representing approximately 7.1%, 10.8% and 15.1%, respectively, of our total sales of fresh fruits over the same period.



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## FINANCIAL INFORMATION

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### *Fresh cherry*

Our sales of fresh cherry amounted to nil, approximately RMB6.1 million and RMB3.3 million, respectively, for the years ended 31 December 2012, 2013 and 2014, representing nil, approximately 8.3% and 4.1%, respectively, of our total sales of fresh fruits over the same period.

### *Fresh apricot*

Our sales of fresh apricot amounted to approximately RMB1.7 million, nil and RMB3.3 million, respectively, for the years ended 31 December 2012, 2013 and 2014, representing approximately 2.5%, nil and 4.1%, respectively, of our total sales of fresh fruits over the same period. We had no sales of fresh apricot in 2013 as all of the fresh apricot purchased were used for the production of our processed fruit products.

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The following table sets out the revenue and sales volume breakdown of our products by different packaging in the PRC and overseas for the periods indicated:

	2012		Year ended 31 December 2013		2014	
	RMB'000	'000 kg	RMB'000	'000 kg	RMB'000	'000 kg
<b>Processed fruit products in metal containers</b>						
Domestic sales						
– on OEM basis (Note 1)	166,230	18,990	154,199	18,832	239,234	29,498
– under own brand (Note 2)	21,345	2,469	47,350	5,892	36,577	4,475
	187,575	21,459	201,549	24,724	275,811	33,973
Overseas sales						
– on OEM basis (Note 1)	25,120	2,835	17,198	2,244	13,334	1,852
Sub-total	212,695	24,294	218,747	26,968	289,145	35,825
<b>Processed fruit products in plastic cups</b>						
Domestic sales						
– on OEM basis (Note 1)	954	78	28,896	2,356	24,162	1,997
– under own brand (Note 2)	–	–	7,473	619	5,963	499
	954	78	36,369	2,975	30,125	2,496
Overseas sales						
– on OEM basis (Note 1)	2,952	231	25,491	2,034	19,674	1,600
Sub-total	3,906	309	61,860	5,009	49,799	4,096
<b>Processed fruit products in glass containers</b>						
Domestic sales						
– on OEM basis (Note 1)	11,803	1,395	7,652	937	16,263	1,923
– under own brand (Note 2)	3,375	406	4,445	566	7,793	921
	15,178	1,801	12,097	1,503	24,056	2,844
Overseas sales						
– on OEM basis (Note 1)	1,082	153	437	60	1,433	167
Sub-total	16,260	1,954	12,534	1,563	25,489	3,011
<b>Total for processed fruit products</b>	<b>232,861</b>	<b>26,557</b>	<b>293,141</b>	<b>33,540</b>	<b>364,433</b>	<b>42,932</b>
<b>Fresh fruits</b>	<b>67,052</b>	<b>23,274</b>	<b>73,803</b>	<b>15,406</b>	<b>81,541</b>	<b>16,835</b>
<b>Others (Note 3)</b>	<b>427</b>	<b>N/A</b>	<b>3,549</b>	<b>N/A</b>	<b>1,704</b>	<b>N/A</b>
<b>Total</b>	<b>300,340</b>	<b>49,831</b>	<b>370,493</b>	<b>48,946</b>	<b>447,678</b>	<b>59,767</b>

N/A: Not applicable as some packaging materials, such as paper and cartons, were not measured in terms of weight.

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## FINANCIAL INFORMATION

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*Notes:*

1. Our revenue attributable to the sales of our processed fruit products on OEM basis amounted to approximately RMB208.1 million, RMB233.9 million and RMB314.1 million, respectively, accounting for approximately 89.4%, 79.8% and 86.2%, respectively, of our revenue derived from total sales of our processed fruit products for the years ended 31 December 2012, 2013 and 2014.
2. Our revenue attributable to the sales of our processed fruit products under own brand amounted to approximately RMB24.7 million, RMB59.3 million and RMB50.3 million, respectively, accounting for approximately 10.6%, 20.2% and 13.8% of our revenue, respectively, derived from total sales of our processed fruit products for the years ended 31 December 2012, 2013 and 2014.
3. “Others” mainly represents sales of (i) frozen processed fruits; (ii) a by product, namely apricot seed (杏核); and (iii) excessive packaging materials purchased.

Processed fruit products in metal containers were our largest product segment by packaging during the Track Record Period due to its hardness and its ability to carry processed fruits in larger size whilst the proportion of our overseas sales of our processed fruit products in plastic cups to the overall sales in the overseas market was on the increasing trend during the Track Record Period due to increasing popularity with our customers.

*Processed fruit products in metal containers*

For the years ended 31 December 2012, 2013 and 2014, revenue attributable to the sales of our processed fruit products in metal containers represented approximately 70.8%, 59.0% and 64.6%, respectively, of our total revenue. Revenue attributable to the sales of processed fruit products in metal containers increased slightly from approximately RMB212.7 million in 2012 to approximately RMB218.7 million in 2013 and further increased by approximately 32.2% to approximately RMB289.1 million in 2014. The increase in our revenue attributable to the sales of processed fruit products in metal containers during the Track Record Period is generally in line with the growth of our revenue over the same period which was driven by the increase in customer base and specification of products offered.

Domestic sales of our processed fruit products in metal containers were RMB187.6 million, RMB201.5 million and RMB275.8 million, respectively for the years ended 31 December 2012, 2013 and 2014. Domestic sales of our processed fruit products in metal containers were on an increasing trend during the Track Record Period, which was consistent with the growth of our revenue from our domestic sales of processed fruit products over the same period.

Overseas sales of our processed fruit products in metal containers were RMB25.1 million, RMB17.2 million and RMB13.3 million for the years ended 31 December 2012, 2013 and 2014, respectively. Overseas sales of our processed fruit products in metal containers were on a decreasing trend during the Track Record Period mainly due to the decrease in sales to European countries as a result of the poor economic performance of these countries in general over the same period.

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### *Processed fruit products in plastic cups*

Revenue attributable to the sales of processed fruit products in plastic cups increased from approximately RMB3.9 million in 2012 to approximately RMB61.9 million in 2013, representing a significant increase of approximately 1,487.2%. Since the launch of this packaging form of processed fruit products in 2012, it has been gaining increasing popularity with our customers as such packaging form allows our customers to consume our processed fruit products more instantly and conveniently. Hence, there was a significant increase in the sales of our processed fruit products in plastic cups in 2013 as compared with the same in 2012.

The decrease in our revenue attributable to the sales of processed fruit products in plastic cups in 2014 as compared with the same in 2013 was in line with the decrease in its domestic sales over the same period. The decrease in our revenue attributable to the domestic sales of processed fruit products in plastic cups in 2014 as compared with the same in 2013 was primarily attributable to the decrease in the sales to Customer G from approximately RMB5.5 million in 2013 to approximately RMB0.9 million in 2014 which our Directors believe was mainly due to the change in consumers' preference or taste to which Customer G sold its products to.

Revenue attributable to the overseas sales of our processed fruit products in plastic cups increased by approximately 750.0% from approximately RMB3.0 million in 2012 to approximately RMB25.5 million in 2013 as a result of the market acceptance of this product which was launched in 2012. However, the continuing poor economy of those European countries to which we exported our products had, to a certain extent, offset such factor in 2014, thus causing the revenue in 2014 to decrease by approximately 22.8% to approximately RMB19.7 million.

### *Processed fruit products in glass containers*

Revenue attributable to the sales of processed fruit products in glass containers decreased by approximately 23.3% from approximately RMB16.3 million in 2012 to approximately RMB12.5 million in 2013. The fluctuation in our overall revenue attributable to the sales of our processed fruit products in glass containers during the Track Record Period was primarily due to the fluctuation in the revenue attributable to the domestic sales of the same over the same period. The decrease in the domestic sales of our processed fruit products in glass containers in 2013 as compared with the same in 2012 was primarily attributable to the decrease in the sales to Customer D from approximately RMB2.6 million in 2012 to nil in 2013. The increase in our revenue attributable to the domestic sales of processed fruit products in glass containers in 2014 as compared with the same in 2013 was a combined effect of the increased sales to existing customers and the increase in the number of customers purchasing our processed fruits products in glass containers.

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### Revenue breakdown by regions

	2012		Year ended 31 December 2013		2014	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
<b>Domestic sales</b>						
Shandong Province	186,992	62.3	200,510	54.1	259,975	58.1
Hebei Province	7,515	2.5	14,480	3.9	42,401	9.5
Fujian Province	41,748	13.9	22,823	6.2	34,527	7.7
Zhejiang Province	4,647	1.5	47,181	12.7	34,332	7.7
Beijing	22,750	7.6	21,556	5.8	18,817	4.2
Other provinces and cities	7,534	2.5	20,817	5.7	23,185	5.1
Sub-total:	271,186	90.3	327,367	88.4	413,237	92.3
<b>Overseas sales</b>						
North America (Note 1)	10,813	3.6	21,179	5.7	25,166	5.6
European countries (Note 2)	17,209	5.7	18,351	5.0	4,448	1.0
Other countries (Note 3)	1,132	0.4	3,596	0.9	4,827	1.1
Sub-total:	29,154	9.7	43,126	11.6	34,441	7.7
<b>Total</b>	<b>300,340</b>	<b>100.0</b>	<b>370,493</b>	<b>100.0</b>	<b>447,678</b>	<b>100.0</b>

*Notes:*

1. North America includes Canada and the U.S.
2. European countries include the United Kingdom, Germany, France and the Netherlands.
3. Other countries mainly include New Zealand, Japan, South Africa and Malaysia. During the Track Record Period, we also sold our products to Ukraine and Russia. Our sales to customer in Ukraine for the years ended 31 December 2012, 2013 and 2014 was nil, RMB109,902 and nil, respectively, representing 0%, approximately 0.03% and 0%, respectively, of our total revenue during the corresponding period, while our sales to customer in Russia for the years ended 31 December 2012, 2013 and 2014 was nil, nil and RMB223,490, respectively, representing 0%, 0% and 0.05% of our total revenue during the corresponding period respectively.

The PRC is our largest market by geographical segment during the Track Record Period. Our domestic sales accounted for approximately RMB271.2 million, RMB327.4 million and RMB413.2 million, respectively, for the years ended 31 December 2012, 2013 and 2014, representing approximately 90.3%, 88.4% and 92.3%, respectively, of our total revenue over the same period. Shandong Province, where our production facilities are based, accounted for approximately RMB187.0 million, RMB200.5 million and RMB260.0 million, respectively, for the three years ended 31 December 2014, representing approximately 62.3%, 54.1% and 58.1%, respectively, of our total revenue over the same period.

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Our overseas sales accounted for approximately RMB29.2 million, RMB43.1 million and RMB34.4 million, respectively, representing approximately 9.7%, 11.6% and 7.7%, respectively, of our total revenue over the same period. North America is our largest overseas market and accounted for approximately RMB10.8 million, RMB21.2 million and RMB25.2 million, respectively, for the years ended 31 December 2012, 2013 and 2014, representing approximately 3.6%, 5.7% and 5.6%, respectively, of our total revenue over the same period.

The following table sets out a breakdown of our revenue of sales by types of customers for the periods indicated:

	Year ended 31 December					
	2012		2013		2014	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
<b>Processed fruit products</b>						
<i>On OEM basis</i>						
– to trading entities in the PRC	178,987	59.6	190,747	51.5	279,659	62.5
– to trading entities outside PRC	16,412	5.5	12,915	3.5	5,602	1.3
– to brand owners outside PRC	12,742	4.2	30,211	8.2	28,839	6.4
	<u>208,141</u>	<u>69.3</u>	<u>233,873</u>	<u>63.2</u>	<u>314,100</u>	<u>70.2</u>
<i>Under own brand</i>						
– to distributors in PRC	22,210	7.4	55,185	14.9	46,710	10.4
– to retailers in PRC	2,510	0.8	4,083	1.1	3,623	0.8
	<u>24,720</u>	<u>8.2</u>	<u>59,268</u>	<u>16.0</u>	<u>50,333</u>	<u>11.2</u>
Sub-total	232,861	77.5	293,141	79.2	364,433	81.4
<b>Fresh fruits and others</b>						
– to wholesalers and others	67,479	22.5	77,352	20.8	83,245	18.6
<b>Total</b>	<b><u>300,340</u></b>	<b><u>100.0</u></b>	<b><u>370,493</u></b>	<b><u>100.0</u></b>	<b><u>447,678</u></b>	<b><u>100.0</u></b>

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Our sales of processed fruit products on OEM basis increased by 12.4% from RMB208.1 million for the year ended 31 December 2012 to RMB233.9 million for the year ended 31 December 2013, and further by 34.3% to RMB314.1 million for the year ended 31 December 2014 primarily due to the increase in the number of OEM customers over the same period. Our OEM customers comprise trading entities and brand owners. Trading entities in the PRC is the customer type contributing to the largest revenue during the Track Record Period and the revenue attributable to the sales to trading entities in the PRC represented approximately 59.6%, 51.5% and 62.5%, respectively, of our total revenue during the years ended 31 December 2012, 2013 and 2014. For details on the number and movement of our customers, please see the paragraph headed “Sales, distribution network and customers – Our customers” under the section headed “Business” of this prospectus.

We sell our own brand products primarily through distributors. For the years ended 31 December 2012, 2013 and 2014, our revenue attributable to the sales of our processed fruit products under own brand to distributors amounted to approximately RMB22.2 million, RMB55.2 million and RMB46.7 million, respectively, representing approximately 7.4%, 14.9% and 10.4%, respectively, of our revenue during the same period. The increase in the sales of our own brand products in 2013 as compared with the same in 2012 was in line with our business strategy to expand our market shares for our own brand products. The decrease in the sales of our own brand products in 2014 was a result of the decrease of our sales to selected distributors in the same year which formed part of our strategy to enhance our distributorship system. For details of the enhancement of our distributorship system, please refer to the paragraph headed “Sales, distribution network and customers – Sales of our own brand products” under the section headed “Business” of this prospectus. The decrease in the sales to such selected customers, however, was offset by the increase in the sales to a number of new distributors joined during the same year.

### Cost of sales

Our cost of sales consists mainly of cost of raw materials, direct labour costs, electricity and utilities, depreciation, lease payments and other manufacturing costs.

The table below sets out the components of our cost of sales and the components as a percentage of total cost of sales for the periods indicated:

	2012		Year ended 31 December 2013		2014	
	RMB'000	% of total cost of sales	RMB'000	% of total cost of sales	RMB'000	% of total cost of sales
Cost of raw materials						
– fruit	97,184	46.4	120,783	46.7	166,020	53.2
– packaging materials	60,244	28.7	73,288	28.4	79,530	25.5
– sugar	16,418	7.8	19,661	7.6	20,999	6.7
– others	4,693	2.2	5,982	2.3	2,613	0.8
Sub-total	178,539	85.1	219,714	85.0	269,162	86.2
Direct labour costs	16,545	7.9	20,227	7.8	25,693	8.2
Electricity and utilities	8,866	4.2	11,172	4.3	10,912	3.5
Depreciation	2,747	1.3	2,645	1.0	2,752	0.9
Lease payments	2,246	1.1	2,246	0.9	2,246	0.7
Other manufacturing costs	687	0.4	2,502	1.0	1,542	0.5
<b>Total</b>	<b>209,630</b>	<b>100.0</b>	<b>258,506</b>	<b>100.0</b>	<b>312,307</b>	<b>100.0</b>

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## FINANCIAL INFORMATION

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Our costs of sales increased from approximately RMB209.6 million for the year ended 31 December 2012, to approximately RMB258.5 million for the year ended 31 December 2013 and further to approximately RMB312.3 million for the year ended 31 December 2014. The increase was in line with the increase in our sales during the Track Record Period.

Cost of raw materials was the largest component of our cost of sales and accounted for approximately 85.1%, 85.0% and 86.2%, respectively, of our total cost of sales for the years ended 31 December 2012, 2013 and 2014. Direct labour cost was the second largest component of our cost of sales and accounted for approximately 7.9%, 7.8% and 8.2%, respectively, of our total cost of sales for the years ended 31 December 2012, 2013 and 2014.

Our cost of fruit increased by 24.3% from RMB97.2 million for the year ended 31 December 2012 to RMB120.8 million for the year ended 31 December 2013, and further increased by 37.4% to RMB166.0 million for the year ended 31 December 2014. Such increase was in line with the increase in the sales amount over the same period.

Our cost of packaging materials increased by 21.8% from RMB60.2 million for the year ended 31 December 2012 to RMB73.3 million for the year ended 31 December 2013, and further increased by 8.5% to RMB79.5 million for the year ended 31 December 2014. Such increase was in line with the increase in the sales amount over the same period.

Our cost of sugar increased by 20.1% from RMB16.4 million for the year ended 31 December 2012 to RMB19.7 million for the year ended 31 December 2013, and further increased by 6.6% to RMB21.0 million for the year ended 31 December 2014. Such increase was in line with the increase in the sales amount over the same period.

Our direct labour costs increased by 22.4% from RMB16.5 million for the year ended 31 December 2012 to RMB20.2 million for the year ended 31 December 2013, and further increased by 27.2% to RMB25.7 million for the year ended 31 December 2014. Such increase was in line with the increase in the sales amount over the same period.

Our electricity and utilities increased by 25.8% from RMB8.9 million for the year ended 31 December 2012 to RMB11.2 million for the year ended 31 December 2013, primarily due to the increase in the sales amount for the year. The amount decreased by 2.7% to RMB10.9 million for the year ended 31 December 2014 mainly due to decrease in average unit price for electricity in 2014 notwithstanding the increase in the sales and production volume over the same period.



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Our lease payments remained at the same level at RMB2.2 million for each of the three years ended 31 December 2012, 2013 and 2014. Lease payments represented our rental payment made to Yuanyu in respect of our lease of its production facilities during the Track Record Period which Yuanyu has agreed to transfer to our Group in March 2015.

The following table sets out the cost of sales breakdown by products in different packages for the periods indicated:

	Year ended 31 December					
	2012		2013		2014	
	<i>RMB'000</i>	<i>% of total cost of sales</i>	<i>RMB'000</i>	<i>% of total cost of sales</i>	<i>RMB'000</i>	<i>% of total cost of sales</i>
Processed fruit products						
– in metal containers	147,079	70.2	153,148	59.2	201,984	64.7
– in plastic cups	2,356	1.1	40,498	15.7	31,928	10.2
– in glass containers	11,226	5.3	8,495	3.3	17,485	5.6
Sub-total	160,661	76.6	202,141	78.2	251,397	80.5
Fresh fruits	48,746	23.3	53,136	20.6	60,139	19.3
Others ( <i>Note</i> )	223	0.1	3,229	1.2	771	0.2
Total	<u>209,630</u>	<u>100.0</u>	<u>258,506</u>	<u>100.0</u>	<u>312,307</u>	<u>100.0</u>

*Note:* “Others” mainly represents cost of sales attributable to the sales of (i) frozen processed fruits; (ii) a by product, namely apricot seed (杏核); and (iii) excessive packaging materials purchased.

## FINANCIAL INFORMATION

The following table sets out the cost of sales breakdown by products by major types of fruits for the periods indicated:

	Year ended 31 December					
	2012		2013		2014	
	RMB'000	% of cost of sales	RMB'000	% of cost of sales	RMB'000	% of cost of sales
<b>Processed fruit products</b>						
Peach	39,096	18.7	60,120	23.3	83,681	26.8
Mixed fruits	39,107	18.7	47,343	18.3	72,792	23.3
Pear	24,984	11.9	32,745	12.7	34,296	11.0
Strawberry	23,544	11.2	33,178	12.8	28,997	9.3
Apple	16,229	7.7	10,817	4.2	19,085	6.1
Apricot	17,476	8.3	17,164	6.6	11,998	3.8
Others	225	0.1	774	0.3	548	0.2
Sub-total	160,661	76.6	202,141	78.2	251,397	80.5
<b>Fresh fruits</b>						
Pear	22,368	10.7	7,647	3.0	15,083	4.8
Grapes	–	–	13,738	5.3	12,075	3.9
Apple	21,921	10.5	15,629	6.1	12,362	4.0
Strawberry	3,253	1.6	5,772	2.2	9,211	3.0
Peach	–	–	5,931	2.3	6,650	2.1
Cherry	–	–	4,419	1.7	2,455	0.8
Apricot	1,204	0.5	–	–	2,303	0.7
Sub-total	48,746	23.3	53,136	20.6	60,139	19.3
<b>Others (Note)</b>	223	0.1	3,229	1.2	771	0.2
<b>Total</b>	<b>209,630</b>	<b>100.0</b>	<b>258,506</b>	<b>100.0</b>	<b>312,307</b>	<b>100.0</b>

*Note:* “Others” mainly represents cost of sales attributable to the sales of (i) frozen processed fruits; (ii) a by product, namely apricot seed (杏核); and (iii) excessive packaging materials purchased.

Our cost of sales increased from approximately RMB209.6 million for the year ended 31 December 2012, to approximately RMB258.5 million for the year ended 31 December 2013 and further to approximately RMB312.3 million for the year ended 31 December 2014. Our cost of sales in relation to our processed fruit products increased from approximately RMB160.7 million for the year ended 31 December 2012, to approximately RMB202.1 million for the year ended 31 December 2013 and further to approximately RMB251.4 million for the year ended 31 December 2014, representing approximately 76.6%, 78.2% and 80.5%, respectively, over the same period. The increase was broadly in line with the increase in our revenue attributable to the sales of our processed fruit products over the same period and mainly attributable to the increase in the raw materials and packaging materials purchased by us resulting from the increase in our sales volume.

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The following table sets out the breakdown of total purchases for the periods indicated:

	Year ended 31 December								
	2012			2013			2014		
	<i>RMB'000</i>	<i>% of total purchases</i>	<i>Average purchase price RMB/kg</i>	<i>RMB'000</i>	<i>% of total purchases</i>	<i>Average purchase price RMB/kg</i>	<i>RMB'000</i>	<i>% of total purchases</i>	<i>Average purchase price RMB/kg</i>
<b>Fruit</b>									
– peach	21,645	11.9	2.3	31,855	15.3	2.5	57,048	19.8	2.8
– pear	31,132	17.1	1.4	24,485	11.7	1.8	37,691	13.1	2.0
– strawberry	8,493	4.7	3.2	13,641	6.5	3.6	21,492	7.4	5.6
– apple	26,363	14.5	2.1	20,873	10.0	2.1	27,997	9.7	2.8
– apricot	5,979	3.3	1.7	5,356	2.6	2.5	6,659	2.3	2.0
– grapes	397	0.2	4.1	13,260	6.4	4.3	14,175	4.9	4.9
– cherry	888	0.5	21.9	6,139	2.9	23.5	5,006	1.7	21.5
– others	1,051	0.6	N/A	1,216	0.6	N/A	2,968	1.1	N/A
Sub-total	95,948	52.8	N/A	116,825	56.0	N/A	173,036	60.0	N/A
<b>Packaging materials</b>									
– metal containers (RMB/unit)	39,566	21.8	0.7	32,070	15.4	0.8	50,049	17.3	0.8
– plastic cups (RMB/unit)	1,332	0.7	0.2	9,010	4.3	0.2	6,940	2.4	0.2
– sealing film (RMB/sq. m)	1,432	0.8	9.9	4,537	2.2	8.8	3,577	1.2	8.1
– glass containers (RMB/unit)	1,817	1.0	0.7	590	0.3	0.7	4,258	1.5	0.4
– label (RMB/piece)	3,335	1.8	0.1	3,754	1.8	0.1	4,325	1.5	0.1
– cartons and wrapping materials (RMB/unit)	11,841	6.5	0.1	15,947	7.6	0.2	11,817	4.1	0.3
Sub-total	59,323	32.6	N/A	65,908	31.6	N/A	80,966	28.0	N/A
<b>Sugar</b>	17,071	9.4	5.4	15,245	7.3	5.1	20,135	7.0	4.2
<b>Others</b>	9,439	5.2	N/A	10,613	5.1	N/A	14,570	5.0	N/A
<b>Total</b>	<b>181,781</b>	<b>100.0</b>		<b>208,591</b>	<b>100.0</b>		<b>288,707</b>	<b>100.0</b>	

N/A: Not applicable as some packaging materials, such as paper and cartons, were not measured in terms of weight.

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Fruit was the largest component of our total purchases and accounted for approximately 52.8%, 56.0% and 60.0%, respectively, of our total purchases in terms of monetary amount, for the years ended 31 December 2012, 2013 and 2014. Packaging materials was the second largest component of our total purchases and accounted for approximately 32.6%, 31.6% and 28.0%, respectively, of our total purchases for the years ended 31 December 2012, 2013 and 2014. Sugar was the third largest component of our total purchases and accounted for approximately 9.4%, 7.3% and 7.0%, respectively, of our total purchases for the years ended 31 December 2012, 2013 and 2014.

Peach, apricot, apple, strawberry and pear are the major types of fruits for use in the production of our processed fruit products. We also purchase certain types of fruit, such as grapes and cherry mainly for re-sale to fresh fruit wholesalers.

Metal containers were the largest component in terms of monetary amount among the packaging materials we purchased for the production for our processed fruit products, which amounted to RMB39.6 million, RMB32.1 million and RMB50.0 million, respectively, for the years ended 31 December 2012, 2013 and 2014, representing approximately 21.8%, 15.4% and 17.3%, respectively, of our total purchases over the same period.

### **Breakeven analysis**

The following table sets out the percentage of fluctuation of each of the average selling price of our processed fruit products, the average purchase prices of fresh fruits and packaging materials that will cause us to incur a loss before taxation for the year ended 31 December 2014, assuming that all other factors remain unchanged:

	<b>Decrease in the average selling price</b>	<b>Increase in the average purchase price</b>
Processed fruit products	31.1%	N/A
Fresh fruits (we purchase)	N/A	68.4%
Packaging materials	N/A	143.4%

In addition to the fluctuation of the average unit selling price of our products and the average unit purchase price of the raw materials, the occurrence of certain events disclosed in the section headed “Risk factors” of the prospectus may also cause us to incur a loss.

## FINANCIAL INFORMATION

### Gross profit and gross profit margins

The following table sets out a breakdown illustrating our gross profit generated from our products in different packaging for the periods indicated:

	Year ended 31 December								
	2012			2013			2014		
	<i>Gross</i>			<i>Gross</i>			<i>Gross</i>		
	<i>profit</i>			<i>profit</i>			<i>profit</i>		
	<i>margin</i>	<i>% of gross</i>		<i>margin</i>	<i>% of gross</i>		<i>margin</i>	<i>% of gross</i>	
	<i>RMB'000</i>	<i>(%)</i>	<i>profit</i>	<i>RMB'000</i>	<i>(%)</i>	<i>profit</i>	<i>RMB'000</i>	<i>(%)</i>	<i>profit</i>
<b>Processed fruit products</b>									
– in metal containers	65,616	30.8	72.3	65,599	30.0	58.6	87,161	30.1	64.4
– in plastic cups	1,550	39.7	1.7	21,362	34.5	19.0	17,871	35.9	13.2
– in glass containers	5,034	31.0	5.6	4,039	32.2	3.6	8,004	31.4	5.9
Sub-total	72,200	31.0	79.6	91,000	31.0	81.2	113,036	31.0	83.5
<b>Fresh fruits</b>	18,306	27.3	20.2	20,667	28.0	18.5	21,402	26.2	15.8
<b>Others (Note)</b>	204	47.7	0.2	320	9.0	0.3	933	54.7	0.7
<b>Total/ Overall</b>	<b>90,710</b>	<b>30.2</b>	<b>100.0</b>	<b>111,987</b>	<b>30.2</b>	<b>100.0</b>	<b>135,371</b>	<b>30.2</b>	<b>100.0</b>

*Note:* “Others” mainly represents gross profit attributable to the sales of (i) frozen processed fruits; (ii) a by product, namely apricot seed (杏核); and (iii) excessive packaging materials purchased. As this category includes various miscellaneous items, calculation and discussion of their gross profit and gross profit margin are not meaningful for the purpose of this prospectus.

Our overall gross profit amounted to approximately RMB90.7 million, RMB112.0 million and RMB135.4 million for the years ended 31 December 2012, 2013 and 2014, respectively. Such increase during the Track Record was in line with the increase in our overall sales over the same period.

As we adopt a “cost-plus” basis for the price of our products, we are generally able to pass on the increase in the purchase costs of raw materials to our customers thereby maintaining a stable gross profit margin for our products. Our overall gross profit margin remained stable at approximately 30.2% for the years ended 31 December 2012, 2013 and 2014.

### Gross profit and gross profit margin of our processed fruit products

Our gross profit attributable to our processed fruit products, the largest component of our gross profit during the Track Record Period, amounted to approximately RMB72.2 million, RMB91.0 million and RMB113.0 million for the years ended 31 December 2012, 2013 and 2014, representing approximately 79.6%, 81.2% and 83.5%, respectively, of our total gross profit over the same period. The gross profit margin of our processed fruits also remained stable at approximately 31.0% for the three years ended 31 December 2012, 2013 and 2014.

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## FINANCIAL INFORMATION

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### *Gross profit and gross profit margin of our processed fruits in metal containers*

Gross profit attributable to the sales of our processed fruit products in metal containers was the largest item of our gross profit in relation to our processed fruit products during the Track Record Period. Gross profit for our processed fruits in metal containers amounted to approximately RMB65.6 million, RMB65.6 million and RMB87.2 million, respectively, for the years ended 31 December 2012, 2013 and 2014. Gross profit margin for our processed fruits in metal containers remained relatively stable at approximately 30.8%, 30.0% and 30.1%, respectively, for the years ended 31 December 2012, 2013 and 2014.

### *Gross profit and gross profit margin of our processed fruits in plastic cups*

Processed fruit products in plastic cups were our processed fruit products with the highest gross profit margin during the Track Record Period mainly due to its higher average selling price per kg resulting from its lower volume per cup for easier carriage and consumption. Gross profit for our processed fruits in plastic cups amounted to approximately RMB1.6 million, RMB21.4 million and RMB17.9 million, respectively, for the years ended 31 December 2012, 2013 and 2014. The fluctuation in the gross profit attributable to the sales of our processed fruits in plastic cups during the Track Record Period was consistent with the fluctuation of its sales over the same period. Gross profit margin for our processed fruits in plastic cups decreased from approximately 39.7% for the year ended 31 December 2012 to approximately 34.5% for the year ended 31 December 2013. Such decrease was mainly due to the decrease in the average selling price of processed fruits in plastic cups for the purpose of offering more competitive price to our customers to capture market share in 2013 despite the general increase in average purchase cost of fresh fruits for the same year. Gross profit margin of our processed fruits in plastic cups increased from approximately 34.5% for the year ended 31 December 2013 to approximately 35.9% for the year ended 31 December 2014. Such increase was mainly due to the decrease in the average unit cost of processed fruits in plastic cups, primarily caused by the decrease in the unit purchase price of our plastic cups from RMB24 cents per plastic cup in 2013 to RMB19 cents per plastic cup in 2014.

### *Gross profit and gross profit margin of our processed fruits in glass containers*

Gross profit for our processed fruits in glass containers amounted to approximately RMB5.0 million, RMB4.0 million and RMB8.0 million, respectively, for the years ended 31 December 2012, 2013 and 2014. Such fluctuation during the Track Record Period was in line with the fluctuation in its sales over the same period.

Gross profit margin for our processed fruit products in glass containers increased from approximately 31.0% for the year ended 31 December 2012 to approximately 32.2% for the year ended 31 December 2013. Such increase was primarily due to the increase in the gross profit margin for the processed peach products in glass containers, which represented around 50% of the total sales attributable to our processed fruit products in glass containers. Gross profit margin of our processed fruits in glass containers decreased from approximately 32.2% for the year ended 31 December 2013 to approximately 31.4% for the year ended 31 December 2014. Such decrease was mainly due to the increased proportion of the sales of our processed strawberry products in glass containers to the total revenue attributable to the sales of our processed fruit products in glass containers in 2014 as compared with the same in 2013. Processed strawberry products in glass containers are in general of lower gross profit margin as compared with other fruit types.

## FINANCIAL INFORMATION

### Gross profit and gross profit margin of fresh fruits

Our gross profit of fresh fruits amounted to approximately RMB18.3 million, RMB20.7 million and RMB21.4 million for the years ended 31 December 2012, 2013 and 2014, respectively. The fluctuation during the Track Record Period was in line with the fluctuation in our sales of fresh fruits over the same period.

The gross profit margin of fresh fruits decreased from approximately 28.0% for the year ended 31 December 2013 to approximately 26.2% for the year ended 31 December 2014, primarily due to the increase in the unit cost of certain fresh fruits, such as pear, apple and strawberry, which was not shifted to our customers in full. Gross profit margin for our fresh fruits remained relatively stable at approximately 27.3% and 28.0%, respectively, for the years ended 31 December 2012 and 2013.

The following table sets out a breakdown of gross profit and gross profit margin analysis by major types of fruits for the periods indicated:

	Year ended 31 December								
	2012			2013			2014		
	<i>Gross profit margin</i>	<i>% of gross profit</i>	<i>% of gross profit</i>	<i>Gross profit margin</i>	<i>% of gross profit</i>	<i>% of gross profit</i>	<i>Gross profit margin</i>	<i>% of gross profit</i>	<i>% of gross profit</i>
	<i>RMB'000</i>	<i>(%)</i>	<i>(%)</i>	<i>RMB'000</i>	<i>(%)</i>	<i>(%)</i>	<i>RMB'000</i>	<i>(%)</i>	<i>(%)</i>
<b>Processed fruit products</b>									
Peach	16,973	30.3	18.7	26,791	30.8	23.9	39,922	32.3	29.5
Mixed fruits	17,975	31.5	19.8	22,885	32.6	20.4	33,596	31.6	24.8
Strawberry	11,045	31.9	12.2	14,385	30.2	12.8	11,916	29.1	8.8
Pear	11,921	32.3	13.1	14,987	31.4	13.4	13,906	28.9	10.3
Apple	6,408	28.3	7.1	4,808	30.8	4.3	7,592	28.5	5.6
Apricot	7,810	30.9	8.6	6,832	28.5	6.1	5,892	32.9	4.4
Others	68	23.4	0.1	312	28.6	0.3	212	29.1	0.1
Sub-total	72,200	31.0	79.6	91,000	31.0	81.2	113,036	31.0	83.5
<b>Fresh fruits</b>									
Pear	8,811	28.3	9.7	3,448	31.1	3.1	4,815	24.2	3.6
Apple	7,496	25.5	8.3	6,568	29.6	5.9	4,064	24.7	3.0
Grapes	-	-	-	4,375	24.2	3.9	4,819	28.5	3.6
Strawberry	1,514	31.8	1.7	2,215	27.7	2.0	3,113	25.3	2.3
Peach	-	-	-	2,386	28.7	2.1	2,725	29.1	2.0
Cherry	-	-	-	1,675	27.5	1.5	866	26.1	0.6
Apricot	485	28.7	0.5	-	-	-	1,000	30.3	0.7
Sub-total	18,306	27.3	20.2	20,667	28.0	18.5	21,402	26.2	15.8
Others (Note)	204	47.7	0.2	320	9.0	0.3	933	54.7	0.7
<b>Total/Overall</b>	<b>90,710</b>	<b>30.2</b>	<b>100.0</b>	<b>111,987</b>	<b>30.2</b>	<b>100.0</b>	<b>135,371</b>	<b>30.2</b>	<b>100.0</b>

Note: "Others" represent gross profit in relation to (i) frozen processed fruits; (ii) a by-product, namely apricot seed (杏核); and (iii) excessive raw materials.

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Our processed peach and processed mixed fruits were the processed fruit products generating the largest gross profit during the Track Record Period. The gross profit generated from our processed peach products and processed mixed fruit products in aggregate were approximately RMB34.9 million, RMB49.7 million and RMB73.5 million, respectively, for the years ended 31 December 2012, 2013 and 2014, respectively, representing approximately 38.5%, 44.3% and 54.3%, respectively, of our total gross profit over the same period.

### *Processed peach products*

The gross profit attributable to the sales of processed peach products was approximately RMB17.0 million, RMB26.8 million and RMB39.9 million, respectively, for the years ended 31 December 2012, 2013 and 2014. The gross profit margin remained relatively stable at approximately 30.3% and 30.8%, respectively, for the years ended 31 December 2012 and 2013. The increase in the gross profit margin of processed peach products in 2014 as compared with the same in 2013 was a combined result of the increased proportion we use glass containers as packaging materials for our processed peach products in 2014 and the decrease in the average unit purchase price of glass containers in 2014.

### *Processed mixed fruit products*

The gross profit attributable to the sales of processed mixed fruit products was approximately RMB18.0 million, RMB22.9 million and RMB33.6 million, respectively, for the years ended 31 December 2012, 2013 and 2014. The gross profit margin for our processed mixed fruit products was approximately 31.5%, 32.6% and 31.6%, respectively, for the years ended 31 December 2012, 2013 and 2014. The relatively higher gross profit margin in 2013 was primarily attributable to the higher proportion we use plastic cups as packaging materials for our processed mixed fruit products in 2014 and such packaging form was generally of higher gross profit margin.

### *Processed strawberry products*

The gross profit attributable to the sales of processed strawberry products was approximately RMB11.0 million, RMB14.4 million and RMB11.9 million, respectively, for the years ended 31 December 2012, 2013 and 2014. The gross profit margin for our processed strawberry products was approximately 31.9%, 30.2% and 29.1%, respectively, for the years ended 31 December 2012, 2013 and 2014. The continuous decrease in the gross profit margin of processed strawberry products during the Track Record Period was primarily due to the continuous increase in the average unit purchase price of fresh strawberry over the same period.

### *Processed pear products*

The gross profit attributable to the sales of processed pear products was approximately RMB11.9 million, RMB15.0 million and RMB13.9 million, respectively, for the years ended 31 December 2012, 2013 and 2014. The continuous decrease in the gross profit margin of processed pear products during the Track Record Period was primarily due to the continuous increase in the average unit purchase price of fresh pear over the same period.



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### *Processed apple products*

The gross profit attributable to the sales of processed apple products was approximately RMB6.4 million, RMB4.8 million and RMB7.6 million, respectively, for the years ended 31 December 2012, 2013 and 2014. The relatively higher gross profit margin in 2013 was primarily attributable to the higher proportion of sales of our processed apple products to our overseas customers in 2013, which was of higher gross profit margin.

### *Processed apricot products*

The gross profit attributable to the sales of processed apricot products was approximately RMB7.8 million, RMB6.8 million and RMB5.9 million, respectively, for the years ended 31 December 2012, 2013 and 2014. The gross profit margin of our processed apricot products decreased to approximately 28.5% in 2013 from approximately 30.9% in 2012. This was primarily due to the relatively higher average unit purchase price of fresh apricot in 2013.

The following table sets out a breakdown of gross profit and gross profit margin of our processed fruit products on OEM basis and under our own brand by major types of customers for the periods indicated:

	Year ended 31 December								
	2012			2013			2014		
	Gross profit margin	% of gross profit		Gross profit margin	% of gross profit		Gross profit margin	% of gross profit	
	RMB'000	(%)	RMB'000	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
<b>Processed fruit products</b>									
<i>On OEM basis</i>									
- to trading entities in the PRC	56,304	31.5	62.1	59,433	31.2	53.1	87,100	31.1	64.3
- to trading entities outside the PRC	4,446	27.1	4.9	3,449	26.7	3.1	1,400	25.0	1.0
- to brand owners outside the PRC	3,846	30.2	4.2	9,784	32.4	8.7	8,904	30.9	6.6
	<u>64,596</u>	<u>31.0</u>	<u>71.2</u>	<u>72,666</u>	<u>31.1</u>	<u>64.9</u>	<u>97,404</u>	<u>31.0</u>	<u>71.9</u>
<i>Under own brand</i>									
- to distributors in the PRC	6,853	30.9	7.6	17,163	31.1	15.3	14,480	31.0	10.7
- to retailers in the PRC	751	29.9	0.8	1,171	28.3	1.0	1,152	31.8	0.9
	<u>7,604</u>	<u>30.8</u>	<u>8.4</u>	<u>18,334</u>	<u>30.9</u>	<u>16.3</u>	<u>15,632</u>	<u>31.1</u>	<u>11.6</u>
Sub-total	72,200	31.0	79.6	91,000	31.0	81.2	113,036	31.0	83.5
<b>Fresh fruits and others</b>									
- to wholesalers and others	18,510	27.4	20.4	20,987	27.1	18.8	22,335	26.8	16.5
<b>Total//Overall</b>	<u><b>90,710</b></u>	<u><b>30.2</b></u>	<u><b>100.0</b></u>	<u><b>111,987</b></u>	<u><b>30.2</b></u>	<u><b>100.0</b></u>	<u><b>135,371</b></u>	<u><b>30.2</b></u>	<u><b>100.0</b></u>

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The gross profit from our sales of our processed fruit products on OEM basis were RMB64.6 million, RMB72.7 million and RMB97.4 million, respectively, constitutes 71.2%, 64.9% and 71.9% of our total gross profit for the years ended 31 December 2012, 2013 and 2014. The continuous increase in such gross profit was mainly due to the increase in the sales of our processed fruit products on OEM basis over the same period. Gross profit margin for our processed fruits on OEM basis remained relatively stable at approximately 31.0%, 31.1% and 31.0%, respectively, for the years ended 31 December 2012, 2013 and 2014.

The gross profit of our processed fruit products under own brand were RMB7.6 million, RMB18.3 million and RMB15.6 million, respectively, for years ended 31 December 2012, 2013 and 2014, represents 8.4%, 16.3% and 11.6% of our total gross profit over the same period, respectively. Such fluctuation trend in monetary amount was in line with our fluctuation in sales of own brand processed fruit products. Gross profit margin for our processed fruits sold under our own brand remained relatively stable at approximately 30.8%, 30.9% and 31.1%, respectively, for the years ended 31 December 2012, 2013 and 2014.

The gross profit margin attributable to our sales to trading entities outside the PRC, as compared with the sales to trading entities in the PRC was generally of lower gross profit margin due to a major proportion of such overseas sales made to the European countries which was facing slow economy recovery.

For overseas sales, we sold our OEM processed fruit products to trading entities outside PRC and brand owners. Our gross profit margin of OEM processed fruit products to brand owners were 30.2%, 32.4% and 30.9% for the three years ended 31 December 2012, 2013 and 2014, respectively, higher than those of OEM processed fruit products to trading entities outside PRC of 27.1%, 26.7% and 25.0% over the same period, respectively.

The gross profit margin for the sales to our brand owners as compared with the sales to trading entities in the overseas market was generally of higher gross profit margin as we conduct direct sales to these brand owners without the involvement of the trading entities.

The gross profit attributable to our sales to wholesalers and others was approximately RMB18.5 million, RMB21.0 million and RMB22.3 million, respectively, for the years ended 31 December 2012, 2013 and 2014, which was generally in line with the fluctuation in our sales of fresh fruits and others over the same period. The gross profit margin for our sales to wholesalers and others remained stable at approximately 27.4%, 27.1% and 26.8%, respectively, for the years ended 31 December 2012, 2013 and 2014.

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The following table sets out a breakdown of the gross profit and gross profit margin of our domestic and overseas sales for the periods indicated:

	Year ended 31 December					
	2012		2013		2014	
	<i>RMB'000</i>	<i>Gross profit margin (%)</i>	<i>RMB'000</i>	<i>Gross profit margin (%)</i>	<i>RMB'000</i>	<i>Gross profit margin (%)</i>
Domestic sales	82,417	30.4	98,754	30.2	125,067	30.3
Overseas sales	8,293	28.4	13,233	30.7	10,304	29.9
<b>Total/ Overall</b>	<b><u>90,710</u></b>	<b><u>30.2</u></b>	<b><u>111,987</u></b>	<b><u>30.2</u></b>	<b><u>135,371</u></b>	<b><u>30.2</u></b>

Our gross profit from domestic sales increased from RMB82.4 million for the year ended 31 December 2012 to RMB98.8 million for the year ended 31 December 2013, and further increased to RMB125.1 million for the year ended 31 December 2014. The continuous increase was generally in line with the increase in the revenue attributable to the domestic sales. Our gross profit margin from domestic sales remained stable at 30.4%, 30.2% and 30.3%, respectively, for the years ended 31 December 2012, 2013 and 2014.

Our gross profit from overseas sales increased from RMB8.3 million for the year ended 31 December 2012 to RMB13.2 million for the year ended 31 December 2013, primarily due to our increasing types of product specification. Our gross profit from overseas sales decreased from RMB13.2 million for the year ended 31 December 2013 to RMB10.3 million for the year ended 31 December 2014, primarily due to the decrease in our sales to European countries, such as France, Germany and the United Kingdom. Our Directors believe the decrease was primarily due to the decrease in demand from the consumers in these European countries. Our gross profit margin of overseas sales increased from 28.4% for the year ended 31 December 2012 to 30.7% for the year ended 31 December 2013, primarily due to one of our major brand owners increasing the purchase of processed fruit products in plastic cups which in general are of higher gross profit margin. Our gross profit margin of overseas sales decreased from 30.7% for the year ended 31 December 2013 to 29.9% for the year ended 31 December 2014, primarily due to the decrease in the average selling price of overseas sales to the European countries from RMB8.8 per kg for the year ended 31 December 2013 to RMB7.9 per kg for the year ended 31 December 2014.

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### Other income

Other income represents various government subsidies we received during the Track Record Period, mainly including listing supportive fund, business development loan interest subsidy related to the hiring of the unemployed, model project subsidy, subsidy related to environmental and waste treatment project, subsidy related to development of special products at city level and agricultural pioneer subsidy. Our Directors believe that such subsidies were one-off in nature and granted at the discretion of the government.

### Selling and distribution expenses

Selling and distribution expenses primarily consist of business tax and surcharge, transportation expenses, salaries and employee benefits for our sales and marketing employees, advertising costs and others.

The table below sets out the components of our selling and distribution expenses for the periods indicated:

	Year ended 31 December					
	2012		2013		2014	
	<i>RMB'000</i>	<i>% of total selling and distribution expenses</i>	<i>RMB'000</i>	<i>% of total selling and distribution expenses</i>	<i>RMB'000</i>	<i>% of total selling and distribution expenses</i>
Business tax and surcharge	2,994	36.1	3,891	39.5	4,308	39.2
Transportation expenses	2,908	35.0	3,930	39.8	4,283	39.0
Salaries and employee benefits	821	9.9	826	8.4	824	7.5
Advertising costs	697	8.4	70	0.7	603	5.5
Others ( <i>Note</i> )	882	10.6	1,148	11.6	967	8.8
<b>Total</b>	<b>8,302</b>	<b>100.0</b>	<b>9,865</b>	<b>100.0</b>	<b>10,985</b>	<b>100.0</b>

*Note:* “Others” mainly represent our travelling and entertainment expenses incurred by our employees engaging in sales and marketing activities.

For the years ended 31 December 2012, 2013 and 2014, our selling and distribution expenses amounted to RMB8.3 million, RMB9.9 million and RMB11.0 million, respectively. The continuous increase in our selling and distribution expenses were primarily due to our continuous increase in our (i) business tax and surcharges, and (ii) transportation expenses, primarily driven by the continuous increase in our revenue.

Business tax and surcharges primarily consist of urban construction tax, education surcharge and business tax in relation to the production of our processed fruit products. Transportation expenses were incurred when we made payments to third-party logistics providers for product delivery to our customers in the PRC. Salaries and employee benefits mainly represents salaries, staff bonus and employee benefits for employees engaging in the sales and marketing activities.

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### General and administrative expenses

The table below sets out the components of our general and administrative expenses for the periods indicated:

	Year ended 31 December					
	2012		2013		2014	
	RMB'000	<i>% of total administrative expenses</i>	RMB'000	<i>% of total administrative expenses</i>	RMB'000	<i>% of total administrative expenses</i>
Salaries and employee benefits	1,759	28.7	2,665	31.2	2,415	24.4
Listing expenses	–	–	–	–	1,650	16.7
Rental expenses	562	9.2	662	7.8	1,497	15.1
Travelling, transportation, entertainment expenses and other outgoing expenses	775	12.7	783	9.2	1,119	11.3
Legal and professional expenses	477	7.8	511	6.0	914	9.2
Depreciation and amortisation	806	13.2	772	9.0	820	8.3
Research and development expenses	220	3.6	370	4.3	639	6.5
Other taxes	466	7.6	514	6.0	518	5.2
Utilities expenses	176	2.9	205	2.4	237	2.4
Environmental expenses	125	2.0	106	1.2	135	1.4
Bank charges	282	4.6	101	1.2	63	0.6
Loss on disposal of property, plant and equipment	44	0.7	424	5.0	8	0.1
Foreign exchange loss/(gain)	93	1.5	514	6.0	(624)	(6.3)
Others	339	5.5	909	10.7	503	5.1
<b>Total</b>	<b>6,124</b>	<b>100.0</b>	<b>8,536</b>	<b>100.0</b>	<b>9,894</b>	<b>100.0</b>

General and administrative expenses primarily consist of (i) salaries and employee benefits for our employees engaging in administrative activities, (ii) the depreciation and amortisation for property, plant and equipment being used in our administrative activities, (iii) rental expenses for offices, cold storage for freezing certain of our raw materials, (iv) travelling, transportation, entertainment and other outgoing expenses for administrative purpose, and (v) the listing expenses incurred for the preparation of Listing.

For the years ended 31 December 2012, 2013 and 2014, our general and administrative expenses were approximately RMB6.1 million, RMB8.5 million and RMB9.9 million, respectively, representing approximately 2.0%, 2.3%, and 2.2%, respectively, of our total revenue over the same period.

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### Finance income

Finance income represents interest income on our bank deposits.

### Finance costs

Finance costs represent interest expense on bank borrowings. The fluctuation in finance costs during the Track Record Period is in line with the average balance of our bank borrowings over the same period.

### Income tax expenses

Income tax expenses represent the PRC enterprise income tax of our PRC subsidiaries. The continuous increase in the income tax expenses during the Track Record Period is in line with the increase in the taxable profits of our PRC subsidiaries over the same period. The effective tax rate remained stable at 21.3%, 21.2% and 21.3%, respectively, for the years ended 31 December 2012, 2013 and 2014. The difference between the aforesaid rates with the PRC enterprise income tax rate of 25% mainly represented the income from sales of fresh fruits which was waived from taxation.

### Dividends

Our subsidiaries declared dividends of nil, RMB90.0 million and RMB70.0 million, respectively, for the years ended 31 December 2012, 2013 and 2014.

## YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

### Year ended 31 December 2014 compared with the year ended 31 December 2013

#### *Revenue*

Our overall revenue increased by approximately 20.8% from approximately RMB370.5 million in 2013 to approximately RMB447.7 million in 2014. The increase is primarily due to the combined effect of:

- (1) the increase in the sales of our processed fruit products and fresh fruits by approximately 24.3% and 10.4%, respectively, from approximately RMB293.1 million and RMB73.8 million, respectively, for the year ended 31 December 2013 to approximately RMB364.4 million and RMB81.5 million for the year ended 31 December 2014; and
- (2) the increase in the sales of our processed fruit products, which is primarily attributable to the increase in the sales of our processed fruit products in metal containers and processed fruit products in glass containers by approximately 32.2% and 104.0%, respectively, from approximately RMB218.7 million and RMB12.5 million, respectively, for the year ended 31 December 2013 to approximately RMB289.1 million and RMB25.5 million, respectively, for the year ended 31 December 2014, which was offset by the decrease in the sales of our processed fruit products in plastic cups by 19.5% from RMB61.9 million for the year ended 31 December 2013 to RMB49.8 million for the year ended 31 December 2014.

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### *Cost of sales*

Our cost of sales increased by approximately 20.8%, which was in line with the increase in our revenue, from approximately RMB258.5 million in 2013 to approximately RMB312.3 million in 2014. The increase was primarily due to the combined effect of:

- (1) the increase in the cost of raw materials used by 22.5% from RMB219.7 million for the year ended 31 December 2013 to RMB269.2 million for the year ended 31 December 2014 which was in line with the increase in our production volume; and
- (2) the increase in the direct labour cost by 27.2% from RMB20.2 million for the year ended 31 December 2013 to RMB25.7 million for the year ended 31 December 2014 which was primarily due to the increase in the number of employees involved in our production.

### *Gross profit and gross profit margin*

Our overall gross profit increased by approximately 20.9%, which was in line with the increase in our revenue, from approximately RMB112.0 million in 2013 to approximately RMB135.4 million in 2014 mainly due to the combined effect of:

- (1) the increase in the gross profit of our processed fruit products and fresh fruits by approximately 24.2% and 3.4%, respectively, from approximately RMB91.0 million and RMB20.7 million, respectively, for the year ended 31 December 2013 to approximately RMB113.0 million and RMB21.4 million for the year ended 31 December 2014; and
- (2) the increase in the gross profit of our processed fruit products, which is primarily attributable to the increase in the gross profit of our processed fruit products in metal containers and processed fruit products in glass containers by approximately 32.9% and 100.0%, respectively, from approximately RMB65.6 million and RMB4.0 million, respectively, for the year ended 31 December 2013 to approximately RMB87.2 million and RMB8.0 million, respectively, for the year ended 31 December 2014, which was offset by the decrease in the gross profit of our processed fruit products in plastic cups by 19.6% from RMB21.4 million for the year ended 31 December 2013 to RMB17.9 million for the year ended 31 December 2014.

Our gross profit margin remained at the same level in 2014, when compared with the same in 2013. Our gross profit attributable to the sales of our processed fruit products represented approximately 81.2% and 83.5%, respectively, of our overall gross profit during the years ended 31 December 2013 and 2014. The overall gross profit margin and the gross profit margin for our processed fruit products remained relatively stable during the period.

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### *Other income*

Other income increased by approximately 1,300.0% from approximately RMB0.1 million in 2013 to approximately RMB1.4 million in 2014, primarily due to our receipt of government subsidies such as business development loan interest subsidy and listing supportive fund in 2014.

### *Selling and distribution expenses*

Our selling and distribution expenses increased by approximately 11.1% from approximately RMB9.9 million in 2013 to RMB11.0 million in 2014, which was primarily due to:

- (1) the increase in our business tax and surcharge by approximately 10.3% from approximately RMB3.9 million for the year ended 31 December 2013 to approximately RMB4.3 million for the year ended 31 December 2014, which was driven by the increase in our revenue;
- (2) the increase in our transportation expenses by 10.3% from approximately RMB3.9 million for the year ended 31 December 2013 to approximately RMB4.3 million for the year ended 31 December 2014, which was in line with the increase in our sales volume in 2014 over 2013 that resulted in the increase in our delivery cost paid to third party logistics companies; and
- (3) the increase in our advertising costs by approximately 757.1% from approximately RMB70,000 for the year ended 31 December 2013 to approximately RMB0.6 million for the year ended 31 December 2014, which was primarily attributable to our cost spent on media advertisement and participation in trade exhibition.

### *General and administrative expenses*

Our general and administrative expenses increased by approximately 16.5% from approximately RMB8.5 million in 2013 to approximately RMB9.9 million in 2014, primarily due to (i) the incurrence of professional fees in connection with the proposed Listing and; (ii) the increase in the rental payment of cold storage for freezing our raw materials, offset by the foreign exchange gain arising from translation of foreign operations of approximately RMB0.6 million recorded in 2014 as compared with a loss of approximately RMB0.5 million recorded in 2013.

### *Finance income*

Our finance income decreased by approximately 41.0% from approximately RMB0.1 million in 2013 to approximately RMB59,000 in 2014, primarily due to the decrease in the average bank balance for the year ended 31 December 2014.

### *Finance costs*

Our finance costs decreased by approximately 36.8% from approximately RMB3.8 million in 2013 to approximately RMB2.4 million in 2014, primarily due to the decrease in the average balance of our bank borrowing for the year ended 31 December 2014.



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### *Income tax expenses*

Our income tax expenses increased by approximately 26.7% from approximately RMB19.1 million in 2013 to approximately RMB24.2 million in 2014, primarily due to the increase in our profit before tax during the period.

### *Net profit and net profit margin*

As a result of the above factors, our net profit increased by approximately 26.0% from approximately RMB70.9 million in 2013 to approximately RMB89.3 million in 2014 which was in line with the increase in our profit before tax during the period, and our net profit margin increased from 19.1% in 2013 to 19.9% in 2014.

### **Year ended 31 December 2013 compared with the year ended 31 December 2012**

#### *Revenue*

Our overall revenue increased by approximately 23.4% from approximately RMB300.3 million in 2012 to approximately RMB370.5 million in 2013. The increase is primarily due to the combined effect of:

- (1) the increase in the sales of our processed fruit products and fresh fruits by approximately 25.8% and 10.0%, respectively, from approximately RMB232.9 million and RMB67.1 million, respectively, for the year ended 31 December 2012 to approximately RMB293.1 million and RMB73.8 million for the year ended 31 December 2013; and
- (2) the increase in the sales of our processed fruit products, which is primarily attributable to the increase in the sales of our processed fruit products in metal containers and processed fruit products in plastic cups by approximately 2.8% and 1,487.2%, respectively, from approximately RMB212.7 million and RMB3.9 million, respectively, for the year ended 31 December 2012 to approximately RMB218.7 million and RMB61.9 million, respectively, for the year ended 31 December 2013, which was offset by the decrease in the sales of our processed fruit products in glass containers by 23.3% from RMB16.3 million for the year ended 31 December 2012 to RMB12.5 million for the year ended 31 December 2013.

#### *Cost of sales*

Our cost of sales increased by approximately 23.3% from approximately RMB209.6 million in 2012 to approximately RMB258.5 million in 2013. The increase was primarily due to:

- (1) the increase in the cost of raw materials used by 23.1% from RMB178.5 million for the year ended 31 December 2012 to RMB219.7 million for the year ended 31 December 2013 which was in line with the increase in our production volume;
- (2) the increase in the direct labour cost by 22.4% from RMB16.5 million for the year ended 31 December 2012 to RMB20.2 million for the year ended 31 December 2013

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which was primarily due to the increase in the average wage rate of employees involved in our production; and

- (3) the increase in the electricity and utilities cost by 25.8% from RMB8.9 million for the year ended 31 December 2012 to RMB11.2 million for the year ended 31 December 2013 which was in line with the increase in our production volume.

### *Gross profit and gross profit margin*

Our overall gross profit increased by approximately 23.5% from approximately RMB90.7 million in 2012 to approximately RMB112.0 million in 2013 mainly due to the combined effect of:

- (1) the increase in the gross profit of our processed fruit products and fresh fruits by approximately 26.0% and 13.1%, respectively, from approximately RMB72.2 million and RMB18.3 million, respectively, for the year ended 31 December 2012 to approximately RMB91.0 million and RMB20.7 million for the year ended 31 December 2013; and
- (2) the increase in the gross profit of our processed fruit products, which is primarily attributable to the increase in the gross profit of our processed fruit products in plastic cups by approximately 1,237.5%, from approximately RMB1.6 million for the year ended 31 December 2012 to approximately RMB21.4 million for the year ended 31 December 2013, which was offset by the decrease in the gross profit of our processed fruit products in metal containers and processed fruit products in glass containers by approximately 0.1% and 20.0%, respectively from approximately RMB65.6 million and RMB5.0 million, respectively for the year ended 31 December 2012 to approximately RMB65.6 million and RMB4.0 million, respectively, for the year ended 31 December 2013.

Our gross profit margin remained at the same level in 2013, when compared with the same in 2012. Our gross profit attributable to the sales of our processed fruit products represented approximately 79.6% and 81.2%, respectively, of our overall gross profit during the years ended 31 December 2012 and 2013. The overall gross profit margin in general followed the trend of the fluctuation of the gross profit margin for our processed fruit products during the period.

### *Other income*

For the year ended 31 December 2012, we were awarded government grants related to, inter alia, product safety, quality and business development. For the year ended 31 December 2013, we were only awarded government grants related to development of special products at city-level and agricultural pioneer subsidies.

### *Selling and distribution expenses*

Our selling and distribution expenses increased by approximately 19.3% from approximately RMB8.3 million in 2012 to approximately RMB9.9 million in 2013, primarily due to:

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- (1) the increase in our business tax and surcharge by approximately 30.0% from approximately RMB3.0 million for the year ended 31 December 2012 to approximately RMB3.9 million for the year ended 31 December 2013, which was driven by the increase in our revenue;
- (2) the increase in our transportation expenses by 34.5% from approximately RMB2.9 million for the year ended 31 December 2012 to approximately RMB3.9 million for the year ended 31 December 2013, which was in line with the increase in our sales volume in 2013 over 2012 that resulted in the increase in our delivery cost paid to third party logistics companies; and
- (3) partly offset by the decrease in our advertising costs by approximately 90.0% from approximately RMB0.7 million for the year ended 31 December 2012 to approximately RMB70,000 for the year ended 31 December 2013. In 2012, our advertising costs included mostly design and printing expenses of corporate brochure. In 2013, we did not incur such costs due to the excessive copies from 2012.

### *General and administrative expenses*

Our general and administrative expenses increased by approximately 39.3% from approximately RMB6.1 million in 2012 to approximately RMB8.5 million in 2013, primarily due to the increase in the average wage of our administrative staff.

### *Finance income*

Our finance income increased by approximately 766.7% from approximately RMB12,000 in 2012 to approximately RMB104,000 in 2013, primarily due to the increase in our bank balance.

### *Finance costs*

Our finance costs increased by approximately 11.8% from approximately RMB3.4 million in 2012 to approximately RMB3.8 million in 2013, primarily due to the increase in the average balance of our bank borrowings for the year ended 31 December 2013.

### *Income tax expenses*

Our income tax expenses increased by approximately 21.7% from approximately RMB15.7 million in 2012 to approximately RMB19.1 million in 2013, primarily due to the increase in our profit before tax during the period.

### *Net profit and net profit margin*

As a result of the above factors, our net profit increased by approximately 22.2% from approximately RMB58.0 million in 2012 to approximately RMB70.9 million in 2013 which was in line with the increase in our profit before tax during the period, and our net profit margin remained similar at 19.3% and 19.1%, respectively, in 2012 and 2013.

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### LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity and capital resources have been, and are expected to continue to be, cash flow from operating activities and bank borrowings. Our principal uses of cash have been, and we expect will continue to be, for the funding of required working capital to support an increase in our scale of operations and our capital expenditure needs.

Given our current credit status and the current availability of capital in China, we believe that we will not encounter any major difficulties in obtaining additional bank borrowings. We plan to fund our future business plans, capital expenditures and related expenses as described in this prospectus with cash from operating activities, the net proceeds from the Global Offering and through short-term and long-term indebtedness.

The following table is a summary of our consolidated statement of cash flows:

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Net cash generated from operating activities	46,136	90,991	77,505
Net cash (used in)/generated from investing activities	(4,001)	1,366	(34,482)
Net cash used in financing activities	(36,591)	(81,221)	(29,482)
Net increase in cash and cash equivalents	5,544	11,136	13,541
Cash and cash equivalents at beginning of year	1,374	6,918	18,054
Cash and cash equivalents at end of the year	6,918	18,054	31,595

#### Cash flows from operating activities

We derive our cash inflow from operating activities principally from the receipt of payments for the sale of our products. Our cash outflow from operating activities is principally for purchases of raw materials, payment of salaries and employee benefits and manufacturing overheads.

We had a net cash generated from operating activities of approximately RMB77.5 million for the year ended 31 December 2014, resulting from cash generated from operations of approximately RMB103.8 million, offset by interest paid of approximately RMB3.3 million and income tax paid of approximately RMB22.9 million. Our cash generated from operating activities consisted of operating profit before working capital changes of approximately RMB119.5 million. The net working capital inflows were primarily due to the increase in trade and bills payables of approximately RMB5.9 million and the increase in accruals and other payables of approximately RMB4.0 million, offset by the increase in inventories of approximately RMB10.3 million, the increase in trade receivables of approximately RMB14.9 million and the increase in prepayments and other receivables of approximately RMB0.5 million.

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The increase in trade and bills payables was due to the increase in our purchases to cope with our increasing production need in 2014. The increase in accruals and other payables was due to the increase in our accrued employee benefit expenses as a result of the increase in our staff cost. The increase in inventories was due to the increase in our finished good inventory level close to the financial end of 2014. The increase in trade receivables was due to the increase in the sales of our products. The increase in prepayments and other receivables was due to the increase in our VAT recoverables and also the increase in the purchase of fresh fruits.

We had a net cash generated from operating activities of approximately RMB91.0 million for the year ended 31 December 2013, resulting from cash generated from operations of approximately RMB112.8 million, offset by interest paid of approximately RMB3.8 million and income tax paid of approximately RMB18.1 million. Our cash generated from operating activities consisted of operating profit before working capital changes of RMB97.5 million. The net working capital inflows were primarily due to the decrease in inventories of approximately RMB20.9 million and the decrease in trade receivables of approximately RMB6.1 million, offset by the decrease in trade and bills payables of approximately RMB9.1 million, the decrease in accruals and other payables of approximately RMB2.0 million, the slight increase in prepayments and other receivables of approximately RMB0.3 million and the slight increase in the amount due from a related company of approximately RMB0.2 million.

The decrease in inventories was primarily due to the decrease in our finished goods inventory level close to the financial end of 2013. The decrease in trade receivables was due to the improvement in the collection of trade receivables due by our customers, which was in line with the decrease in the average trade receivables turnover days. The decrease in trade and bills payables was due to our settlement of the long aging trade payables for the purpose of maintaining good business relationship with our suppliers. The decrease in accruals and other payables was due to the decrease in other taxes payables. Our VAT payables close to financial year end in 2012 was relatively higher than the same in 2013. The increase in prepayments and other receivables was due to the increase in the prepayments for electricity expenses and purchase of raw materials.

We had a net cash generated from operating activities of approximately RMB46.1 million for the year ended 31 December 2012, resulting from cash generated from operations of approximately RMB63.4 million, offset by interest paid of approximately RMB3.4 million and income tax paid of approximately RMB13.8 million. Our cash generated from operating activities consisted of operating profit before working capital changes of RMB80.6 million. The net working capital inflows were primarily due to the increase in accruals and other payables of approximately RMB2.1 million and the decrease in prepayments and other receivables of approximately RMB30,000, offset by the increase in trade receivables of approximately RMB15.1 million, the increase in inventories of approximately RMB0.3 million and the decrease in trade and bills payable of approximately RMB4.0 million.

The increase in accruals and other payables was due to the increase in other taxes payables mainly comprising VAT payables close to financial end in 2012 as compared with the same in 2011. The increase in trade receivables was due to the increase in the sales of our products. The decrease in trade and bills payable was due to the decrease in the trade payables close to financial end in 2012.

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### **Cash flows from investing activities**

Our cash outflows from investing activities during the Track Record Period mainly consisted of purchase of property, plant and equipment. Our cash inflows from investing activities during the Track Record Period mainly consisted of proceed from disposal of land use rights and property, plant and equipment, repayment from related companies and increase in restricted bank deposits.

We had a net cash outflow from investing activities of approximately RMB34.5 million for the year ended 31 December 2014, primarily due to the purchases of property, plant and equipment of approximately RMB36.0 million, offset by the decrease in restricted bank deposits of approximately RMB1.5 million and interest received of approximately RMB59,000.

We had a net cash inflow from investing activities of approximately RMB1.4 million for the year ended 31 December 2013, primarily due to the decrease in restricted bank deposits of approximately RMB2.4 million and interest received of approximately RMB0.1 million, offset by the purchases of property, plant and equipment of approximately RMB1.1 million.

We had a net cash outflow from investing activities of approximately RMB4.0 million for the year ended 31 December 2012, primarily due to the increase in restricted bank deposits of approximately RMB3.9 million and the purchases of property, plant and equipment of approximately RMB1.8 million, offset by the repayment of amounts due from related companies of approximately RMB0.9 million, the repayment from a director of approximately RMB0.8 million and interest received of approximately RMB12,000.

### **Cash flows from financing activities**

Our cash from financing activities during the Track Record Period consisted of proceeds from borrowings and advances from director, and our cash outflows from financial activities consisted of repayments of bank borrowings, repayments to director and dividends paid.

We had a net cash outflow from financing activities of approximately RMB29.5 million for the year ended 31 December 2014, primarily due to the payment of dividends of approximately RMB70.0 million, the repayment of bank borrowings of approximately RMB40.5 million and the repayment to director of approximately RMB12.3 million, offset by contributions from owners of approximately RMB59.5 million, proceeds from bank borrowing of approximately RMB33.0 million and advances from director of approximately RMB0.9 million.

We had a net cash outflow from financing activities of approximately RMB81.2 million for the year ended 31 December 2013, primarily due to the payment of dividends of approximately RMB90.0 million, the repayment of bank borrowings of approximately RMB40.5 million and the repayment to director of approximately RMB20.0 million, offset by proceeds from bank borrowings of approximately RMB40.5 million and advances from director of approximately RMB28.7 million.

We had a net cash outflow from financing activities of approximately RMB36.6 million for the year ended 31 December 2012, primarily due to the payment of dividends of approximately RMB45.0 million, the repayment of bank borrowings of approximately RMB30.5 million and the repayment to director of approximately RMB20.6 million, offset by proceeds from bank borrowings of approximately RMB40.5 million and advances from director of approximately RMB18.9 million.

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### WORKING CAPITAL

Our Directors confirm that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus, taking into account the financial resources presently available to us, including the estimated net proceeds from the Global Offering, available banking facilities and cash flows from our operations.

### CURRENT ASSETS AND CURRENT LIABILITIES

The following table sets out details of our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 30 April
	2012	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)
<b>Current assets</b>				
Inventories	51,647	30,767	41,071	31,869
Trade and other receivables	39,923	34,187	49,635	76,210
Amount due from related companies	–	193	–	–
Restricted bank deposits	3,850	1,500	–	–
Cash and cash equivalents	6,918	18,054	31,595	47,172
	<u>102,338</u>	<u>84,701</u>	<u>122,301</u>	<u>155,251</u>
<b>Current liabilities</b>				
Trade and bills payables	15,612	6,480	12,365	19,074
Accruals and other payables	14,313	12,666	16,282	16,476
Amounts due to a director	9,991	18,720	7,311	–
Amount due to an immediate holding company	–	–	20	31,072
Amount due to a related company	140	190	90	–
Bank borrowings	40,500	40,500	33,000	33,000
Current income tax liabilities	5,072	6,118	7,417	6,184
	<u>85,628</u>	<u>84,674</u>	<u>76,485</u>	<u>105,806</u>
<b>Net current assets</b>	<b><u>16,710</u></b>	<b><u>27</u></b>	<b><u>45,816</u></b>	<b><u>49,445</u></b>



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We had net current assets of RMB16.7 million, RMB27,000 and RMB45.8 million, respectively, as at 31 December 2012, 2013 and 2014.

Our net current assets increased by approximately RMB45.8 million from approximately RMB27,000 in 2013 to approximately RMB45.8 million in 2014.

Our net current assets decreased by approximately RMB16.7 million from approximately RMB16.7 million in 2012 to approximately RMB27,000 in 2013 was primarily due to the significant decrease in inventories by approximately RMB20.9 million.

### INDEBTEDNESS

#### Borrowings

All of our borrowings were due within one year and were denominated in RMB. The following table sets out our borrowings as at the dates indicated.

	As at 31 December			As at 30 April
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings wholly repayable within one year	40,500	40,500	33,000	33,000

(Unaudited)

The balance of our bank borrowings as at 31 December 2013 remained at the same level as the balance as at 31 December 2012. The balance of our bank borrowings as at 31 December 2014 decreased to RMB33.0 million.

The weighted effective interest rates of bank borrowings were 9.6%, 9.3% and 9.1%, respectively, as at 31 December 2012, 2013 and 2014. Our bank borrowings were secured by (i) legal charge on properties of a related company and (ii) joint and several personal guarantee executed by our Directors.

Except as described above, as at 30 April 2015, being the latest practicable date for determining our indebtedness, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

Our Directors confirm that we have not experienced any withdrawal of facilities, default in payment of bank borrowing or breach of financial covenants during the Track Record Period and up to the Latest Practicable Date.

Our Directors confirm that we had not experienced difficulties in meeting obligations during the Track Record Period and none of our Group's bank borrowings and facilities are subject to the fulfilment of covenants relating to financial ratio requirements or any other material covenants which would adversely affect our Group's ability to undertake additional debt or equity financings.



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Our Directors confirm that there is no material change in our indebtedness position since 30 April 2015.

### CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

#### Inventories

The following table sets out a summary of our inventories as at the respective balance sheet dates indicated:

	As at 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	6,694	3,117	4,543
Work in progress	3,728	5,136	5,100
Finished goods	41,225	22,514	31,428
	<u>51,647</u>	<u>30,767</u>	<u>41,071</u>

Our inventories primarily consist of raw materials including fresh fruits, packaging materials and other supplementary materials. Our work-in-progress comprises solely frozen fruits for production use and our finished goods mainly represent our processed fruit products ready to be sold. We value our inventories at the lower of cost and net realisable value. Cost is determined on weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

We generally do not maintain a regular stock of fresh fruits for manufacturing our processed fruit products because our processed fruit products are in general made-to-order. We typically procure fresh fruits based on the orders from customers.

Our inventories decreased by 40.3% from RMB51.6 million as at 31 December 2012 to RMB30.8 million as at 31 December 2013, and increased by 33.4% to RMB41.1 million as at 31 December 2014. The fluctuations were primarily attributable to the fluctuation in finished goods which is primarily due to the delivery schedules specified in the relevant sales contracts entered into with the customers before each of the years ended 31 December 2012, 2013 and 2014.

The decrease in the inventory level as at 31 December 2013 was primarily due to the increase in the use of raw materials in our production in 2013 driven by the increase in our sales in 2013. The increase in the raw material inventory level as at 31 December 2014 was primarily due to the intention of our management to maintain a higher level of stock to cope with our expected increase in the sales of our products. The increase in the finished good inventory level as at 31 December 2014 was primarily due to a higher proportion of our products scheduled to be delivered to our customers across the financial year end in 2014.

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The following table sets out our average inventory turnover days for the periods indicated:

	<b>Year ended 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
Average inventory turnover days ( <i>Note</i> )	90	58	42

*Note:* Average inventory turnover days equal the average inventory divided by cost of sales multiplied by 365 days. Average inventory is the inventory at the beginning of the period plus the inventory at the end of the period with the sum divided by two.

The average inventory turnover days decreased from 90 days for the year ended 31 December 2012 to 58 days for the year ended 31 December 2013 and further decreased to 42 days for the year ended 31 December 2014. The continuous decrease were primarily attributable to (i) the delivery schedules specified in the relevant sales contracts entered into with the customers before each of the three years ended 31 December 2012, 2013 and 2014; and (ii) our continuous increase in sales and cost of sales during the Track Record Period. As of 30 April 2015, the subsequent utilisation of our inventory balance was estimated to be approximately 85.0%.

### **Trade and other receivables**

The following table sets out our trade and other receivables as at the respective balance sheet dates indicated:

	<b>As at 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	39,656	33,605	48,549
Prepayments and other receivables	267	582	1,086
	<b><u>39,923</u></b>	<b><u>34,187</u></b>	<b><u>49,635</u></b>

We usually grant to our customers a credit period ranging from 30 to 60 days. Our trade and other receivables comprise trade receivables, prepayments and other receivables.

Our trade and other receivables increased from approximately RMB34.2 million as at 31 December 2013 to approximately RMB49.6 million as at 31 December 2014 primarily due to the increase in our trade receivable by 44.5% from RMB33.6 million as at 31 December 2013 to RMB48.5 million as at 31 December 2014, which was due to the increase in our revenue as a result of our widened customers' base and the number of product types offered. Our trade and other receivables decreased from approximately RMB39.9 million as at 31 December 2012 to approximately RMB34.2 million as at 31 December 2013 primarily due to the decrease in our trade receivables.

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The decrease in our trade receivables from approximately RMB39.7 million as at 31 December 2012 to approximately RMB33.6 million as at 31 December 2013 was primarily due to (i) the improvement in the collection of trade receivables due by our customers and (ii) the relatively lower sales amount in December 2013 as compared with the same in December 2012. The increase in our trade receivables from approximately RMB33.6 million as at 31 December 2013 to approximately RMB48.5 million as at 31 December 2014 was in line with the increase in the sales of our products.

Prepayments and other receivables mainly include our prepayment for electricity expenses and VAT recoverables. Our prepayments and other receivables increased from approximately RMB0.3 million as at 31 December 2012 to approximately RMB0.6 million as at 31 December 2013 primarily due to the increase in the prepayments for electricity expenses and purchase of raw materials. Our prepayments and other receivables further increased from approximately RMB0.6 million as at 31 December 2013 to approximately RMB1.1 million as at 31 December 2014 primarily due to the increase in our VAT recoverables and also the increase in the purchase of fresh fruit.

The following table sets out an aging analysis of our trade receivables based on invoice date for the periods indicated:

	<b>As at 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 to 30 days	33,529	19,496	28,531
31 to 60 days	5,677	13,894	19,358
61 to 90 days	–	215	660
91 to 180 days	127	–	–
181 to 365 days	194	–	–
Over 365 days	129	–	–
	<b>39,656</b>	<b>33,605</b>	<b>48,549</b>

A majority of our trade receivables as at 31 December 2012, 2013 and 2014 were aged within 60 days, as most of the credit period granted to our customers ranged from 30 to 60 days.

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As at 31 December 2012, 2013 and 2014, trade receivables of approximately RMB0.5 million, RMB0.2 million and RMB0.7 million were past due but not impaired. They relate to a number of independent customers for whom there is no significant financial difficulty and based on our past experience, the overdue amounts can be recovered. The following table sets out an aging analysis of our trade receivables which were not impaired as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 to 30 days	–	215	660
91 to 180 days	127	–	–
181 to 365 days	194	–	–
Over 365 days	129	–	–
	<u>450</u>	<u>215</u>	<u>660</u>

As at 30 April 2015, 100% of our total trade receivables as at 31 December 2014 had been subsequently settled.

The following table sets out our average trade receivables turnover days for the periods indicated:

	<b>Year ended 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
Average trade receivables turnover days ( <i>Note</i> )	39	36	33

*Note:* Average trade receivables turnover days is equal to the average of the starting and ending trade receivables balance of the year divided by turnover and multiplied by 365 days.

As a result of our continuous efforts to improve the collection of our trade receivables due by our customers our average trade receivables turnover days decreased from 39 days for the year ended 31 December 2012, to 36 days for the year ended 31 December 2013, and further decreased to 33 days for the year ended 31 December 2014. The trade receivables turnover days were consistent with our usual credit period granted to our customers ranging from 30 to 60 days.

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## FINANCIAL INFORMATION

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### Trade and bills payables

The following table sets out our trade and other payables as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	11,762	4,980	12,365
Bills payables	3,850	1,500	–
	<u>15,612</u>	<u>6,480</u>	<u>12,365</u>

Our trade and bills payables primarily relate to the purchase of raw materials from our suppliers. Our bills payables were secured by restricted bank deposits of our Group.

Our trade and bills payables decreased from approximately RMB15.6 million as at 31 December 2012 to approximately RMB6.5 million as at 31 December 2013 primarily due to our settlement of the long aging trade payables for the purpose of maintaining good business relationship with our suppliers. Our trade and bills payables increased from approximately RMB6.5 million as at 31 December 2013 to approximately RMB12.4 million as at 31 December 2014 primarily due to the increase in our purchases to cope with our increasing production needs in 2014.

The following table sets out the aging analysis of our trade payables based on invoice date as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 to 30 days	5,146	4,203	11,156
31 to 90 days	3,407	696	732
91 to 180 days	2,019	70	331
181 to 365 days	1,190	–	144
Over 365 days	–	11	2
	<u>11,762</u>	<u>4,980</u>	<u>12,365</u>

As at 30 April 2015, approximately 99.1% of our total trade payables as at 31 December 2014 had been subsequently settled.

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## FINANCIAL INFORMATION

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The following table sets out our average trade payables turnover days for the periods indicated:

	<b>Year ended 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
Average trade payables turnover days ( <i>Note</i> )	27	12	10

*Note:* Average trade payables turnover days is equal to the average of the starting and ending trade payables balance of the year divided by cost of sales and multiplied by 365 days.

As a result of our settlement of the long aging trade payables for the purpose of maintaining good business relationship with our suppliers, our average trade payables turnover days decreased from 27 days for the year ended 31 December 2012 to 12 days for the year ended 31 December 2013. Our average trade payables turnover says remained stable at 10 days for the year ended 31 December 2014. The credit terms usually offered by our suppliers other than farmer suppliers ranged from 30 to 60 days. Purchases from individual farmer suppliers are mainly made on cash-on-delivery basis.

### **Accruals and other payables**

Our accruals and other payables primarily consist of accrued employee benefit expenses, other taxes payables, other payables for purchases and property, plant and equipment.

The following table sets out our accruals and other payables as at the dates indicated:

	<b>As at 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accrued employee benefit expenses	9,052	9,297	13,554
Other taxes payables	3,892	1,627	163
Other payables for purchases and property, plant and equipment	371	707	368
Others	998	1,035	2,197
	<u>14,313</u>	<u>12,666</u>	<u>16,282</u>

Our accruals and other payables decreased from approximately RMB14.3 million as at 31 December 2012 to approximately RMB12.7 million as at 31 December 2013 primarily due to the decrease in other taxes payables. Our VAT payables close to financial year end in 2012 was relatively higher than the same in 2013. Our accruals and other payables increased from approximately RMB12.7 million as at 31 December 2013 to approximately RMB16.3 million as at 31 December 2014 primarily due to the increase in our accrued employee benefit expenses as a result of the increase in our overall staff cost and the increase in Listing expenses.

## FINANCIAL INFORMATION

Our accrued employee benefit expenses amounted to approximately RMB9.1 million, RMB9.3 million and RMB13.6 million, respectively, as at 31 December 2012, 2013 and 2014, which mainly represented salaries, social welfare scheme contributions and bonuses accrued for the month of December of that year for our employees and the provision made for the social insurance contributions and housing provident fund contributions.

Others mainly include payables in relation to transportation expenses and water expenses.

### CONTINGENT LIABILITIES

As at 31 December 2012, 2013 and 2014, we did not have any material contingent liabilities and we confirm that as at the Latest Practicable Date, there had been no material change to our contingent liabilities.

### SUMMARY OF KEY FINANCIAL RATIOS

	<i>Notes</i>	<b>Year ended 31 December</b>		
		<b>2012</b>	<b>2013</b>	<b>2014</b>
Return on equity (%)	(1)	98.9	179.4	75.5
Return on total assets (%)	(2)	40.2	57.1	45.8
Interest coverage ratio ( <i>times</i> )	(3)	22.6	24.8	47.5
		<b>As at 31 December</b>		
		<b>2012</b>	<b>2013</b>	<b>2014</b>
Gearing ratio (%)	(4)	86.4	150.4	34.2
Net debt to equity ratio (%)	(5)	74.6	104.7	7.5
Current ratio	(6)	1.2	1.0	1.6
Quick ratio	(7)	0.6	0.6	1.1

*Notes:*

- (1) Return on equity is calculated based on our net profit attributable to our shareholders for each reporting period divided by equity attributable to our shareholders as of the end of each reporting period and multiplied by 100%.
- (2) Return on total assets is calculated based on our net profit for each reporting period divided by total assets as of the end of each reporting period and multiplied by 100%.
- (3) Interest coverage ratio is calculated based on our operating profit divided by our finance costs during each reporting period.
- (4) Gearing ratio is calculated based on our total debts divided by our total equity as of the end of each reporting period and multiplied by 100%. Total debts are calculated by aggregating our bank borrowings and our non-trade nature of amounts due to directors, immediate holding company and a related company as of the end of each reporting period.
- (5) Net debt to equity ratio is calculated based on our net debt (namely total debts net of cash and cash equivalents) divided by our total equity as of the end of each reporting period and multiplied by 100%.
- (6) Current ratio is calculated based on our total current assets divided by our total current liabilities as of the end of each reporting period.
- (7) Quick ratio is calculated based on our total current assets minus inventories divided by our total current liabilities as of the end of each reporting period.

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## FINANCIAL INFORMATION

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### **Return on equity**

Our return on equity increased from 98.9% for the year ended 31 December 2012 to 179.4% for the year ended 31 December 2013, primarily due to the decrease in our total equity as a result of the dividend paid in 2013. Our return on equity decreased from 179.4% for the year ended 31 December 2013 to 75.5% for the year ended 31 December 2014, primarily due to the increase in our total equity as a result of our profit for the year, the capital injection by our Controlling Shareholders and the decrease in the amount of dividend paid in 2014.

### **Return on total assets**

Our return on total assets increased from 40.2% for the year ended 31 December 2012 to 57.1% for the year ended 31 December 2013, primarily due to (i) the decrease in our inventory; and (ii) the payment of dividend in 2013. Our return on total assets decreased from 57.1% for the year ended 31 December 2013 to 45.8% for the year ended 31 December 2014, primarily due to (i) our acquisition of property, plant and equipment during the year ended 31 December 2014; and (ii) the capital injection by our Controlling Shareholders.

### **Interest coverage ratio**

We did not rely heavily on bank borrowings to finance our operations during the Track Record Period. Our interest coverage ratio increased from 22.6 times for the year ended 31 December 2012 to 24.8 times for the year ended 31 December 2013, and further increased to 47.5 times for the year ended 31 December 2014. The continuous increase was primarily due to (i) the increase in our operating profits; and (ii) the decrease in our finance costs.

### **Gearing ratio**

Our gearing ratio increased from 86.4% as at 31 December 2012 to 150.4% as at 31 December 2013, and decreased to 34.2% as at 31 December 2014. The fluctuations were similar to the fluctuation of our total equity, primarily due to our dividend paid and the capital injection by our Controlling Shareholders during the years ended 31 December 2013 and 2014.

### **Net debt to equity ratio**

Our net debt to equity ratio increased from 74.6% as at 31 December 2012 to 104.7% as at 31 December 2013, primarily due to the decrease in equity as a result of the payment of dividend in 2013. The ratio decreased to 7.5% as at 31 December 2014, primarily due to the increase in our cash and cash equivalents.



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## FINANCIAL INFORMATION

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### Current Ratio

Our current ratio remained stable at 1.2, 1.0, and 1.6, respectively, 31 December 2012, 2013 and 2014. Our current ratio decreased to 1.0 as at 31 December 2013 primarily due to the payment of dividend to our Shareholders during the year. Our current ratio increased to 1.6 as at 31 December 2014 primarily due to the capital injection by our Controlling Shareholders.

### Quick Ratio

Our quick ratio remained stable at 0.6, 0.6, and 1.1, respectively, as at 31 December 2012, 2013 and 2014. Our quick ratio remained stable at 0.6 as at 31 December 2012 and 2013. Our quick ratio increased to 1.1 as at 31 December 2014, which was in line with the fluctuation in our current ratio over the same period.

### CAPITAL EXPENDITURES AND CAPITAL COMMITMENT

Our capital expenditure primarily relates to our purchases of property, plant and equipment. We have funded our historical capital expenditure through cash flows generated from operating activities, advance from a controlling shareholder and bank borrowings. The following table sets out our capital expenditure during the Track Record Period:

	Year ended 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	983	1,437	36,610

Our total capital expenditures for the three year ended 31 December 2012, 2013 and 2014 were approximately RMB1.0 million, RMB1.4 million and RMB36.6 million, respectively. Our capital expenditure of RMB1.0 million for the year ended 31 December 2012 and RMB1.4 million for the year ended 31 December 2013 primarily represent the purchase of cold storage equipment in the amount of RMB1.0 million and filling and sealing machines in the amount of RMB1.4 million, respectively. Our capital expenditure of RMB36.6 million for the year ended 31 December 2014 primarily represents expenditures for the Phase I Expansion Plan.

The following table sets out our capital commitments for the periods indicated:

	Year ended 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment			
– Contracted but not provided for	–	–	3,069
– Authorised but not contracted for	–	–	5,185

The capital commitments as at 31 December 2012, 2013 and 2014 were primarily related to purchase of machineries and equipments.

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## FINANCIAL INFORMATION

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### Planned capital expenditures

We expect to incur a total of approximately RMB105.9 million, RMB91.7 million and RMB96.0 million, respectively, on capital expenditures for the year ending 31 December 2015, 2016 and 2017. The following table sets out the details of our planned capital expenditure to be incurred for the year ending 31 December 2015, 2016 and 2017:

	<b>Estimated capital expenditure for the year ending 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Land and Production Facilities ( <i>Note</i> )	80,000	–	–
Production equipment and machinery for existing production facilities	8,320	–	–
Production equipment and machinery for Phase I Expansion Plan	10,000	–	–
Production equipment and machinery for Phase II Expansion Plan	–	4,380	39,420
Acquisition of parcel of land for No. 5 and 6 Workshops	–	30,000	–
Construction of No. 3 and 4 Workshops	2,760	–	–
Construction of No. 5 and 6 Workshops	–	52,203	52,203
Equipment and machinery for research and development	781	3,125	2,344
Leasehold improvement and office equipment	4,000	2,000	2,000
	<u>4,000</u>	<u>2,000</u>	<u>2,000</u>
<b>Total</b>	<b><u>105,861</u></b>	<b><u>91,708</u></b>	<b><u>95,967</u></b>

*Note:* The estimated cost refers to the consideration payable by us, pursuant to the land and properties agreement entered into by Yuanyu and us on 19 March 2015. For further information, please refer to the paragraph headed “Properties” in the section headed “Business” of this prospectus.

We plan to fund the planned capital expenditures outlined above through a combination of a portion of the net proceeds from the Global Offering, cash generated from operating activities and bank loans. For more details, please see the section entitled “Future plans and use of proceeds” in this prospectus. There is no guarantee that any of the planned capital expenditures will proceed as planned. As we continue to expand, we may incur additional capital expenditures. In future, we may consider debt or equity financing, depending on market conditions, our financial performance, our capital needs and other relevant factors.

### RELATED PARTY TRANSACTIONS

With respect to the related party transactions set forth in the Accountant’s Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on an arm’s length basis, normal commercial terms and/or terms that were no less favourable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole and would not distort our results of operations during the Track Record Period or make the results of operations not reflective of our future performance.

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## FINANCIAL INFORMATION

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### MARKET RISKS

Our activities expose us to a variety of market risks: currency risk, interest rate risk, credit risk and liquidity risk. Our management monitors these exposures and seeks to minimise potential adverse effects on our financial performance.

#### Foreign exchange risk

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollars (“USD”). Foreign exchange risk arises from future commercial transactions and recognised financial assets and liabilities.

As at 31 December 2012, 2013 and 2014, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, the pre-tax profit and total equity would have been approximately RMB228,000, RMB303,000 and RMB650,000 lower/higher, respectively, mainly as a result of foreign exchange losses/gains on translation of USD denominated trade receivables.

#### Cash flow and fair value interest rate risk

The Group’s interest rate risk arises from bank balances at floating interest rates and bank borrowings. Bank borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by bank balances held at variable rates. The Group’s borrowings at fixed rates expose the Group to fair value interest rate risk. During 2012, 2013 and 2014, the Group’s bank borrowings at fixed rates were denominated in RMB. Details of the Group’s bank borrowings are disclosed in Note 25. The cash deposits placed with banks generate interest at the prevailing market interest rates.

As at 31 December 2012, 2013 and 2014, if interest rates on bank borrowings had been 50 basis points fluctuated with all other variables held constant, the Group’s pre-tax profit and total equity would have been affected by approximately RMB29,000, RMB10,000 and RMB13,000 respectively, mainly as a result of fluctuation of interest expenses on variable rates bank balances and bank borrowings.

#### Credit risk

Credit risk is managed on a group basis. The credit risk of the Group mainly arises from cash and cash equivalents and deposits with banks, trade and other receivables and amounts due from related parties. Management has policies in place to monitor the exposures to these credit risks on an on-going basis.

As at 31 December 2012, 2013 and 2014, for cash and cash equivalent and deposits with banks, they are all deposited or traded with listed banks. The Group has not incurred significant loss from non-performance by these parties in the past and management does not expect so in the future.

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## FINANCIAL INFORMATION

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As at 31 December 2012, 2013 and 2014, three largest customers of the Group accounted for approximately 43%, 38% and 31%, respectively, to the trade receivables of the Group. The Group has set up long-term cooperative relationship with these customers. In view of the history of business dealings with the customer and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these customers. Management makes periodic assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made in the Financial Information.

The credit quality of the amounts due from related parties have been assessed with reference to historical information about the counterparty default and financial position of the counterparty.

### **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and bank balances, the availability of funding from an adequate amount of committed credit facilities from leading banks and the ability to close out market position. The Group aims to maintain flexibility in funding by keeping sufficient bank balances and committed credit lines available.

As at 31 December 2012, 2013 and 2014, the Group's and Company's financial liabilities were due for settlement contractually within 12 months or repayable on demand.

### **LISTING EXPENSES**

Assuming an Offer Price of HK\$1.48 per Share (being the mid-point of the indicative offer price range stated in this prospectus) and the Over-allotment Option is not exercised, the total estimated listing expenses in relation to the Global Offering is HK\$43.4 million, of which HK\$2.1 million were charged to profit or loss during the Track Record Period. For the remaining expenses, we expect to charge HK\$22.1 million to our profit or loss for the year ending 31 December 2015 and the balance of HK\$19.2 million to be capitalised.

### **FINANCIAL INSTRUMENTS**

We have not entered into any financial instruments for hedging purposes.

### **DISTRIBUTABLE RESERVE**

Under the BVI Companies Act and subject to compliance with our Articles of Association, any funds may be applied by our Company for paying distributions or dividends to our Shareholders if immediately following the date on which the distribution or dividend is proposed to be paid, the value of our assets exceeds our liabilities and we are able to pay our debts as they fall due. As at 31 December 2014, our Company had a reserve of approximately RMB59.5 million which are available for distribution to our Shareholders.

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## FINANCIAL INFORMATION

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### **DISCLOSURE REQUIRED UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES**

Our Directors confirm that they are not aware of any circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

### **DIVIDENDS DECLARED DURING THE TRACK RECORD PERIOD AND DIVIDEND POLICY**

During the Track Record Period, we declared dividends of nil for the year ended 31 December 2012, RMB90.0 million for the year ended 31 December 2013, RMB70.0 million for the year ended 31 December 2014. The foregoing should not be viewed as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

After completion of the Global Offering and the Capitalisation Issue, our Shareholders will be entitled to receive dividends declared by our Company. Any amount of dividends to be declared and paid by our Company will be at the recommendation of our Directors at their discretion taking into consideration our future operations and earnings, our business development, capital requirements and surplus, general financial conditions, contractual restrictions and such other factors as our Directors consider appropriate. Any declaration and payment as well as the amount of dividends will be subject to the Articles of Association and the BVI Companies Act. Any declaration of final dividends will also require the approval of our Shareholders in general meeting. No dividend shall be declared or paid unless our Directors are satisfied, on reasonable grounds, that immediately after the dividend payment, the value of our Company's assets exceeds its liabilities and our Company is able to pay its debts as they fall due.

As we are a holding company, our ability to declare and pay dividends will depend on the availability of dividends received from our subsidiaries, particularly those in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including HKFRS. PRC laws also require foreign-invested enterprises, such as all of our subsidiaries in the PRC, to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Our Directors intend to invest the earnings of our PRC subsidiaries from the dates of their respective establishment to 31 December 2014 in the PRC permanently and there is no plan of distribution of such earnings in the foreseeable future. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

### **OFF-BALANCE SHEET ARRANGEMENT**

As at the Latest Practicable Date, we did not have any material off-balance sheet arrangements or contingencies except as disclosed under the paragraphs headed "Capital expenditures and capital commitments" and "Indebtedness" in this section.

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## FINANCIAL INFORMATION

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### UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set out to illustrate the effect of the Global Offering on our net tangible assets as at 31 December 2014 as if it had taken place on 31 December 2014. The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustration purpose only and, because of its hypothetical nature, it may not give a true picture of our net tangible assets as at 31 December 2014 or any future date following the Global Offering. It is prepared based on our net assets as at 31 December 2014 as set out in the Accountant's Report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted consolidated net tangible assets does not form part of the Accountant's Report in Appendix I to this prospectus.

	Consolidated net tangible assets attributable to owners of our Company as at 31 December 2014 <i>RMB'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Global Offering <i>RMB'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets <i>RMB'000</i>	Unaudited pro forma adjusted consolidated net tangible assets per Share <i>RMB</i> <i>(Note 3)</i>
Based on an Offer Price of HK\$1.28 per Share	118,330	224,551	342,881	0.34
Based on an Offer Price of HK\$1.68 per Share	118,330	301,345	419,675	0.42

*Notes:*

1. The consolidated net tangible assets attributable to owners of the Company as at 31 December 2014 is extracted from the Accountant's Report as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets attributable to owners of the Company of RMB118,330,000 as at 31 December 2014.
2. The estimated net proceeds from the Global Offering are based on the minimum and maximum indicative Offer Price of HK\$1.28 and HK\$1.68 per Share, after deduction of the underwriting fees and other related expenses payable by the Company, taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share are determined after the adjustments as described in note 2 above and on the basis that 1,000,000,000 Shares (being the number of shares expected to be in issue immediately after completion of the Global Offering, without taking into account of any shares which may be issued upon the exercise of the Over-allotment Option) are issued and outstanding.

### PROPERTY VALUATION

Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“**Jones Lang**”), an independent property valuer, has valued our property interests in the PRC as at 30 April 2015. The texts of its letter, summary of values and valuation certificate are set out in Appendix III to this prospectus.

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## FINANCIAL INFORMATION

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On 19 March 2015, we entered into a land and properties transfer agreement with Yuanyu pursuant to which Yuanyu has agreed to transfer to Shandong Tiantong a parcel of land (the “**Land**”) with a total site area of approximately 106,312 square metres in Linyi City, Shandong Province, the PRC comprising production plants, ancillary facilities, offices, dormitories and canteens (the “**Production Facilities**”) with a total gross floor area of approximately 40,181.7 square metres (the Land and the Production Facilities together as the “**Properties**”) at a consideration of RMB80.0 million. As advised by our PRC Legal Adviser, we have obtained the building ownership certificates by 9 June 2015 and land use rights certificate on 10 June 2015. According to Jones Lang, the valuation of our Group’s property interests in the Properties as at 30 April 2015 was RMB125,911,000.

As we have not obtained any construction permit of our property under construction in the PRC, Jones Lang has attributed no commercial value to such property as at 30 April 2015. Based on the relevant approval and confirmation issued by the local planning and construction bureaus being competent authorities, our PRC Legal Adviser confirms that we can commence the construction work and the construction work will be transferred after the completion of the transfer of the aforesaid land use rights.

For further information of the property interests held and occupied and under development by us, please refer to the property valuation report as set out in Appendix III to this prospectus.

### RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Since 31 December 2014, being the date to which the latest audited financial statements of our Group are prepared, and up to the Latest Practicable Date, our business has undergone developments including the following aspects:

- In January 2015, we started a new distributorship system in respect of our PRC sales for the purpose of better managing and supervising our domestic distributors for sales of our own brand products.
- On 19 March 2015, we entered into a land and properties transfer agreement with Yuanyu pursuant to which Yuanyu has agreed to transfer to Shandong Tiantong a parcel of land in Linyi City, Shandong Province, the PRC together with our existing production facilities located thereon at a consideration of RMB80.0 million and our lease from Yuanyu ceased after the transfer.
- In April 2015, we have launched our on-line shop through third party on-line shopping platform in order to broaden the sales channel of our products.

Our Directors confirmed that since 31 December 2014, (being the date to which the latest audited consolidated financial statements of our Group are prepared) and up to the Latest Practicable Date, there had been no material adverse change in our business, financial condition and market condition in the industry in which we operate which could materially affect the information shown in our consolidated financial statements included in the Accountant’s Report set forth in Appendix I to this prospectus.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

A detailed description of our future plans is set out in the paragraph headed “Our business strategies” in the section headed “Business” of this prospectus.

### USE OF PROCEEDS

We estimate that the net proceeds from the Global Offering (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering and assuming that the Over-allotment Option is not exercised) are approximately HK\$278.6 million, assuming an Offer Price of HK\$1.28 per Share, or HK\$374.6 million, assuming an Offer Price of HK\$1.68 per Share (or if the Over-allotment Option is exercised in full, HK\$325.2 million, assuming an Offer Price of HK\$1.28 per Share, or HK\$435.7 million, assuming an Offer Price of HK\$1.68 per Share).

We estimate that the net proceeds from the Global Offering (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering, and assuming an Offer Price of HK\$1.48 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$1.28 to HK\$1.68 and the Over-allotment Option is not exercised) are approximately HK\$326.6 million (or approximately HK\$380.5 million assuming the Over-allotment Option is exercised in full) (to be received upon the Listing). Our Directors intend to apply the net proceeds from the Global Offering for the following purposes:

- approximately HK\$163.3 million, representing approximately 50% of the net proceeds from the Global Offering, will be used for capital expenditures on our expansion plan, details of which is set out in the paragraph headed “New production facilities” in the section headed “Business” of this prospectus, in order to increase our production capacity to meet the needs and growth of our business, including:
  - acquire a parcel of land close to our existing production facilities;
  - construct two new workshops on such land parcel comprising production plants and warehouses;
  - purchase and install related equipment and machinery for the production of our processed fruit products;
- approximately HK\$49.0 million, representing approximately 15% of the net proceeds from the Global Offering, will be used to expand our distribution and sales network and our scale of operation, including:

#### **With respect to the sales of our own brand products**

- recruit more experienced sales representatives to provide services to our existing distributors, in particular, to assist them with their sales and marketing efforts;
- expand our geographical coverage in the PRC by increasing the number of new distributors;



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## FUTURE PLANS AND USE OF PROCEEDS

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### **With respect to the sales of our OEM products**

- recruit more staff for the provision of after-sale services to our customers;
- approximately HK\$49.0 million, representing approximately 15% of the net proceeds from the Global Offering, will be used to enhance our brand awareness and promote the on-line shopping platform of our own brand products, including:
  - engage professional marketing staff to assist us in our product positioning, organising marketing activities, improving the appearance of our product packaging, organising campaigns aimed at our target customers;
  - participate in trade shows and exhibitions;
  - advertise on the internet, television and printed media such as outdoor billboards and newspapers;
- approximately HK\$16.3 million, representing approximately 5% of the net proceeds from the Global Offering will be used to enhance our research and development capabilities to improve our existing products and to develop new products and packaging design, including:
  - recruit experts and professionals in various aspects of research and development;
  - expand our laboratory and purchase more testing equipment;
  - increase cooperation with universities and research institutions, in order to improve the quality of our raw materials and develop new production processes;
  - introduce new healthy products targeting on infants, children, and the elderly;
- approximately HK\$16.3 million, representing approximately 5%, of the net proceeds from the Global Offering will be used to enhance the information technology systems and infrastructure, including:
  - set up administrative office in Hong Kong;
  - upgrade our existing information technology system to improve our business and operational efficiency;
- approximately HK\$32.7 million, representing approximately 10% of the net proceeds from the Global Offering, will be used for working capital and general corporate purposes.

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## FUTURE PLANS AND USE OF PROCEEDS

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The additional net proceeds that we will receive if the Over-allotment Option is exercised in full will be approximately HK\$53.9 million (assuming the Offer Price at the mid-point of the stated Offer Price range of HK\$1.48). If the Over-allotment Option is exercised in full, our Directors intend to apply all the additional net proceeds for the above uses on a pro rata basis.

If the Offer Price is fixed at HK\$1.68, being the high end of the stated Offer Share range, our net proceeds will be (i) increased by approximately HK\$48.0 million, assuming the Over-allotment Option is not exercised; and (ii) increased by approximately HK\$55.2 million, assuming the Over-allotment Option is exercised in full. Our Directors currently intend to use such additional proceeds for the above uses in the proportions stated above.

If the Offer Price is fixed at HK\$1.28, being the low end of the stated Offer Price range, our net proceeds will instead be (i) decreased by approximately HK\$48.0 million, assuming the Over-allotment Option is not exercised; and (ii) decreased by approximately HK\$55.3 million, assuming the Over-allotment Option is exercised in full. Our Directors currently intend to reduce our use of proceeds proportionately as earmarked.

To the extent that the net proceeds to us from the Global Offering are not immediately applied to the above purposes, we will deposit the net proceeds into short-term demand deposits and/or money market instruments.

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## UNDERWRITING

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### UNDERWRITERS

#### Sole Global Coordinator and Sole Bookrunner

Guotai Junan Securities (Hong Kong) Limited

#### Sole Lead Manager

Guotai Junan Securities (Hong Kong) Limited

#### Co-Lead Manager

Yuanta Securities (Hong Kong) Company Limited

#### Co-Managers

Ever-Long Securities Company Limited  
Great Roc Capital Securities Limited  
Hong Kong International Securities Limited  
Luk Fook Securities (HK) Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### (a) Hong Kong Public Offer

##### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering the Hong Kong Offer Shares for subscription, subject to the terms and conditions of this prospectus and the Application Forms relating thereto, in each case, at the Offer Price.

Subject to, among other matters, the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and the Offer Price having been determined by our Company and the Sole Global Coordinator on or prior to Friday, 3 July 2015 or such other date or time as may be agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), the Hong Kong Underwriters have agreed to subscribe for or procure subscribers to subscribe for, on the terms and conditions of this prospectus and the Application Forms relating thereto, the Hong Kong Offer Shares now being offered for subscription under the Hong Kong Public Offer and which are not taken up under the Hong Kong Public Offer.

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## UNDERWRITING

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### *Grounds for termination*

If, at any time prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Sole Global Coordinator:
  - (i) that any statement, reasonably considered by the Sole Global Coordinator to be material, contained in any of this prospectus or the Application Form(s) and other documents in relation to the Global Offering was when the same was issued, or has become, untrue, incorrect or misleading in any material respects; or
  - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom reasonably considered by the Sole Global Coordinator to be material to the Global Offering; or
  - (iii) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
  - (iv) any material adverse change in the conditions, business affairs, prospects or the financial or trading position of our Group as a whole;
- (b) there shall develop, occur, exist or come into effect:
  - (i) any event, or series of events, beyond the control of the parties to the Hong Kong Underwriting Agreement (including without limitation, any act of God, acts of government, acts of war, riot, public disorder, civil commotion, fire, flooding, explosion, terrorism, strikes, lockouts, outbreak of diseases or epidemics including Severe Acute Respiratory Syndrome, streptococcus infection (pig borne disease) and avian influenza and such related/mutated forms or interruption or delay in transportation), shall have occurred, happened or come into effect; or
  - (ii) any material change in, or any event or series of events resulting or likely to result in any material adverse change or development or local, national or international financial, political, industrial, economic, currency, military, conflict-related, legal, fiscal, exchange control, regulatory, equity or other financial market or other conditions, circumstances or matters (including without limitation any moratorium on, suspension or restriction of commercial banking activities or trading in securities on the Stock Exchange) shall have occurred, happened or come into effect; or

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## UNDERWRITING

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- (iii) any new law or regulation or any material change (whether or not forming part of a series of changes) in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority of Hong Kong, the BVI or any relevant jurisdiction shall have been introduced or effected; or
- (iv) the imposition of economic or other sanctions, in whatever form, directly or indirectly, by the United States, the European Union (or any member thereof) or any other country or organisation on Hong Kong or any other jurisdiction relevant to any member of our Group; or
- (v) any material adverse change in the business or in the financial or trading position of any member of our Group or our Group taken as a whole; or
- (vi) any material change, or a materialisation of, any of the risks set forth in the section headed “Risk factors” in this prospectus; or
- (vii) any litigation or claim which has or could be expected to have a material adverse effect on our Group taken as a whole being threatened or instigated against any member of our Group; or
- (viii) a demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (ix) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (x) a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (xi) a general moratorium on commercial banking activities in Hong Kong; or
- (xii) a material change in taxation or exchange control (or in the implementation of any exchange control) in Hong Kong, the BVI or elsewhere; or

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## UNDERWRITING

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- (xiii) any event, act or omission which gives rise or is likely to give rise to any liability of our Company pursuant to the indemnities contained in the Underwriting Agreements; or
- (xiv) any material fluctuation in the exchange rate of the Hong Kong currency against foreign currency the currency of the United States; or
- (xv) any material adverse change in the conditions or sentiments of the Hong Kong equity securities or other financial markets; or
- (xvi) any imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange or trading settlement system or material interruption in securities settlement or clearance services or procedures in Hong Kong due to exceptional financial circumstances or otherwise,

which, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters),

- (1) is or will be, or is likely to be materially adverse to the general affairs, management, business, financial, trading or other condition or prospects of our Group taken as a whole; or
- (2) has or will have, or is likely to have, a material adverse impact on the success of the Hong Kong Public Offer, the International Placing or the level of the Offer Shares being applied for or accepted or purchased or the distribution of the Offer Shares or dealings in the Shares in the secondary market; or
- (3) makes it impracticable, inadvisable or inexpedient to proceed with the Global Offering,

then the Sole Global Coordinator may (for itself and on behalf of the Hong Kong Underwriters) give written notice to our Company (with a copy of such notice to each of the Hong Kong Underwriters) to terminate the Hong Kong Underwriting Agreement with immediate effect.

### *Undertakings to the Stock Exchange pursuant to the Listing Rules*

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 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 in certain circumstances as prescribed under Rule 10.08 of the Listing Rules.

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## UNDERWRITING

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In accordance with Rule 10.07(1)(a) of the Listing Rules, each of our Controlling Shareholders, namely Wealthy Active and Mr. Yang, has undertaken to the Stock Exchange and our Company that except pursuant to the Global Offering and the Stock Borrowing Agreement:

- (i) he/it will not, at any time commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of our Shares in respect of which he/it is shown by this prospectus to be the beneficial owner; and
- (ii) he/it will not, at any time during the period of six months from the date on which the period referred to in paragraph (i) above expires, 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 referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Note (2) of Rule 10.07 of the Listing Rules provides that Rule 10.07 does not prevent a controlling shareholder from using the Shares owned by him as security (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

Each of our Controlling Shareholders has further undertaken to the Stock Exchange and our Company that he/it will, within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date:

- (i) when he/it pledges or charges any Shares or other securities or interests in any securities of our Company beneficially owned by him/it in favour of any authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of such Shares or securities of our Company so pledged or charged; and

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## UNDERWRITING

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- (ii) when he/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in any securities of our Company will be disposed of, immediately inform us of such indications.

Our Company agrees and undertakes to the Stock Exchange, the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for itself and on behalf of the Hong Kong Underwriters) that upon receiving such information in writing from any of our Controlling Shareholders, we shall, as soon as practicable, notify the Stock Exchange, the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for itself and on behalf of the Hong Kong Underwriters) and make appropriate disclosures in relation to such information by way of an announcement.

### *Undertakings pursuant to the Hong Kong Underwriting Agreement*

Each of our Controlling Shareholders has jointly and severally undertaken to and covenanted with our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager (for itself and on behalf of the Underwriters) that:

- (i) he/it will not, and will procure that none of his/its associates (as defined in the Listing Rules) or companies controlled by him/it will, during the period commencing from the date of this prospectus and ending on the date falling the expiry of the six-month period from the Listing Date, dispose of, or enter into any agreement to dispose of (including without limitation by the creation of any option, charge or other encumbrance or rights over or in respect of but save pursuant to a pledge or charge as security for a bona fide commercial loan) any of the Shares or any interests therein owned by him/it or in which he/it is, directly or indirectly, interested immediately after the completion of the Global Offering (or any other shares or securities of or interest in our Company arising or deriving therefrom) or dispose of, or enter into any agreement to dispose of (including without limitation by the creation of any option, charge or other encumbrance or rights over or in respect of but save pursuant to a pledge or charge as security for a bona fide commercial loan) any shares in any company controlled by him/it which is the beneficial owner of any of such Shares provided that the foregoing restriction shall not apply to any Shares which he/it or any of his/its associates (as defined in the Listing Rules) may acquire following the Listing Date;
- (ii) within a further six months commencing on the date of expiry of the six-month period referred to in paragraph (i) above, he/it will not, and will procure that none of his/its associates (as defined in the Listing Rules) or the companies controlled by him/it will, dispose of, or enter into any agreement to dispose of (including without limitation by the creation of any option, charge or other encumbrance or rights over or in respect of but save pursuant to a pledge or charge as security for a bona fide commercial loan) any Shares or any interests therein referred to in



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## UNDERWRITING

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paragraph (i) above or dispose of, or enter into any agreement to dispose of (including without limitation by the creation of any option, charge or other encumbrance or rights over or in respect of but save pursuant to a pledge or charge as security for a bona fide commercial loan) any shares in any company controlled by him/it which is the beneficial owner of such Shares if, immediately following such disposal, any of them, either individually or taken together with the others, would cease to be a controlling shareholder (within the meaning of the Listing Rules) of our Company or cease to hold a controlling interest (that is to say, an interest of at least 30% or such lower percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) in any of the companies controlled by him/it which owns any such Shares;

- (iii) in the event of any disposal of Shares or any such interests referred to in paragraph (ii) above after expiry of the six-month period referred to in paragraph (i) above, all reasonable steps will be taken to ensure that such disposal will not create a false or disorderly market in the Shares; and
- (iv) he/it will, and will procure that his/its associates (as defined in the Listing Rules) or companies controlled by him/it will, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/it or by the registered holder controlled by him/it of any Shares.

Our Company has undertaken to and covenanted with the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the Underwriters that, and each of our executive Directors undertakes and covenants with the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the Underwriters to procure that, without the prior written consent the Sole Global Coordinator (for itself and on behalf of the Underwriters) (such consent not to be unreasonably withheld or delayed), our Company will not, save pursuant to the Global Offering, the Over-allotment Option and any option which may be granted under the Share Option Scheme or any scrip dividend schemes or similar schemes under which profits are capitalised and providing for the allotment and issue of Shares in lieu of the whole or part of a dividend in accordance with the Articles of our Company and unless in compliance with the requirements of the Listing Rules, (a) at any time after the Latest Practicable Date up to and including the date falling six months after the Listing Date, issue or agree to issue any shares or securities in our Company or any of its major subsidiaries (as defined in Rule 13.25(2) of the Listing Rules) if such shares or securities of such major subsidiary are not issued to other member of our Group or grant or agree to grant 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 its major subsidiaries (as defined aforesaid) if such options, warrants or rights are not granted by such major subsidiary to other member of our Group; and (b) within a further six months following the six-month period referred to in (a) above, issue or agree to issue any shares or securities in our

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## UNDERWRITING

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Company or grant or agree to grant 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 Wealthy Active and Mr. Yang, either taken individually or taken together, would cease to be a controlling shareholder (within the meaning of the Listing Rules) of our Company or cease to hold a controlling interest (that is to say, an interest of at least 30% or such lower percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) in any of the companies controlled by him or her or it which owns any Shares.

Each of our Company and our executive Directors has undertaken to and covenanted with the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the Underwriters that save with prior written consent of the Sole Lead Manager (for itself and on behalf of the Underwriters) (such consent not to be unreasonably withheld or delayed), no company in our Group will within the period of six months from the Listing Date purchase any securities of our Company.

### **(b) International Underwriting Agreement**

In connection with the International Placing, it is expected that our Company and the Controlling Shareholders will, on or about Monday, 29 June 2015, enter into the International Underwriting Agreement with, among other parties, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the International Underwriters.

Under the International Underwriting Agreement, it is expected that the International Underwriters would, subject to certain conditions set out therein, agree to subscribe for or procure subscribers to subscribe for the International Placing Shares.

Under the International Underwriting Agreement, our Company intends to grant to the Sole Global Coordinator, the Over-allotment Option, which is exercisable by the Sole Global Coordinator for up to 30 days from the last day for the lodging of applications under the Hong Kong Public Offer, to require our Company to issue up to an aggregate of 37,500,000 additional Shares, representing 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price to cover over-allocations in the International Placing, if any.

It is expected that our Company and the Controlling Shareholders will give undertakings in the International Underwriting Agreement similar to those given pursuant to the Hong Kong Underwriting Agreement.

### **(c) Commission**

The Hong Kong Underwriters will receive a commission of 3% of the aggregate Offer Price of all the Hong Kong Offer Shares and the International Underwriters will receive an underwriting commission of 3% of the aggregate of the Offer Price of all the International Placing Shares, out of which they will pay any sub-underwriting commissions. The Sole Sponsor will receive financial advisory and documentation fees. The underwriting

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## UNDERWRITING

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commission, financial advisory and 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 Global Offering are estimated to amount to approximately HK\$43.4 million in total (based on an Offer Price of HK\$1.48 per Share, being the mid-point of the indicative Offer Price range of between HK\$1.28 and HK\$1.68 per Share), and will be payable by our Company.

### *Underwriters' interests in our Company*

Save as disclosed in this prospectus and as contemplated under the Underwriting Agreements, as at the Latest Practicable Date, none of the Underwriters was interested, directly or indirectly, in any shares or securities in any member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any shares or securities in any member of our Group.

### *Sole Sponsor's interests in our Company*

Save as pursuant to the Underwriting Agreements, the compliance advisor agreement and as disclosed herein, neither the Sole Sponsor nor any of its associates is interested, directly or indirectly, in any shares or securities in any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any shares or securities in any member of our Group. No director or employee of any of the Sole Sponsor who is involved in providing advice to our Company has or may, as a result of the Global Offering, have any interest in any class of securities of our Company or any other member of our Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed for by any such director or employee of the Sole Sponsor pursuant to the Hong Kong Public Offer).

None of the Sole Sponsor or any of its associates has accrued any material benefit as a result of the successful outcome of the Global Offering, including by way of example, the repayment of material outstanding indebtedness or success fees, other than the following:

- (i) by way of underwriting commission to be paid to the Sole Lead Manager for acting as one of the Hong Kong Underwriters and one of the International Underwriters pursuant to the Underwriting Agreements;
- (ii) the financial advisory and documentation fees to be paid to the Sole Sponsor; and
- (iii) certain associates of the Sole Sponsor, whose ordinary business involves the trading of and dealing in securities, may be involved in the trading of and dealing in the securities in our Company. No director or employee of the Sole Sponsor has a directorship in our Company or any other member of our Group.

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## STRUCTURE OF THE GLOBAL OFFERING

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### DETERMINING THE OFFER PRICE

The Offer Price is expected to be fixed by the price determination agreement to be entered into between the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) and our Company on or before the Price Determination Date, which is currently scheduled to be on or around Monday, 29 June 2015 and in any event no later than 12:00 noon (Hong Kong time) on Friday, 3 July 2015. **If the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) and the Company are unable to reach an agreement on the Offer Price by 12:00 noon (Hong Kong time) on Friday, 3 July 2015, the Global Offering will not become unconditional and will lapse.**

**Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range as stated in this prospectus.** The Offer Price will not be more than HK\$1.68 per Offer Share and is expected to be not less than HK\$1.28 per Offer Share.

The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offer.

The Sole Global Coordinator (acting for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interests expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time no later than the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer, cause to be published in The Standard (in English) and the Hong Kong Economic Journal (in Chinese) notice reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Upon issue of such a notice, the revised the number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Global Offering statistics as currently set out in the section headed “Summary” in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any notice being published in The Standard (in English) and the Hong Kong Economic Journal (in Chinese) of a reduction in the number of Offer Shares and/or the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offer, the Offer Price, if agreed upon with the Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The Company expects to announce the final Offer Price, the level of indication of interests under the International Placing and the basis of allotment of Hong Kong Offer Shares under the Hong Kong Public Offer on or before Monday, 6 July 2015 in The Standard (in English) and the Hong Kong Economic Journal (in Chinese) and on the website of the Company at [www.tianyuninternational.com](http://www.tianyuninternational.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

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## STRUCTURE OF THE GLOBAL OFFERING

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### CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares is conditional upon, among others, the satisfaction of all of the following conditions:

- (i) the Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Global Offering and Shares which fall to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme (and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange).
- (ii) the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including the waiver of any condition(s) by the Sole Global Coordinator (acting for itself and on behalf of the Underwriters) and not having terminated in accordance with the terms of that agreement or otherwise,

in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offer and the International Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offer will be caused to be published by the Company in The Standard (in English), the Hong Kong Economic Journal (in Chinese) and the respective websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.tianyuninternational.com](http://www.tianyuninternational.com)) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to apply for Hong Kong Offer Shares” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bankers or other licenced bank(s) in Hong Kong.

**Share certificates for Hong Kong Offer Shares are expected to be issued on Monday, 6 July 2015 but will only become valid certificates of title at 8:00 a.m. (Hong Kong time) on the Listing Date, which is expected to be Tuesday, 7 July 2015, provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting – Underwriting arrangements and expenses – (a) Hong Kong Public Offer – Grounds for termination” in this prospectus has not been exercised.**

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

The Global Offering comprises the International Placing and the Hong Kong Public Offer. A total of 250,000,000 Shares will initially be made available under the Global Offering, of which 225,000,000 Shares, representing 90% of the total number of Shares initially being offered under the Global Offering, will initially be offered for subscription and purchase under the International Placing. The remaining 25,000,000 Shares, representing 10% of the total number of Shares initially being offered under the Global Offering, will initially be offered to the public in Hong Kong under the Hong Kong Public Offer. The Hong Kong Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The number of Shares offered for subscription and purchase under the Global Offering will be subject to re-allocation on the basis described below. No pre-emption right or right to subscribe or purchase for the Offer Shares has been granted.

Applicants may apply for Hong Kong Offer Shares under the Hong Kong Public Offer or indicate an interest for International Placing Shares under the International Placing, but the applicants may not apply in both offerings for the Global Offering. In other words, the applicants may only apply for and receive either Hong Kong Offer Shares under the Hong Kong Public Offer or International Placing Shares under the International Placing, but not under both offerings. The International Placing Shares, will be placed with professional and institutional investors in Hong Kong, United Kingdom, other places in Europe and other jurisdictions outside the United States in offshore transactions, as defined in, and in reliance on, Regulation S.

The levels of indication of interest in the International Placing and the basis of allotment and the result of application under the Hong Kong Public Offer are expected to be announced on or before Monday, 6 July 2015 through a variety of channels as described in the section headed “How to apply for Hong Kong Offer Shares” in this prospectus.

### The International Placing

Our Company is initially offering, at the Offer Price, 225,000,000 new Shares (subject to reallocation and the Over-allotment Option as mentioned in the paragraphs headed “Re-allocation of Offer Shares between the Hong Kong Public Offer and the International Placing” and “Over-allotment Option” below respectively), representing 90% of the total number of Shares being initially offered under the Global Offering, for subscription by way of the International Placing. The International Placing is managed by the Sole Global Coordinator and is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement including the agreement on the Offer Price. The International Underwriters are soliciting from prospective professional and institutional investors indications of interest in acquiring International Placing Shares in the International Placing. Professional and institutional investors generally include brokers, dealers, companies and fund managers, whose ordinary businesses involve dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional and institutional investors will be required to specify the number of International Placing Shares they would be prepared to acquire either at different prices or at a particular price. This process is known as “book building”. In Hong Kong, individual retail investors should apply for Hong Kong Offer Shares in the Hong Kong Public Offer, as individual retail investors, including those applying through banks and other institutions, applying for International Placing Shares are unlikely to be allocated any International Placing Shares.



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## STRUCTURE OF THE GLOBAL OFFERING

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Allocation of International Placing Shares to professional, institutional and private investors pursuant to the International Placing will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the investor is likely to purchase further Shares, or hold or sell the Shares placed, after the Listing. Such allocation is intended to result in a distribution of International Placing Shares on the basis which would lead to the establishment of a solid broad shareholder base to the benefit of the Company and its Shareholders taken as a whole. If the Hong Kong Public Offer is not fully subscribed, the Sole Global Coordinator may reallocate all or any unsubscribed Shares originally included in the Hong Kong Public Offer to the International Placing.

The International Underwriters or selling agent nominated by the International Underwriters shall, on behalf of the Company, conditionally place International Placing Shares with professional and institutional investor in Hong Kong, United Kingdom and other places in Europe and other jurisdictions outside the United States in offshore transactions as defined in, and in reliance on, Regulation S. The International Placing shall be subject to the Global Offering restrictions set out under the section headed “Information about this prospectus and the Global Offering” in this prospectus.

The International Placing is conditional on the same conditions as set out in the paragraph headed “Conditions of the Global Offering” above. The total number of International Placing Shares to be allotted and issued pursuant to the International Placing may change as a result of the clawback arrangement referred to in the paragraph headed “The Hong Kong Public Offer” below, any reallocation of unsubscribed Shares originally included in the Hong Kong Public Offer.

### **THE HONG KONG PUBLIC OFFER**

The Company is initially offering, at the Offer Price, 25,000,000 new Shares (subject to reallocation as mentioned in the paragraph headed “Re-allocation of Offer Shares between the Hong Kong Public Offer and the International Placing” below), representing 10% of the total number of Shares being initially offered under the Global Offering, for subscription by way of the Hong Kong Public Offer in Hong Kong. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement including the agreement on the Offer Price.

The Hong Kong Public Offer is open to all members of the public in Hong Kong. An applicant for Hong Kong Offer Shares will be required to give an undertaking and confirmation in the application form submitted by him/her that he/she has not applied for or taken up or received any International Placing Shares or indicated an interest for International Placing Shares or otherwise participated in the International Placing. Applicants should note that if such undertaking and/or confirmation given by the applicant is breached and/or is untrue (as the case may be), such applicant’s application under the Hong Kong Public Offer is liable to be rejected.

The total number of the Offer Shares available for subscription under the Hong Kong Public Offer is to be divided into two pools for allocation purposes:

Pool A: The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) or less; and

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## STRUCTURE OF THE GLOBAL OFFERING

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Pool B: The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Hong Kong Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Multiple applications or suspected multiple applications and any application made for more than 100% of Hong Kong Offer Shares initially available under pool A or pool B will be rejected.

The Company, the Directors, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters will take reasonable steps to identify and reject applications under the Hong Kong Public Offer from investors who have received International Placing Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have received shares in the Hong Kong Public Offer.

The Sole Global Coordinator (acting for itself and on behalf of the other Underwriters) may require any investor who has been offered International Placing Shares under the International Placing, and who has made an application under the Hong Kong Public Offer to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offer and to ensure that it is excluded from any application for Hong Kong Offer Shares under the Hong Kong Public Offer.

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offer will be based solely on the level and timing of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. When there is over subscription under the Hong Kong Public Offer, allocation of Hong Kong Offer Shares may involve balloting, which would mean that some applicants may be allotted more Hong Kong Offer Shares than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

### **RE-ALLOCATION OF OFFER SHARES BETWEEN THE HONG KONG PUBLIC OFFER AND THE INTERNATIONAL PLACING**

The allocation of Offer Shares between the Global Offering is subject to re-allocation. If the number of Shares validly applied for in the Hong Kong Public Offer:

- (a) represents 15 times or more but less than 50 times of the number of Shares initially available for subscription under the Hong Kong Public Offer, then 50,000,000 Shares will be re-allocated to the Hong Kong Public Offer from the International Placing, so that an aggregate of 75,000,000 Shares will be available under the Hong Kong Public Offer, representing 30% of the Offer Shares initially available under the Global Offering;



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## STRUCTURE OF THE GLOBAL OFFERING

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- (b) represents 50 times or more but less than 100 times of the number of Shares initially available for subscription under the Hong Kong Public Offer, then 75,000,000 Shares will be re-allocated to the Hong Kong Public Offer from the International Placing, so that an aggregate of 100,000,000 Shares will be available under the Hong Kong Public Offer, representing 40% of the Offer Shares initially available under the Global Offering; and
- (c) represents 100 times or more of the number of Shares initially available for subscription under the Hong Kong Public Offer, then 100,000,000 Shares will be re-allocated to the Hong Kong Public Offer from the International Placing, so that an aggregate of 125,000,000 Shares will be available under the Hong Kong Public Offer, representing 50% of the Offer Shares initially available under the Global Offering.

In each of the above cases, the additional Shares re-allocated to the Hong Kong Public Offer will be allocated equally between pool A and pool B and the number of Shares allocated to the International Placing will be correspondingly reduced. The Offer Shares to be offered under the Hong Kong Public Offer and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

Guotai Junan Securities (Hong Kong) Limited is the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager of the Hong Kong Public Offer which is underwritten at the Offer Price by the Hong Kong Underwriters, on and subject to the terms and conditions of the Hong Kong Underwriting Agreement.

### **OVER-ALLOTMENT OPTION**

In connection with the Global Offering, we are expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Sole Global Coordinator (acting for itself and on behalf of the International Underwriters) within 30 days from the last day for lodging of applications under the Hong Kong Public Offer (the last day for the exercise of the Over-allotment Option being Wednesday, 29 July 2015), to require us to allot and issue up to 37,500,000 additional Offer Shares representing approximately 15% of the initial Offer Shares, each at the Offer Price, to, among other things, cover over-allocations in the International Placing, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of our enlarged issued shares immediately following completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

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## STRUCTURE OF THE GLOBAL OFFERING

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### STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to slow and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the initial public offer price.

In connection with the Global Offering, the Sole Global Coordinator or any person acting for it may, on behalf of the International Underwriters, and to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the commencement of trading in the Shares on the Stock Exchange. Such transactions may be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Sole Global Coordinator or any person acting for it to do this. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Sole Global Coordinator or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

The Sole Global Coordinator or any person acting for it may take all or any of the following stabilising actions in Hong Kong during the stabilisation period:

- (i) purchase, or agree to purchase, any of the Offer Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of the Offer Shares;
- (ii) in connection with any action described in paragraph (i) above;
  - (A) (1) over-allocate the Offer Shares; or
  - (2) sell or agree to sell the Offer Shares so as to establish a short position in them, for the sole purpose of preventing or minimising any reduction in the market price of the Offer Shares;
  - (B) exercise the Over-allotment Option and purchase or subscribe for or agree to purchase or subscribe for the Offer Shares in order to close out any position established under paragraph (A) above;
  - (C) sell or agree to sell any of the Offer Shares acquired by it in the course of the stabilising action referred to in paragraphs (i) above in order to liquidate any position that has been established by such action; or
  - (D) offer or attempt to do anything as described in paragraphs (ii)(A)(2), (ii)(B) or (ii)(C) above.

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## STRUCTURE OF THE GLOBAL OFFERING

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The Sole Global Coordinator or any person acting for it may, in connection with the stabilising action, maintain a long position in the Offer Shares, and there is no certainty as to the extent to which and the time period for which it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Sole Global Coordinator or any person acting for it and selling in the open market, which may include a decline in the market price of the Offer Shares.

Stabilisation cannot be used to support the price of the Offer Shares for longer than the stabilisation period, which begins on the day on which trading of the Offer Shares commences on the Stock Exchange and ends on the 30th day after the last day for lodging of applications under the Hong Kong Public Offer. The stabilisation period is expected to expire on Wednesday, 29 July 2015. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore their market price, could fall.

Any stabilising action taken by the Sole Global Coordinator or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilisation period. Stabilising bids or market purchases affected in the course of the stabilisation action may be made at any price at or below the Offer Price and can therefore be done at a price below the price the investor has paid in acquiring the Offer Shares.

In connection with the Global Offering, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 37,500,000 additional Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering, and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of covering such over-allocations, the Sole Global Coordinator may borrow up to 37,500,000 Shares from Wealthy Active, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under a stock borrowing agreement.

### STOCK BORROWING

In order to facilitate settlement of over-allocations in connection with the International Placing, a stock borrowing agreement (the “**Stock Borrowing Agreement**”) has been entered into between the Sole Global Coordinator and Wealthy Active in compliance with Rule 10.07(3) of the Listing Rules. Under the Stock Borrowing Agreement, Wealthy Active has agreed with the Sole Global Coordinator that if requested by the Sole Global Coordinator, it will, subject to the terms of the Stock Borrowing Agreement, make available to the Sole Global Coordinator up to 37,500,000 Shares held by it, by way of stock lending, in order to cover over-allocations in connection with the International Placing on the conditions that:

- (i) such stock borrowing arrangement will only be effected by the Sole Global Coordinator for settlement of over-allocations of Shares in connection with the International Placing;
- (ii) the maximum number of Shares which must be borrowed from Wealthy Active by the Sole Global Coordinator under the Stock Borrowing Agreement must not exceed the maximum number of Shares which may be issued upon the full exercise of the Over-allotment Option;

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- (iii) the same number of Shares so borrowed must be returned to Wealthy Active or its nominees, as the case may be, on or before the third business day following the earlier of:
  - (a) the last day on which the Over-allotment Option may be exercised; or
  - (b) the day on which the Over-allotment is exercised in full;
- (iv) the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws and regulatory requirements; and
- (v) no payments or other benefits will be made to Wealthy Active by the Sole Global Coordinator or any of the International Underwriters in relation to such stock borrowing arrangement.

### DEALINGS AND SETTLEMENT

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Tuesday, 7 July 2015.

Shares will be traded in board lots of 2,000 Shares each and are freely transferable.

The stock code for the Shares is 6836. Our Company will not issue any temporary document of title.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** at [www.hkeipo.hk](http://www.hkeipo.hk); or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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The number of **joint applicants may not exceed** four and they may not apply by means of **HK eIPO White Form** for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an Associate of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

### 3. APPLYING FOR HONG KONG OFFER SHARES

#### Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through [www.hkeipo.hk](http://www.hkeipo.hk).

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business from 9:00 a.m. on Wednesday, 24 June 2015 to 12:00 noon on Monday, 29 June 2015 from:

- (i) any of the following offices of the Hong Kong Underwriters:

**Guotai Junan Securities (Hong Kong) Limited**

27th Floor, Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

**Yuanta Securities (Hong Kong) Company Limited**

23rd Floor, Tower 1,  
Admiralty Centre,  
18 Harcourt Road,  
Admiralty, Hong Kong

**Ever-Long Securities Company Limited**

18th Floor, Dah Sing Life Building  
99-105 Des Voeux Road Central  
Hong Kong

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### **Great Roc Capital Securities Limited**

Suite 3712, 37/F, West Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

### **Hong Kong International Securities Limited**

23rd Floor, Arion Commercial Centre  
2-12 Queen's Road West  
Hong Kong

### **Luk Fook Securities (HK) Limited**

Units 502-6, 5/F, Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

- (ii) any of the following branches of the following receiving bank:

### **Bank of China (Hong Kong) Limited**

<b>District</b>	<b>Branch name</b>	<b>Branch address</b>
<b>Hong Kong Island</b>	Connaught Road Central Branch	13-14 Connaught Road Central
	Sheung Wan Branch	252 Des Voeux Road Central
	Chai Wan Branch	Block B, Walton Estate, 341-343 Chai Wan Road, Chai Wan
<b>Kowloon</b>	Prince Edward Branch	774 Nathan Road, Kowloon
	Tsim Sha Tsui East Branch	Shop 3, LG/F, Hilton Towers, 96 Granville Road, Tsim Sha Tsui East, Kowloon
	Kowloon Plaza Branch	Unit 1, Kowloon Plaza, 485 Castle Peak Road
	Wong Tai Sin Branch	Shop G13, Wong Tai Sin Plaza, Wong Tai Sin
<b>New Territories</b>	Tai Po Branch	68-70 Po Heung Street, Tai Po Market
	Yuen Long (Hang Fat Mansion) Branch	8-18 Castle Peak Road, Yuen Long

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 24 June 2015 until 12:00 noon on Monday, 29 June 2015 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

### Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited – Tianyun International Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Wednesday, 24 June 2015, 9:00 a.m. to 5:00 p.m.
- Thursday, 25 June 2015, 9:00 a.m. to 5:00 p.m.
- Friday, 26 June 2015, 9:00 a.m. to 5:00 p.m.
- Saturday, 27 June 2015, 9:00 a.m. to 1:00 p.m.
- Monday, 29 June 2015, 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 29 June 2015, the last application day or such later time as described in "Effect of bad weather on the opening of the applications lists" in this section.

#### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form**, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of the Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;
- (viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have applied for 1,000,000 Hong Kong Offer Shares or more and have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or 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 by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

### **Additional Instructions for Yellow Application Form**

You may refer to the **Yellow** Application Form for details.

## **5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE**

### **General**

Individuals who meet the criteria in "Who can apply" section, may apply through the **HK eIPO White Form** for the Offer Shares to be allotted and registered in their own names through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Detailed instructions for application through the **HK eIPO White Form** are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

### **Time for Submitting Applications under the HK eIPO White Form**

You may submit your application to the **HK eIPO White Form** Service Provider at [www.hkeipo.hk](http://www.hkeipo.hk) (24 hours daily, except on the last application day) from 9:00 a.m., Wednesday, 24 June 2015 until 11:30 a.m., Monday, 29 June 2015 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon, Monday, 29 June 2015 or such later time under the “Effects of Bad Weather on the Opening of the Applications Lists” in this section.

### **No Multiple Applications**

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 through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** 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 or by any other means, all of your applications are liable to be rejected.

### **Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

## **6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS**

### **General**

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**

Customer Service Center  
1/F, One & Two Exchange Square  
8 Connaught Place, Central  
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

### **Giving Electronic Application Instructions to HKSCC via CCASS**

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

### Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, 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 if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Wednesday, 24 June 2015, 9:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Thursday, 25 June 2015, 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Friday, 26 June 2015, 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Saturday, 27 June 2015, 8:00 a.m. to 1:00 p.m.<sup>(1)</sup>
- Monday, 29 June 2015, 8:00 a.m.<sup>(1)</sup> to 12:00 noon

*Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 24 June 2015 until 12:00 noon on Monday, 29 June 2015 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon, Monday, 29 June 2015, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving banks, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

## 7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, 29 June 2015.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the 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 joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering – Pricing and Allocation”.

### 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 29 June 2015. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, 29 June 2015 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable”, an announcement will be made in such event.

### 11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offer and the basis of allocation of the Hong Kong Offer Shares on Monday, 6 July 2015 in The Standard (in English) and the Hong Kong Economic Journal (in Chinese) on the Company’s website at [www.tianyuninternational.com](http://www.tianyuninternational.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company’s website at [www.tianyuninternational.com](http://www.tianyuninternational.com) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m. on Monday, 6 July 2015;
- from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Monday, 6 July 2015 to midnight on Friday, 10 July 2015;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Monday, 6 July 2015 to Thursday, 9 July 2015;
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, 6 July 2015 to Wednesday, 8 July 2015 at all the receiving bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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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.

**(ii) If the Company or its agents exercise their discretion to reject your application:**

The Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$1.68 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with “Structure of the Global Offering – Conditions of the Hong Kong Public Offer” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Monday, 6 July 2015.

### 14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong 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. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following 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:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Monday, 6 July 2015. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, 7 July 2015 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

### **Personal Collection**

*(i) If you apply using a WHITE Application Form*

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 6 July 2015 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Monday, 6 July 2015, by ordinary post and at your own risk.

*(ii) If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Monday, 6 July 2015, by ordinary post and at your own risk.

If you apply by 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 or the designated CCASS Participant's stock account as stated in your Application Form on Monday, 6 July 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- If you apply through a designated CCASS participant (other than a CCASS investor participant)

For Hong Kong Offer shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer shares allotted to you with that CCASS participant.

- If you are applying as a CCASS investor participant

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 6:00 p.m., Monday, 6 July 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

*(iii) If you apply through the **HK eIPO White Form***

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 6 July 2015, or such other date as notified by the 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 by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Monday, 6 July 2015 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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(iv) *If you apply via Electronic Application Instructions to HKSCC*

### Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong 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 instructions are given will be treated as an applicant.

### Deposit of Share Certificates into CCASS and Refund of Application Monies

- 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 your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, 6 July 2015, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offer in the manner specified in "Publication of Results" above on Monday, 6 July 2015. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 6 July 2015 or such other date as 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 Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong 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 Monday, 6 July 2015. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 6 July 2015.

### **15. ADMISSION OF THE SHARES INTO CCASS**

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) 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 adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

*The following is the text of a report from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Auditing Guidelines 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.*



羅兵咸永道

24 June 2015

The Directors

**Tianyun International Holdings Limited**

**Guotai Junan Capital Limited**

Dear Sirs,

We report on the financial information of Tianyun International Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”), which comprises the consolidated statements of financial position as at 31 December 2012, 2013 and 2014, statements of financial position of the Company as at 31 December 2012, 2013 and 2014, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2012, 2013 and 2014 (the “**Relevant Periods**”), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 24 June 2015 (the “**Prospectus**”) in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the British Virgin Islands on 8 September 2011 with limited liability. Pursuant to a group reorganisation as described in Note 1.2 of Section II headed “Reorganisation” below, which was completed on 20 March 2012, the Company became the holding company of the subsidiaries now comprising the Group (the “**Reorganisation**”).

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 15 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

The directors of the Company have prepared the consolidated financial statements of the Company for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “**Underlying Financial Statements**”). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the “HKSAAs”) issued by the HKICPA pursuant to separate terms of engagement with the Company. The audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 15 of Section II.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

### **Directors’ Responsibility for the Financial Information**

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

### **Reporting Accountant’s Responsibility**

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

### **Opinion**

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 31 December 2012, 2013 and 2014 and of the state of affairs of the Group as at 31 December 2012, 2013 and 2014 and of the Group’s results and cash flows for the Relevant Periods then ended.

## I. FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 December 2012, 2013 and 2014, and for each of the years ended 31 December 2012, 2013 and 2014 (the “**Financial Information**”), presented on the basis set out in Note 1.3 of Section II below:

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 December		
		2012 RMB'000	2013 RMB'000	2014 RMB'000
Revenue	6	300,340	370,493	447,678
Cost of sales	7	(209,630)	(258,506)	(312,307)
<b>Gross profit</b>		90,710	111,987	135,371
Other income	6	760	98	1,404
Selling and distribution expenses	7	(8,302)	(9,865)	(10,985)
General and administrative expenses	7	(6,124)	(8,536)	(9,894)
<b>Operating profit</b>		77,044	93,684	115,896
Finance income	9	12	104	59
Finance costs	9	(3,409)	(3,782)	(2,438)
<b>Finance costs – net</b>		(3,397)	(3,678)	(2,379)
<b>Profit before income tax</b>		73,647	90,006	113,517
Income tax expense	10	(15,662)	(19,106)	(24,206)
<b>Profit for the year attributable to owners of the Company</b>		57,985	70,900	89,311
<b>Total comprehensive income for the year attributable to owners of the Company</b>		57,985	70,900	89,311
Earnings per share attributable to owners of the Company				
– Basic and diluted	11	580	709	893
Dividends	12	–	90,000	70,000

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December		
		2012 RMB'000	2013 RMB'000	2014 RMB'000
<b>ASSETS</b>				
<b>Non-current asset</b>				
Property, plant and equipment	14	41,902	39,485	72,514
<b>Current assets</b>				
Inventories	16	51,647	30,767	41,071
Trade and other receivables	18	39,923	34,187	49,635
Amount due from a related company	29(c)	–	193	–
Restricted bank deposits	19	3,850	1,500	–
Cash and cash equivalents	20	6,918	18,054	31,595
		102,338	84,701	122,301
<b>Total assets</b>		<b>144,240</b>	<b>124,186</b>	<b>194,815</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to owners of the Company</b>				
Share capital	21	1	1	1
Reserves	22	58,611	39,511	118,329
<b>Total equity</b>		<b>58,612</b>	<b>39,512</b>	<b>118,330</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and bills payables	23	15,612	6,480	12,365
Accruals and other payables	24	14,313	12,666	16,282
Amounts due to directors	29(c)	9,991	18,720	7,311
Amount due to the immediate holding company	29(c)	–	–	20
Amount due to a related company	29(c)	140	190	90
Bank borrowings	25	40,500	40,500	33,000
Current income tax liabilities		5,072	6,118	7,417
<b>Total current liabilities</b>		<b>85,628</b>	<b>84,674</b>	<b>76,485</b>
<b>Total equity and liabilities</b>		<b>144,240</b>	<b>124,186</b>	<b>194,815</b>
<b>Net current assets</b>		<b>16,710</b>	<b>27</b>	<b>45,816</b>
<b>Total assets less current liabilities</b>		<b>58,612</b>	<b>39,512</b>	<b>118,330</b>

## STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December		
		2012 RMB'000	2013 RMB'000	2014 RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Investment in a subsidiary	15	–	–	–
Amount due from a subsidiary	29(c)	–	–	59,507
<b>Total assets</b>		<u>–</u>	<u>–</u>	<u>59,507</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to owners of the Company</b>				
Share capital	21	1	1	1
Reserves	22	(12)	(16)	59,486
<b>Total equity</b>		<u>(11)</u>	<u>(15)</u>	<u>59,487</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Amount due to a director	29(c)	11	15	–
Amount due to the immediate holding company	29(c)	–	–	20
<b>Total current liabilities</b>		<u>11</u>	<u>15</u>	<u>20</u>
<b>Total equity and liabilities</b>		<u>–</u>	<u>–</u>	<u>59,507</u>
<b>Net current liabilities</b>		<u>(11)</u>	<u>(15)</u>	<u>(20)</u>
<b>Total assets less current liabilities</b>		<u>(11)</u>	<u>(15)</u>	<u>59,487</u>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company					Total equity RMB'000
	Share capital RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Retained earnings RMB'000	
<b>For the year ended</b>						
<b>31 December 2012</b>						
Balance at 1 January 2012	1	–	5,000	2,500	1,226	8,727
<b>Comprehensive income</b>						
Profit for the year	–	–	–	–	57,985	57,985
<b>Total comprehensive income for the year</b>	–	–	–	–	57,985	57,985
<b>Transaction with owners</b>						
Distribution to owners of the Company (Note 22(a)(ii))	–	–	(8,100)	–	–	(8,100)
<b>Total transactions with owners, recognised directly in equity</b>	–	–	(8,100)	–	–	(8,100)
<b>Balance at 31 December 2012</b>	<b>1</b>	<b>–</b>	<b>(3,100)</b>	<b>2,500</b>	<b>59,211</b>	<b>58,612</b>
<b>For the year ended</b>						
<b>31 December 2013</b>						
Balance at 1 January 2013	1	–	(3,100)	2,500	59,211	58,612
<b>Comprehensive income</b>						
Profit for the year	–	–	–	–	70,900	70,900
<b>Total comprehensive income for the year</b>	–	–	–	–	70,900	70,900
<b>Transaction with owners</b>						
Dividends relating to the year ended 31 December 2012 (Note 12)	–	–	–	–	(50,000)	(50,000)
Dividends relating to the year ended 31 December 2013 (Note 12)	–	–	–	–	(40,000)	(40,000)
<b>Total transactions with owners, recognised directly in equity</b>	–	–	–	–	(90,000)	(90,000)
<b>Balance at 31 December 2013</b>	<b>1</b>	<b>–</b>	<b>(3,100)</b>	<b>2,500</b>	<b>40,111</b>	<b>39,512</b>

	Attributable to owners of the Company					Total equity RMB'000
	Share capital RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Statutory reserve RMB'000	Retained earnings RMB'000	
<b>For the year ended 31 December 2014</b>						
Balance at 1 January 2014	1	–	(3,100)	2,500	40,111	39,512
<b>Comprehensive income</b>						
Profit for the year	–	–	–	–	89,311	89,311
<b>Total comprehensive income for the year</b>	–	–	–	–	89,311	89,311
<b>Transaction with owners</b>						
Waiver of amount due to the immediate holding company	–	59,507	–	–	–	59,507
Dividends relating to the year ended 31 December 2013 (Note 12)	–	–	–	–	(40,000)	(40,000)
Dividends relating to the year ended 31 December 2014 (Note 12)	–	–	–	–	(30,000)	(30,000)
<b>Total transactions with owners, recognised directly in equity</b>	–	59,507	–	–	(70,000)	(10,493)
<b>Balance at 31 December 2014</b>	<b>1</b>	<b>59,507</b>	<b>(3,100)</b>	<b>2,500</b>	<b>59,422</b>	<b>118,330</b>



## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December		
		2012 RMB'000	2013 RMB'000	2014 RMB'000
<b>Cash flows from operating activities</b>				
Cash generated from operations	26(a)	63,377	112,833	103,757
Interest paid		(3,409)	(3,782)	(3,345)
Income tax paid		(13,832)	(18,060)	(22,907)
Net cash generated from operating activities		46,136	90,991	77,505
<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment		(1,821)	(1,101)	(36,042)
Proceeds from disposal of property, plant and equipment	26(b)	8	13	1
Repayment of amount due from a related company		861	–	–
Repayment from a director		789	–	–
(Increase)/decrease in restricted bank deposits		(3,850)	2,350	1,500
Interest received		12	104	59
Net cash (used in)/generated from investing activities		(4,001)	1,366	(34,482)
<b>Cash flows from financing activities</b>				
Advances from a director		18,901	28,679	900
Repayments to a director		(20,632)	(19,950)	(12,309)
Advances from/(repayment to) a related company		140	50	(100)
Contributions from the immediate holding company		–	–	59,527
Proceeds from bank borrowings		40,500	40,500	33,000
Repayments of bank borrowings		(30,500)	(40,500)	(40,500)
Dividends paid to the then owners of a company now comprising the Group		(45,000)	(90,000)	(70,000)
Net cash used in financing activities		(36,591)	(81,221)	(29,482)
<b>Net increase in cash and cash equivalents</b>				
Cash and cash equivalents at beginning of year		1,374	6,918	18,054
<b>Cash and cash equivalents at end of year</b>	20	<b>6,918</b>	<b>18,054</b>	<b>31,595</b>

## II NOTES TO THE FINANCIAL INFORMATION

## 1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

## 1.1 General information

Tianyun International Holdings Limited (the “**Company**”) was incorporated in the British Virgin Islands on 8 September 2011 with limited liability. The address of its registered office is Commerce House, Wickhams Cay 1, PO Box 3140, Road Town, Tortola, British Virgin Islands, VG1110.

The Company is an investment holding company. The Company and its subsidiaries (together the “**Group**”) are principally engaged in the manufacturing and trading of processed fruit products and fresh fruits (the “**Listing Business**”). The immediate holding company of the Company is Tiantong Fruit Co. Ltd. (“**Cayman Tiantong**”), a company incorporated in the Cayman Islands. The ultimate controlling party to the Group is Mr. Yang Ziyuan (the “**Ultimate Controlling Shareholder**” or “**Mr. Yang**”).

This Financial Information is presented in Renminbi (“**RMB**”), unless otherwise stated.

## 1.2 Reorganisation

Prior to and during the Relevant Periods, the Company underwent series of transactions (the “**Reorganisation**”) to acquire all the equity interests of Linyi Tongtai Food Machine Manufacture Co., Ltd. (“**Tongtai**”) and Shandong Tiantong Food Co., Ltd. (“**Shandong Tiantong**”, the major operating subsidiary) from the then shareholders of Tongtai and Shandong Tiantong.

Prior to the Reorganisation, 75% equity interests of Tongtai were held by an independent third party, and 25% equity interests of Tongtai were held by Linyi Yuanyu Trading Co., Ltd. (“**Yuanyu**”), a related company collectively held by Mr. Yang, Mr. Sun Xingyu (“**Mr. Sun**”) and an independent third party. 100% equity interests of Shandong Tiantong were collectively held by Mr. Yang and Mr. Sun.

Key procedures of the Reorganisation are as follows:

- (a) Incorporation of the Company and Tianyi Holding Hong Kong Limited (“**Tianyi Hong Kong**”)
  - On 8 September 2011, the Company was incorporated in the British Virgin Islands. Upon its incorporation, 100 Shares of the Company were issued and allotted to Cayman Tiantong.
  - On 26 September 2011, Tianyi Hong Kong was incorporated in Hong Kong. Upon its incorporation, 100 Shares of Tianyi Hong Kong were issued and allotted to the Company.
- (b) Acquisition of all the equity interest of Tongtai:
  - On 30 December 2011, Tianyi Hong Kong has acquired 75% equity interests of Tongtai from the independent third party at a consideration of approximately RMB885,000, which was determined with reference to the then share capital of Tongtai. The transfer of 75% equity interests in Tongtai to Tianyi Hong Kong was completed on 10 January 2012.
  - On 1 March 2012, Tianyi Hong Kong has acquired the remaining 25% equity interests of Tongtai from Yuanyu at a consideration of approximately RMB295,000, which was determined with reference to the then share capital of Tongtai. The transfer of 25% equity interests in Tongtai to Tianyi Hong Kong was completed on 20 March 2012.
- (c) Acquisition of all the equity interest of Shandong Tiantong:
  - On 20 February 2012, Tongtai has acquired the entire equity interests of Shandong Tiantong from Mr. Yang and Mr. Sun at a consideration of RMB8,100,000, which was determined with reference to the then net assets carrying amounts Shandong Tiantong. The transfer of the entire equity interests of Shandong Tiantong to Tongtai was completed on 20 February 2012.

### 1.3 Basis of presentation

For the purpose of this report, the Financial Information of the Group have been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2012, 2013 and 2014 (the “Relevant Periods”) have been prepared using the financial information of the companies engaged in the Listing Business, under the common control of the Ultimate Controlling Shareholder and now comprising the Group as if the current group structure had been in existence throughout the Relevant Periods, or since the respective dates of incorporation/establishment of the combining companies, or since the date when the combining companies first came under the control of the Ultimate Controlling Shareholder, whichever is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2012, 2013 and 2014 have been prepared to present the assets and liabilities of the companies now comprising the Group at these dates, as if the current group structure had been in existence as at these dates. The net assets and results of the Group were consolidated using the existing book values from the Ultimate Controlling Shareholder’s perspective.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The Financial Information of the Group has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA are set out below. The Financial Information has been prepared under the historical cost convention.

The Financial Information is prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative periods.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4.

The following are new standards, amendments to standards and interpretations that are published and potentially relevant and are effective for annual periods beginning after 1 January 2014, and have not been early adopted by the Group.

		<b>Effective for annual periods beginning on or after</b>
Annual improvements projects 2012	Annual improvements 2010-2012 cycle	1 July 2014
Annual improvements projects 2013	Annual improvements 2011-2013 cycle	1 July 2014
Annual improvements projects 2014	Annual improvements 2012-2014 cycle	1 January 2016
HKAS 1 (Amendment)	Disclosure initiative	1 January 2016
HKAS 16 and HKAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKAS 27 (Amendment)	Equity method in separate financial statements	1 January 2016
HKFRS 14	Regulatory deferrals amounts	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial instruments	1 January 2018

Management is in the process of making an assessment on the impact of these new standards, amendments to standards and interpretations and is not yet in a position to state whether they will have a significant impact on the Group's results of operations and financial position.

## 2.2 Subsidiaries

### 2.2.1 Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations other than business under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statements of comprehensive income.

Inter-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated statements of comprehensive income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated statements of comprehensive income.

### 2.2.2 *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the Financial Information of the investee's net assets including goodwill.

## 2.3 **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer ("CEO") of the Group that makes strategic decisions.

## 2.4 **Foreign currency translation**

### (a) *Functional and presentation currency*

Items included in the financial statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Financial Information is presented in RMB, which is the Company's functional and the Group's presentation currency.

### (b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the consolidated statements of comprehensive income.

### (c) *Group companies*

The results and financial position of all the Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

## 2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the consolidated statements of comprehensive income during the financial year in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs over their estimated useful lives, as follows:

Leasehold improvements	shorter of remaining period of the lease or useful lives
Furniture and fixtures	5 years
Plant and machinery	10 years
Motor vehicles	5 years
Office and computer equipment	5 years

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains and losses on disposals are determined by comparing the net proceeds with the carrying amounts of the relevant assets, and are recognised within 'General and administrative expenses' in the consolidated statements of comprehensive income.

## 2.6 Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2.7 Financial assets

### 2.7.1 Classification

The Group classifies its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables comprise trade and other receivables, amounts due from a related company, restricted bank deposits and cash and cash equivalents in the statements of financial position (Notes 2.11 and 2.12).

### 2.7.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

## 2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

## 2.9 Impairment of financial assets

The Group assesses at each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “**loss event**”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statements of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statements of comprehensive income.

## 2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

**2.11 Trade and other receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

**2.12 Cash and cash equivalents and restricted bank deposits**

In the consolidated statements of cash flows, cash and cash equivalents include cash on hand and deposits held at call with banks with original maturities of three months or less.

Restricted bank deposits represent the amounts of cash pledged as collateral to banks for guarantee on bills payables.

**2.13 Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**2.14 Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**2.15 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statements of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

**2.16 Borrowing costs**

General and specific 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 recognised in profit or loss in the period in which they are incurred.

## 2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the consolidated statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

### (a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

### (b) Deferred income tax

#### *Inside basis differences*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, the deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

#### *Outside basis differences*

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax liabilities are provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

### (c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**2.18 Employee benefits****(a) Employee leave entitlements**

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

**(b) Pension obligations**

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the provincial governments.

**(c) Bonus plans**

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

**2.19 Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

**2.20 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, net of rebates and discounts. Rebates and discounts granted to customers are classified as a reduction of revenue. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

(a) *Sales of goods*

Sales of goods are recognised when the transfer of risks and rewards of ownership, which generally considers with the time when the goods are delivered to customers and title has passed.

(b) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

## 2.21 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

## 2.22 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the consolidated statements of comprehensive income on a straight-line basis over the period of lease.

## 2.23 Dividend distribution

Dividend distribution to the then shareholders of the entities now comprising the Group is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the then shareholders.

# 3 FINANCIAL RISK MANAGEMENT

## 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use any derivative financial instruments to hedge the risk exposures.

Financial risk management is carried out by the finance department under the supervision of the CEO of the Company. The CEO provides principles for overall risk management.

(a) *Market risk*

(i) *Foreign exchange risk*

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollars ("USD"). Foreign exchange risk arises from future commercial transactions or recognised financial assets and liabilities are denominated in a currency that is not the entity's functional currency.

As at 31 December 2012, 2013 and 2014, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, the post-tax profit and total equity would have been approximately RMB228,000, RMB303,000 and RMB650,000 lower/higher, respectively, mainly as a result of foreign exchange losses/gains on translation of USD denominated trade receivables.

(ii) *Cash flow and fair value interest rate risk*

The Group's interest rate risk arises from bank balances at floating interest rates and bank borrowings. Bank borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by bank balances held at variable rates. The Group's bank borrowings at fixed rates expose the Group to fair value interest rate risk. During 2012, 2013 and 2014, the Group's bank borrowings at fixed rates were denominated in RMB.

Details of the Group's bank borrowings are disclosed in Note 25. The cash deposits placed with banks generate interest at the prevailing market interest rates.

As at 31 December 2012, 2013 and 2014, if interest rates on bank borrowings had been 50 basis points fluctuated with all other variables held constant, the Group's post-tax profit and total equity would have been affected by approximately RMB29,000, RMB10,000 and RMB13,000, respectively, mainly as a result of fluctuation of interest expenses on variable rates bank borrowings.

(b) *Credit risk*

Credit risk is managed on a group basis. The credit risk of the Group mainly arises from cash and cash equivalents (excluding cash on hand) and deposits with banks, trade and other receivables and amount due from a related party. Management has policies in place to monitor the exposures to these credit risks on an on-going basis.

As at 31 December 2012, 2013 and 2014, for cash and cash equivalent and deposits with banks, they are all deposited or traded with listed banks. The Group has not incurred significant loss from non-performance by these parties in the past and management does not expect so in the future.

As at 31 December 2012, 2013 and 2014, top 3 customers of the Group accounted for approximately 43%, 38% and 31%, respectively, to the trade receivables of the Group. The Group has set up long-term cooperative relationship with these customers. In view of the history of business dealings with the customer and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these customers. Management makes periodic assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made in the Financial Information.

The credit quality of the amount due from a related party has been assessed with reference to historical information about the counterparty default and financial position of the counterparty.

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and bank balances, the availability of funding from an adequate amount of committed credit facilities from leading banks and the ability to close out market position. The Group aims to maintain flexibility in funding by keeping sufficient bank balances and committed credit lines available.

As at 31 December 2012, 2013 and 2014, all of the Group's and Company's financial liabilities were due for settlement contractually within 12 months or repayable on demand, the impact at discounting is not significant. Except for the Group's bank borrowings, the amounts of the Group's and Company's financial liabilities as per consolidated statements of financial position were the contractual undiscounted cash flows.

As at 31 December 2012, 2013 and 2014, the Group's contractual undiscounted cash flows for bank borrowings amounted to RMB43,132,000, RMB43,150,000 and RMB35,110,000, respectively.

### 3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group uses bank borrowings and advance from an immediate holding company to finance its operations.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debts divided by total equity. Total debts are calculated by aggregating the bank borrowings and the non-trade nature of amounts due to directors, immediate holding company and a related company as of 31 December 2012, 2013 and 2014.

As at 31 December 2012, 2013 and 2014, the gearing ratios were as follows:

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Total debts	50,631	59,410	40,421
Total equity	58,612	39,512	118,330
Gearing ratio	86.4%	150.4%	34.2%

The increase in the gearing ratio during 2013 was mainly due to decrease in total equity after dividend payment. The decrease in the gearing ratio during 2014 was resulted primarily from the waiver of amount due to the immediate holding company and the reduction in bank borrowings.

### 3.3 Fair value estimation

The carrying values of the Group's and the Company's financial assets, including trade and other receivables, amount due from a related company, restricted bank deposits and cash and cash equivalents, and financial liabilities, including trade and other payables, amounts due to directors, the immediate holding company and a related company and bank borrowings, approximate their fair values due to their short maturities.

### 3.4 Offsetting financial assets and financial liabilities

The Group and Company have no financial assets and financial liabilities, which is subject to offsetting, enforceable master netting arrangements and similar agreements.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that 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:

**(a) Useful lives of property, plant and equipment**

Management determines the estimated useful lives for the Group's property, plant and equipment. Management will revise the depreciation charge where useful lives are different to previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

**(b) Net realisable value of inventories**

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each reporting date.

**(c) Provision for impairment of trade and other receivables**

The Group makes provision for impairment of trade and other receivables based on an assessment of the recoverability of trade and other receivables. Provisions are applied where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and impairment is recognised in the period in which such estimate has been changed.

**(d) Income taxes**

The Group is mainly subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

**5 SEGMENT INFORMATION**

Management has determined the operating segments based on the information reviewed by the chief operating decision-maker that are used to making strategic decisions. The chief operating decision-maker is identified as the CEO of the Company.

The chief operating decision-maker assesses the performance of the Listing Business based on a measure of profit after income tax and considers the Listing Business in a single operating segment. Information reported to the chief operating decision-maker for the purposes of resources allocation and performance assessment focuses on the operation results of the Group as a whole as the Group's resources are integrated. Accordingly, the Group has identified one operating segment – manufacturing and trading of fresh fruits and processed fruit products, and segment information are not presented.

The Company is domiciled in the British Virgin Islands while the Group operates its business in the PRC. The Group's revenue of RMB271,186,000, RMB327,367,000 and RMB413,237,000 was generated from customers in the PRC, and the Group's revenue of RMB29,154,000, RMB43,126,000 and RMB34,441,000 was generated from overseas customers for the years ended 31 December 2012, 2013 and 2014, respectively. During the Relevant Periods, all non-current assets were located in the PRC.

**Segment assets and liabilities**

No assets and liabilities are included in the Group's segment reporting that are submitted to and reviewed by the chief operating decision maker internally. Accordingly, no segment assets and liabilities are presented.

**Information about major customers**

External customers contribute over 10% of total revenue of the Group for any of the years ended 31 December 2012, 2013 and 2014 are as follows:

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Customer A	47,877	40,374	50,539
Customer B	41,748	22,823	34,527
Customer C	38,769	2,370	17,333
Customer D	41,992	2,720	8,744
Customer E	552	56,923	51,214

**6 REVENUE AND OTHER INCOME**

The Group is principally engaged in the manufacturing and trading of fresh fruits and processed fruit products. Turnover consists of revenue from sales of fresh fruits and processed fruit products. Revenue recognised during the Relevant Periods is as follows:

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
<b>Revenue</b>			
Domestic sales	271,186	327,367	413,237
Direct overseas sales	29,154	43,126	34,441
Total sale of goods	300,340	370,493	447,678

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
<b>Other income</b>			
Government subsidies	760	98	1,404

## 7 EXPENSES BY NATURE

Expenses included 'cost of sales', 'selling and distribution expenses' and 'general and administrative expenses' are analysed as follows:

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Auditors' remuneration	14	37	52
Advertising costs	697	70	622
Cost of inventories sold	188,091	233,388	281,615
Depreciation of property, plant and equipment (Note 14)	3,554	3,417	3,572
Employee benefit expenses (including directors' emoluments) (Note 8)	19,125	23,717	28,931
Legal and professional fees	26	45	488
Professional expense in respect of listing	–	–	1,650
Loss on disposal of property, plant and equipment (Note 26(b))	44	424	8
Operating lease payments	2,808	2,908	3,743
Other taxes	3,460	4,405	4,827
Transportation expenses	2,908	3,930	4,283
Others	3,329	4,566	3,395
	<u>224,056</u>	<u>276,907</u>	<u>333,186</u>
Total cost of sales, selling and distribution expenses and general and administrative expenses			

## 8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Wages and salaries	18,635	22,787	24,380
Discretionary bonuses	–	410	–
Social security costs	490	520	4,551
	<u>19,125</u>	<u>23,717</u>	<u>28,931</u>



## (a) Directors' and senior management's emoluments

The remuneration of the directors for the Relevant Periods is set out below:

	Year ended 31 December 2012			
	Basic	Discretionary	Social	Total
	salaries,			
	allowances and benefits in kind <i>RMB'000</i>	bonuses <i>RMB'000</i>	security costs <i>RMB'000</i>	<i>RMB'000</i>
<b>Executive directors</b>				
Mr. Yang ( <i>Note (i)</i> )	69	–	8	77
Mr. Sun	58	–	8	66
Ms. Chu Yinghong	–	–	–	–
	<u>127</u>	<u>–</u>	<u>16</u>	<u>143</u>

	Year ended 31 December 2013			
	Basic	Discretionary	Social	Total
	salaries,			
	allowances and benefits in kind <i>RMB'000</i>	bonuses <i>RMB'000</i>	security costs <i>RMB'000</i>	<i>RMB'000</i>
<b>Executive directors</b>				
Mr. Yang ( <i>Note (i)</i> )	90	6	9	105
Mr. Sun	73	5	9	87
Ms. Chu Yinghong	–	–	–	–
	<u>163</u>	<u>11</u>	<u>18</u>	<u>192</u>

	Year ended 31 December 2014			
	Basic salaries, allowances and benefits in kind	Discretionary bonuses	Social security costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Executive directors</b>				
Mr. Yang ( <i>Note (i)</i> )	103	–	10	113
Mr. Sun	83	–	10	93
Ms. Chu Yinghong	–	–	–	–
	<u>186</u>	<u>–</u>	<u>20</u>	<u>206</u>

During the Relevant Periods, there was no arrangement under which a director waived or agreed to waive any remuneration, and no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

*Note:*

- (i) The director is also the CEO of the Company, no separate disclosure in respect of the remuneration of the CEO has been made.

**(b) Five highest paid individuals**

During the Relevant Periods, the five individuals whose emoluments were the highest in the Group include two directors whose emoluments are reflected in the analysis above. The emoluments paid/payable to the remaining three individuals during the Relevant Periods are as follows:

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Basic salaries, allowances and benefits in kind	158	198	227
Discretionary bonuses	–	13	–
Social security costs	–	9	10
	<u>158</u>	<u>220</u>	<u>237</u>

During the Relevant Periods, the emoluments fell within the following bands:

	Number of individuals		
	2012	2013	2014
<b>Emolument bands (in Hong Kong dollars ("HK\$"))</b>			
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>	<u>3</u>

## 9 FINANCE COSTS, NET

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
<b>Finance income</b>			
– Interest income on short-term bank deposits	12	104	59
	-----	-----	-----
<b>Finance costs</b>			
– Interest expenses on bank borrowings wholly repayable within 5 years	(3,409)	(3,782)	(3,345)
– Less: amounts capitalised on qualifying assets (Note 14)	–	–	907
	-----	-----	-----
	(3,409)	(3,782)	(2,438)
	-----	-----	-----
<b>Finance costs, net</b>	<b>(3,397)</b>	<b>(3,678)</b>	<b>(2,379)</b>
	=====	=====	=====

## 10 INCOME TAX EXPENSE

PRC corporate income tax has been provided at the rate of 25% during the Relevant Periods of the profits for the PRC statutory financial reporting purpose, adjusted for those items which are not assessable or deductible for the PRC corporate income tax purpose. Certain subsidiaries of the Group are entitled to preferential tax incentives in the cities where the subsidiary is located.

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
<b>Current income tax:</b>			
PRC corporate income tax on profits for the year	15,662	19,106	24,206
	-----	-----	-----
<b>Income tax expense</b>	<b>15,662</b>	<b>19,106</b>	<b>24,206</b>
	=====	=====	=====

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the domestic tax rate applicable to profits of the Group's subsidiaries as follows:

	Year ended 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
<b>Profit before income tax</b>	73,647	90,006	113,517
Tax calculated at domestic tax rates applicable to profits in the respective countries	18,413	22,500	28,327
Income not subject to tax	(3,576)	(4,070)	(4,207)
Expenses not deductible for tax purposes	769	663	5
Unrecognised tax loss	56	13	81
	<u>15,662</u>	<u>19,106</u>	<u>24,206</u>

The weighted average applicable tax rate was 25% for the years ended 31 December 2012, 2013 and 2014, respectively. There is no change in weighted average applicable tax rate as the Group's profit before income tax was mainly contributed from one of the PRC's subsidiaries.

#### 11 EARNINGS PER SHARE

For the years ended 31 December 2012, 2013 and 2014, the calculation of basic earnings per share is based on the Group's profit for the year attributable to owners of the Company of approximately RMB57,985,000, RMB70,900,000 and RMB89,311,000 divided by the number of 100 ordinary shares in issue, respectively.

During the Relevant Periods, diluted earnings per share are the same as basic earnings per share due to the absence of dilutive potential ordinary shares.

#### 12 DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation.

Dividends of nil, RMB90,000,000 and RMB70,000,000 for the years ended 31 December 2012, 2013 and 2014 represented dividends declared by Shandong Tiantong to the then owners of Shandong Tiantong for each of the years ended 31 December 2012, 2013 and 2014. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

#### 13 LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of RMB5,000, RMB4,000 and RMB5,000 for the years ended 31 December 2012, 2013 and 2014, respectively.

## 14 PROPERTY, PLANT AND EQUIPMENT – GROUP

	Leasehold improvements RMB'000	Furniture and fixtures RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office and computer equipment RMB'000	Construction in progress RMB'000	Total RMB'000
<b>At 1 January 2012</b>							
Cost	35,749	70	13,782	1,874	2,255	–	53,730
Accumulated depreciation	(3,872)	(30)	(2,986)	(800)	(1,517)	–	(9,205)
<b>Net book amount</b>	<b>31,877</b>	<b>40</b>	<b>10,796</b>	<b>1,074</b>	<b>738</b>	<b>–</b>	<b>44,525</b>
<b>Year ended 31 December 2012</b>							
Opening net book amount	31,877	40	10,796	1,074	738	–	44,525
Additions	–	–	795	93	33	62	983
Transfer	–	–	62	–	–	(62)	–
Disposals (Note 26(b))	–	–	(51)	–	(1)	–	(52)
Depreciation (Note 7)	(1,697)	(13)	(1,350)	(170)	(324)	–	(3,554)
<b>Closing net book amount</b>	<b>30,180</b>	<b>27</b>	<b>10,252</b>	<b>997</b>	<b>446</b>	<b>–</b>	<b>41,902</b>
<b>At 31 December 2012</b>							
Cost	35,749	70	14,544	1,967	2,271	–	54,601
Accumulated depreciation	(5,569)	(43)	(4,292)	(970)	(1,825)	–	(12,699)
<b>Net book amount</b>	<b>30,180</b>	<b>27</b>	<b>10,252</b>	<b>997</b>	<b>446</b>	<b>–</b>	<b>41,902</b>
<b>Year ended 31 December 2013</b>							
Opening net book amount	30,180	27	10,252	997	446	–	41,902
Additions	–	–	1,383	–	54	–	1,437
Disposals (Note 26(b))	(120)	–	(284)	(12)	(21)	–	(437)
Depreciation (Note 7)	(1,695)	(6)	(1,402)	(175)	(139)	–	(3,417)
<b>Closing net book amount</b>	<b>28,365</b>	<b>21</b>	<b>9,949</b>	<b>810</b>	<b>340</b>	<b>–</b>	<b>39,485</b>
<b>At 31 December 2013</b>							
Cost	35,592	70	15,619	1,849	2,115	–	55,245
Accumulated depreciation	(7,227)	(49)	(5,670)	(1,039)	(1,775)	–	(15,760)
<b>Net book amount</b>	<b>28,365</b>	<b>21</b>	<b>9,949</b>	<b>810</b>	<b>340</b>	<b>–</b>	<b>39,485</b>
<b>Year ended 31 December 2014</b>							
Opening net book amount	28,365	21	9,949	810	340	–	39,485
Additions	5,044	–	2,965	860	389	27,352	36,610
Transfer	505	–	1,050	–	–	(1,555)	–
Disposals (Note 26(b))	–	–	–	–	(9)	–	(9)
Depreciation (Note 7)	(1,755)	(6)	(1,512)	(187)	(112)	–	(3,572)
<b>Closing net book amount</b>	<b>32,159</b>	<b>15</b>	<b>12,452</b>	<b>1,483</b>	<b>608</b>	<b>25,797</b>	<b>72,514</b>
<b>At 31 December 2014</b>							
Cost	41,141	70	19,634	2,709	2,380	25,797	91,731
Accumulated depreciation	(8,982)	(55)	(7,182)	(1,226)	(1,772)	–	(19,217)
<b>Net book amount</b>	<b>32,159</b>	<b>15</b>	<b>12,452</b>	<b>1,483</b>	<b>608</b>	<b>25,797</b>	<b>72,514</b>

Depreciation of RMB2,747,000, RMB2,645,000 and RMB2,752,000 have been charged in 'cost of sales' and RMB807,000, RMB772,000 and RMB820,000 have been charged in 'general and administrative expenses' for the years ended 31 December 2012, 2013 and 2014, respectively.

Construction in progress as at 31 December 2014 mainly comprises new plants and production lines being constructed in the PRC.

During the year ended 31 December 2014, the Group has capitalised borrowing costs amounting to RMB907,000 (years ended 31 December 2012 and 2013: nil) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 9.1% per annum.

#### 15. INVESTMENT IN A SUBSIDIARY – COMPANY

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Investments, unlisted shares, at cost	—	—	—

As at 31 December 2012, 2013 and 2014, the carrying amount of the Company's investment in a subsidiary is RMB83.

The following is a list of the principal subsidiaries at 31st December 2012, 2013 and 2014:

	Name	Place of incorporation/ establishment and kind of legal entity	Nature of business and place of operation	Particulars of issued/registered share capital	Effective equity interest held	Statutory auditors
1	Tianyi Holding Hong Kong Limited	Hong Kong	Investment holding in Hong Kong	100 ordinary shares of HK\$100	100%	Ho Wing Yi CPA (Practising)
2, 3	臨沂同泰食品機械製造有限公司 (Linyi Tongtai Food Machine Manufacture Co., Ltd.)	The PRC, limited liability company	Manufacturing and trading of food machinery in the PRC	Registered and paid-up capital of USD6,000,000 (2012 and 2013: RMB1,180,000)	100%	Linyi Yuanzhen CPA Limited (臨沂元真有限責任會計師事務所)
2, 3	山東天同食品有限公司 (Shandong Tiantong Food Co., Ltd.)	The PRC, limited liability company	Manufacturing and trading of fresh fruits and processed fruit products in the PRC	Registered and paid-up capital of RMB5,000,000	100%	Linyi Yuanzhen CPA Limited (臨沂元真有限責任會計師事務所)

<sup>1</sup> Shares held directly by the Company.

<sup>2</sup> These companies are indirectly held by the Company through Tianyi Holding Hong Kong Ltd.

<sup>3</sup> English name is for identification only.

## 16 INVENTORIES – GROUP

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Raw materials	6,694	3,117	4,543
Work in progress	3,728	5,136	5,100
Finished goods	41,225	22,514	31,428
	<u>51,647</u>	<u>30,767</u>	<u>41,071</u>

The cost of inventories recognised as expense and included in 'cost of sales' amounted to RMB188,091,000, RMB233,388,000 and RMB281,615,000 for the years ended 31 December 2012, 2013 and 2014, respectively.

## 17 FINANCIAL INSTRUMENTS BY CATEGORY – GROUP AND COMPANY

## (a) Group

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
<b>Assets as per consolidated statements of financial position</b>			
Loans and receivables			
– Trade receivables	39,656	33,605	48,549
– Other receivables	86	202	652
– Amount due from a related company	–	193	–
– Restricted bank deposits	3,850	1,500	–
– Cash and cash equivalents	6,918	18,054	31,595
	<u>60,500</u>	<u>55,554</u>	<u>80,796</u>
<b>Liabilities as per consolidated statements of financial position</b>			
Other financial liabilities			
at amortised cost			
– Trade and bills payables	15,612	6,480	12,365
– Accruals and other payables	1,369	1,742	2,565
– Amounts due to directors	9,991	18,720	7,311
– Amount due to the immediate holding company	–	–	20
– Amount due to a related company	140	190	90
– Bank borrowings	40,500	40,500	33,000
	<u>67,512</u>	<u>67,632</u>	<u>55,351</u>

## (b) Company

	As at 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
<b>Liabilities as per statements of financial position</b>			
Other financial liabilities at amortised cost			
– Amount due to a director	11	15	–
– Amount due to the immediate holding company	–	–	20
	<u>–</u>	<u>–</u>	<u>20</u>

## 18 TRADE AND OTHER RECEIVABLES – GROUP

		As at 31 December		
		2012 RMB'000	2013 RMB'000	2014 RMB'000
Trade receivables	(a)	39,656	33,605	48,549
Prepayments	(b)	181	380	434
Other receivables	(b)	86	202	652
		<u>39,923</u>	<u>34,187</u>	<u>49,635</u>

## (a) Trade receivables – Group

As at 31 December 2012, 2013 and 2014, the ageing analysis of the trade receivables based on invoice date is as follows:

	As at 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Less than 30 days	33,529	19,496	28,531
31 to 60 days	5,677	13,894	19,358
61 to 90 days	–	215	660
91 to 180 days	127	–	–
181 to 365 days	194	–	–
Over 365 days	129	–	–
	<u>39,656</u>	<u>33,605</u>	<u>48,549</u>

The Group's credit terms granted to wholesale customers generally ranged from 30 to 60 days. As at 31 December 2012, 2013 and 2014, trade receivables of RMB450,000, RMB215,000 and RMB660,000 were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered.



The aging analysis of these trade receivables based on due date is as follows:

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Less than 30 days	–	215	660
91 to 180 days	127	–	–
181 to 365 days	194	–	–
Over 365 days	129	–	–
	<u>450</u>	<u>215</u>	<u>660</u>

The trade receivables are denominated in the following currencies:

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
RMB	35,792	27,564	41,923
USD	<u>3,864</u>	<u>6,041</u>	<u>6,626</u>
	<u>39,656</u>	<u>33,605</u>	<u>48,549</u>

No provision for impairment of trade receivables was made as at 31 December 2012, 2013 and 2014.

The carrying values of trade receivables approximate their fair value. The Group does not hold any collateral as security.

**(b) Prepayments and other receivables – Group**

The carrying amounts of prepayments and other receivables approximate their fair values and are mainly denominated in RMB. Other receivables do not contain impaired assets.

The Group does not hold any collateral as security.

**19 RESTRICTED BANK DEPOSITS – GROUP**

As at 31 December 2012, 2013 and 2014, restricted deposits amounting to RMB3,850,000, RMB1,500,000 and nil, respectively, were held in designated bank accounts for serving of bills payables provided by bank. The average maturity date of restricted bank deposits was 180 days as at 31 December 2012, 2013 and 2014.

The carrying amounts of restricted bank deposits approximate their fair values and are denominated in RMB.

## 20 CASH AND CASH EQUIVALENTS – GROUP

	As at 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Cash at banks	6,569	17,863	31,556
Cash on hand	349	191	39
	<u>6,918</u>	<u>18,054</u>	<u>31,595</u>

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	As at 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
RMB	6,207	17,718	25,205
HK\$	22	319	14
USD	689	17	6,376
	<u>6,918</u>	<u>18,054</u>	<u>31,595</u>

RMB is not freely convertible into other currencies. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business in the PRC.

## 21 SHARE CAPITAL – GROUP AND COMPANY

	As at 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Authorised:			
50,000 ordinary shares of USD1 each	<u>323</u>	<u>323</u>	<u>323</u>
Issued and fully paid:			
100 ordinary shares of USD1 each	<u>1</u>	<u>1</u>	<u>1</u>

The Company was incorporated in the British Virgin Islands on 8 September 2011 with the power to issue a maximum of 50,000 ordinary shares of USD1 each. On the date of incorporation, 100 ordinary shares were issued and fully paid at par for cash consideration of RMB1,000.

## 22 RESERVES – GROUP AND COMPANY

## (a) Group

	Reserves				
	Capital reserve RMB'000 (Note (i))	Merger reserve RMB'000 (Note (ii))	Statutory reserve RMB'000 (Note (iii))	Retained earnings RMB'000	Total reserves RMB'000
<b>Balance at 1 January 2012</b>	–	5,000	2,500	1,226	8,726
Profit for the year	–	–	–	57,985	57,985
Distribution to owners of the Company	–	(8,100)	–	–	(8,100)
<b>Balance at 31 December 2012</b>	<u>–</u>	<u>(3,100)</u>	<u>2,500</u>	<u>59,211</u>	<u>58,611</u>
<b>Balance at 1 January 2013</b>	–	(3,100)	2,500	59,211	58,611
Profit for the year	–	–	–	70,900	70,900
Dividends relating to the year ended 31 December 2012 (Note 12)	–	–	–	(50,000)	(50,000)
Dividends relating to the year ended 31 December 2013 (Note 12)	–	–	–	(40,000)	(40,000)
<b>Balance at 31 December 2013</b>	<u>–</u>	<u>(3,100)</u>	<u>2,500</u>	<u>40,111</u>	<u>39,511</u>
<b>Balance at 1 January 2014</b>	–	(3,100)	2,500	40,111	39,511
Profit for the year	–	–	–	89,311	89,311
Waiver of amount due to the immediate holding company	59,507	–	–	–	59,507
Dividends relating to the year ended 31 December 2013 (Note 12)	–	–	–	(40,000)	(40,000)
Dividends relating to the year ended 31 December 2014 (Note 12)	–	–	–	(30,000)	(30,000)
<b>Balance at 31 December 2014</b>	<u>59,507</u>	<u>(3,100)</u>	<u>2,500</u>	<u>59,422</u>	<u>118,329</u>

(i) *Capital reserve*

During the year ended 31 December 2014, the immediate holding company of the Group issued exchangeable bonds to two investors at a principal amount of US\$12,000,000 in total. The investors shall have the right to request the immediate holding company to transfer its shares in the Company according to an agreed formula set forth in the transaction documents of the exchangeable bonds.

During the year ended 31 December 2014, the immediate holding company transferred cash of approximately RMB59,507,000 to the Group. The amount due by the Group had been waived by the immediate holding company subsequently. Capital reserve represents the waiver of the amount due to the immediate holding company amounting to RMB59,507,000.

(ii) *Merger reserve*

As mentioned in Note 1.3 above, the Financial Information has been prepared as if the current group structure had been in existence throughout the Relevant Periods, or since the respective dates of incorporation/establishment of the combining companies, or since the date when the combining companies first came under control of the Ultimate Controlling Shareholder, whichever is a shorter period.

As part of the Reorganisation, the Group acquired interest in Shandong Tiantong and assets and liabilities related to the Listing Business from the then owners during the year ended 31 December 2012. As the acquisition transaction was made under common control, no fair value is applied to the acquired subsidiary interest, assets and liabilities. The consideration paid to the then owners in connection with such reorganisation attributable to that acquired subsidiary interest and assets and liabilities was recorded as a distribution to the then owners of the Company amounting to RMB8,100,000. The difference between the consideration paid to the then owners and the original investment of the then owners was recorded as a merger reserve as at 31 December 2012, 2013 and 2014.

(iii) *Statutory reserve*

According to the provisions of the articles of association of the Group's subsidiaries located in the PRC ("PRC subsidiaries"), the PRC subsidiaries shall first set aside 10% of the entity's profit attributable to owners after tax as indicated in their statutory financial statements for the statutory surplus reserve (except where the reserve has reached 50% of the entity's registered share capital) in each year. The PRC subsidiaries may also make appropriations from its profit attributable to shareholders to discretionary surplus reserve, provided it is approved by a resolution passed in a shareholders' general meeting. These reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends without the prior approval obtained from shareholders in a shareholders' general meeting under specific circumstances.

When the statutory surplus reserve is not sufficient to make good for any losses of the PRC subsidiaries from previous years, the current year profit attributable to owners shall be used to make good the losses before any allocations are set aside for the statutory surplus reserve. The statutory surplus reserve, the discretionary surplus reserve and the share premium of the PRC subsidiaries may be converted into share capital of the PRC subsidiaries provided it is approved by a resolution passed in a shareholders' general meeting and meets other regulatory requirements with the provision that the ending balance of the statutory surplus reserve does not fall below 25% of the registered share capital.

Statutory reserve during the Relevant Periods represents the statutory surplus reserve of the PRC subsidiaries amounting to RMB2,500,000, which had reached 50% of the entity's registered share capital.

## (b) Company

	Capital reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total reserves <i>RMB'000</i>
<b>Balance at 1 January 2012</b>	–	(7)	(7)
<b>Comprehensive income</b>			
Loss for the year	–	(5)	(5)
<b>Balance at 31 December 2012</b>	<u>–</u>	<u>(12)</u>	<u>(12)</u>
<b>Balance at 1 January 2013</b>	–	(12)	(12)
<b>Comprehensive income</b>			
Loss for the year	–	(4)	(4)
<b>Balance at 31 December 2013</b>	<u>–</u>	<u>(16)</u>	<u>(16)</u>
<b>Balance at 1 January 2014</b>	–	(16)	(16)
<b>Comprehensive income</b>			
Loss for the year	–	(5)	(5)
<b>Transaction with owners, recognised directly in equity</b>			
Waiver of amount due to the immediate holding company	59,507	–	59,507
<b>Balance at 31 December 2014</b>	<u>59,507</u>	<u>(21)</u>	<u>59,486</u>

## 23 TRADE AND BILLS PAYABLES – GROUP

	As at 31 December		
	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>
Trade payables	11,762	4,980	12,365
Bill payables	3,850	1,500	–
	<u>15,612</u>	<u>6,480</u>	<u>12,365</u>

As at 31 December 2012, 2013 and 2014, the ageing analysis of the trade payables based on invoice date is as follows:

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Less than 30 days	5,146	4,203	11,156
31 to 90 days	3,407	696	732
91 to 180 days	2,019	70	331
181 to 365 days	1,190	–	144
Over 365 days	–	11	2
	<u>11,762</u>	<u>4,980</u>	<u>12,365</u>

As of 31 December 2012 and 2013, bills payables had maturities within 6 months.

The carrying amounts of trade and bills payables approximate their fair values and are denominated in RMB.

#### 24 ACCRUALS AND OTHER PAYABLES – GROUP

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Accrued employee benefit expenses	9,052	9,297	13,554
Other taxes payables	3,892	1,627	163
Other payables for purchases of property, plant and equipment	371	707	368
Others	998	1,035	2,197
	<u>14,313</u>	<u>12,666</u>	<u>16,282</u>

The carrying amounts of accruals and other payables approximate their fair values and are denominated in RMB.

#### 25 BANK BORROWINGS – GROUP

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Bank borrowings repayable within 1 year	<u>40,500</u>	<u>40,500</u>	<u>33,000</u>

The carrying amounts of short-term bank borrowings approximate their fair values and are denominated in RMB.

The exposure of bank borrowings to interest rate changes and the contractual repricing dates at the end of the reporting date are 6 months or less. The weighted effective interest rates of bank borrowings were 9.6%, 9.3% and 9.1% as at 31 December 2012, 2013 and 2014, respectively.

The bank borrowings are secured by the following:

- (i) a legal charge on properties of a related company;
- (ii) joint and several personal guarantees executed by the directors of the Company; and

(iii) an assignment of rental for premises of a related company.

## 26 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS – GROUP

### (a) Reconciliation of profit before income tax to cash generated from operations

	Note	Year ended 31 December		
		2012 RMB'000	2013 RMB'000	2014 RMB'000
Profit before income tax		73,647	90,006	113,517
Adjustments for:				
Interest income	9	(12)	(104)	(59)
Interest expenses	9	3,409	3,782	2,438
Loss on disposal of property, plant and equipment	7	44	424	8
Depreciation of property, plant and equipment	7	3,554	3,417	3,572
		<u>80,642</u>	<u>97,525</u>	<u>119,476</u>
Changes in working capital:				
(Increase)/decrease in inventories		(252)	20,880	(10,304)
(Increase)/decrease in trade receivables		(15,109)	6,051	(14,944)
Decrease/(increase) in prepayments and other receivables		30	(315)	(504)
(Increase)/decrease in amount due from a related company		–	(193)	193
(Decrease)/increase in trade and bills payables		(3,994)	(9,132)	5,885
Increase/(decrease) in accruals and other payables		2,060	(1,983)	3,955
		<u>2,060</u>	<u>(1,983)</u>	<u>3,955</u>
<b>Cash generated from operations</b>		<u><u>63,377</u></u>	<u><u>112,833</u></u>	<u><u>103,757</u></u>

### (b) In the consolidated statements of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Net book amount (Note 14)	52	437	9
Loss on disposal of property, plant and equipment (Note 7)	(44)	(424)	(8)
	<u>8</u>	<u>13</u>	<u>1</u>
Proceeds from disposal of property, plant and equipment	<u><u>8</u></u>	<u><u>13</u></u>	<u><u>1</u></u>

**27 CONTINGENCIES – GROUP AND COMPANY**

The Group and the Company did not have any material contingent liabilities as at 31 December 2012, 2013 and 2014.

**28 COMMITMENTS – GROUP AND COMPANY****(a) Group***(i) Operating lease commitments – group company as lessee*

The Group leases manufacturing factories, offices and warehouses under an operating lease agreement with lease term of 24 years. The future aggregate minimum lease payments under the operating lease agreement are as follows:

	As at 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Not later than 1 year	2,808	2,808	2,808
Later than 1 year and no later than 5 years	11,232	11,232	11,232
Later than 5 years	33,813	31,005	28,197
	<u>47,853</u>	<u>45,045</u>	<u>42,237</u>

*(ii) Capital commitments*

Capital expenditure of property, plant and equipment authorised by the board of directors which has not been contracted for as of 31 December 2014 amounts to RMB5,185,000 (31 December 2012 and 2013: nil).

Capital expenditure contracted for but not yet incurred and provided for as of 31 December 2014 amounts to RMB3,069,000 (31 December 2012 and 2013: nil).

**(b) Company**

The Company had no operating lease and capital commitments as at 31 December 2012, 2013 and 2014.

**29 RELATED PARTY BALANCES AND TRANSACTIONS – GROUP AND COMPANY**

For the purposes of the Financial Information, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.



- (a) The directors are of the view that the following companies were related parties that had transactions or balances with the Group during the years ended 31 December 2012, 2013 and 2014:

Name of the related parties	Principal business activities	Relationship with the Group
Linyi Yuanyu Trading Co., Ltd ("Yuanyu")	Operating of and acting as agent for import and export of various types of products and technique	Under common control by the Ultimate Controlling Shareholder
Linyi Jinhua Food Company Limited	Processing of nuts and related food products	Under common control by the Ultimate Controlling Shareholder

(b) **Transactions with related parties**

The following transactions were undertaken by the Group with related parties during the Relevant Periods:

	Year ended 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Sales of machinery to a related company	–	493	–
Operating lease payments in respect of properties and land of a related company	(2,808)	(2,808)	(2,808)

These transactions are made of terms mutually agreed by the relevant parties.

(c) **Balances with related parties**

The Group had the following material trade and non-trade balances with related parties:

	Group As at 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Amount due from a related company			
<u>Trade</u>			
– Yuanyu	–	193	–
Amount due to the immediate holding company			
<u>Non-trade</u>			
– Cayman Tiantong	–	–	(20)

	<b>Group</b>		
	<b>As at 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amount due to a related company			
<u>Non-trade</u>			
– Linyi Jinhua Food Company Limited	(140)	(190)	(90)
	<u>          </u>	<u>          </u>	<u>          </u>
Amounts due to directors			
<u>Non-trade</u>			
– Mr. Yang	(8,452)	(17,181)	(7,311)
– Mr. Sun	(1,539)	(1,539)	–
	<u>          </u>	<u>          </u>	<u>          </u>
	<u>(9,991)</u>	<u>(18,720)</u>	<u>(7,311)</u>

Amounts due from/(to) directors, the immediate holding company and related companies are unsecured, interest-free and repayable on demand. The carrying amounts of amounts due from/(to) directors, the immediate holding company and related companies approximate their fair values and are denominated in RMB.

	<b>Company</b>		
	<b>As at 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amount due from a subsidiary			
<u>Non-trade</u>			
– Tianyi Hong Kong	–	–	59,507
	<u>          </u>	<u>          </u>	<u>          </u>
Amount due to a director			
<u>Non-trade</u>			
– Mr. Yang	(11)	(15)	–
	<u>          </u>	<u>          </u>	<u>          </u>
Amount due to the immediate holding company			
<u>Non-trade</u>			
– Cayman Tiantong	–	–	(20)
	<u>          </u>	<u>          </u>	<u>          </u>

Amount due from a subsidiary is unsecured, interest-free and will not be repaid in the coming 12 months. It represents the Company's long term interest that in substance form part of the Company's investment in the subsidiary. Amounts due to a director and the immediate holding company are unsecured, interest-free and repayable on demand. The carrying amounts of amounts due from/(to) a subsidiary, a director and the immediate holding company approximate their fair value and are denominated in RMB.

**(d) Key management compensation**

Key management includes directors (executive and non-executive). The compensation paid or payable to key management for employee services is shown below:

	<b>Year ended 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Basic salaries, allowances and benefits in kind	127	174	186
Social security costs	16	18	20
	<u>143</u>	<u>192</u>	<u>206</u>

**(e) Guarantees by related parties**

The bank borrowings facilities were supported by personal guarantees provided by the directors of the Company and corporate guarantees by a related company to the extent as follows:

	<b>As at 31 December</b>		
	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mr. Yang	38,500	38,500	30,000
Mr. Sun	30,500	30,500	30,000
Ms. Chu Yinghong	38,500	38,500	30,000
Yuanyu	<u>32,500</u>	<u>32,500</u>	<u>33,000</u>

The personal guarantees provided by the directors and a related party and corporate guarantees provided by a related company were jointly made and not separately divided the amount of bank borrowings. The personal and corporate guarantees described herein have been released by June 2015.

As at 31 December 2012, 2013 and 2014, the bank borrowings amounting to RMB32,500,000, RMB32,500,000 and RMB33,000,000, respectively, are secured by land and buildings held by a related company. The Group has obtained the building ownership certificates by 9 June 2015 and land use rights certificate on 10 June 2015 and hence, acquired the aforementioned land and building from the related party in June 2015, and the bank borrowings are secured by assets owned by the Group, after the acquisition.

**30 EVENTS AFTER THE REPORTING DATE**

Save as disclosed elsewhere in this report, the following significant events took place subsequent to 31 December 2014.

On 19 March 2015, the Group entered into a transfer agreement with Yuanyu to acquire land and building at a consideration of RMB80,000,000. On 9 June 2015, upon the completion of transaction, the land use right certificate and building ownership certificate has been successfully transferred to the Group.

**III SUBSEQUENT FINANCIAL INFORMATION**

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 31 December 2014 up to the date of this report. Save as disclosed in the report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2014.

Yours faithfully,

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong

The information set out below does not form part of the Accountant's Report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included in this prospectus for information purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" of this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

#### (A) UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set out to illustrate the effect of the Global Offering on our net tangible assets as at 31 December 2014 as if it had taken place on 31 December 2014. The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustration purpose only and, because of its hypothetical nature, it may not give a true picture of our net tangible assets as at 31 December 2014 or any future date following the Global Offering. It is prepared based on our net assets as at 31 December 2014 as set out in the Accountant's Report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted consolidated net tangible assets does not form part of the Accountant's Report in Appendix I to this prospectus.

	Consolidated net tangible assets attributable to owners of our Company as at 31 December 2014 <i>RMB'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Global Offering <i>RMB'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets <i>RMB'000</i>	Unaudited pro forma adjusted consolidated net tangible assets per Share <i>RMB</i> <i>(Note 3)</i>
Based on an Offer Price of HK\$1.28 per Share	118,330	224,551	342,881	0.34
Based on an Offer Price of HK\$1.68 per Share	118,330	301,345	419,675	0.42

*Notes:*

- The consolidated net tangible assets attributable to owners of the Company as at 31 December 2014 is extracted from the Accountant's Report as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets attributable to owners of the Company of RMB118,330,000 as at 31 December 2014.
- The estimated net proceeds from the Global Offering are based on the minimum and maximum indicative Offer Price of HK\$1.28 and HK\$1.68 per Share, after deduction of the underwriting fees and other related expenses payable by the Company, taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option.
- The unaudited pro forma adjusted consolidated net tangible assets per Share are determined after the adjustments as described in note 2 above and on the basis that 1,000,000,000 Shares (being the number of shares expected to be in issue immediately after completion of the Global Offering, without taking into account of any shares which may be issued upon the exercise of the Over-allotment Option) are issued and outstanding.

*The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*

**(B) INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION  
INCLUDED IN A PROSPECTUS**



羅兵咸永道

**TO THE DIRECTORS OF TIANYUN INTERNATIONAL HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Tianyun International Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 December 2014, and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on page II-1 of the Company’s prospectus dated 24 June 2015, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on page II-1.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group’s financial position as at 31 December 2014 as if the proposed initial public offering had taken place at 31 December 2014. As part of this process, information about the Group’s financial position has been extracted by the directors from the Group’s financial information for the year ended 31 December 2014, on which an accountant’s report has been published.

**Directors’ Responsibility for the Unaudited Pro Forma Financial Information**

The directors are responsible for compiling 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” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

**Reporting Accountant’s Responsibilities**

Our responsibility is to express 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.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus”, issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 31 December 2014 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant’s judgment, having regard to the reporting accountant’s understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **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.

**PricewaterhouseCoopers**

Certified Public Accountants  
Hong Kong, 24 June 2015



*The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 30 April 2015 of the property interests of the Group.*



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited  
6/F Three Pacific Place 1 Queen's Road East Hong Kong  
tel +852 2846 5000 fax +852 2169 6001  
Licence No.: C-030171

24 June 2015

The Board of Directors  
**Tianyun International Holdings Limited**  
Phoenix Street Middle  
Hedong District  
Linyi City  
Shandong Province  
The PRC

Dear Sirs,

In accordance with your instructions to value the properties in which Tianyun International Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) have interests in People’s Republic of China (the “**PRC**”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 30 April 2015 (the “**valuation date**”).

Our valuation is carried out on a market value basis. Market Value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Due to the nature of the buildings and structures of property no. 1 in the PRC, there are no market sales comparables readily available, the buildings and structures of the property have been valued by the cost approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation”. It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimisation. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

In valuing the property interest in Group II which is under development as at the valuation date, we have assumed that it will be developed and completed in accordance with the latest development proposal provided to us by the Group. In arriving at our opinion of value, we have taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoing of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of a State-owned Land Use Right Certificate and 5 Building Ownership Certificates to the property interests and have made relevant enquiries. However, we have not examined the original documents and assumed that the copies of the title documents obtained are consistent with their originals. We have relied considerably on the advice given by the Company's PRC legal advisers – Jingtian & Gongcheng, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Site inspection of the properties was carried out in the period between 7 January 2015 and 9 January 2015 by Ms. Kathy Hao and Ms. Eva Chang. Ms. Kathy Hao is a member of Royal Institution of Chartered Surveyor and has 16 years' experience in the valuation of properties in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (“**RMB**”).

Our summary of values and valuation certificates are hereby enclosed for your attention.

Yours faithfully,  
For and on behalf of  
**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**  
**Eddie T. W. Yiu**  
*MRICS MHKIS RPS (GP)*  
*Director*

*Note:* Eddie T.W. Yiu is a Chartered Surveyor who has 21 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

## SUMMARY OF VALUES

No.	Property	Market value in existing state as at 30 April 2015 RMB
<b>Group I – Property interest held and occupied by the Group in the PRC</b>		
1.	A parcel of land, 12 buildings and various ancillary buildings and structures located at the junction of Phoenix Street and Outer Ring Road Hedong District, Linyi City, Shandong Province, The PRC (河東區鳳凰大街和外環路交匯處)	125,911,000 (note 1)
<b>Group II – Property interest under development by the Group in the PRC</b>		
2.	An industrial building under construction located at the junction of Phoenix Street and Outer Ring Road Hedong District, Linyi City, Shandong Province, The PRC (河東區鳳凰大街和外環路交匯處)	No commercial value (note 2)
	<b>Total:</b>	<b>125,911,000</b>

*Notes:*

- As at the valuation date, the Group was applying for the title transfer of the property. However, the Group has obtained the building ownership certificates by 9 June 2015 and land use rights certificate on 10 June 2015 under the name of the Group. In the valuation of this property, we are of opinion that (i) as at 30 April 2015 the property was contracted to be acquired by the Group and the title of the property was not vested in the Group at that time therefore no commercial value was attributed to the property; and (ii) as at the report date the property was legally held and occupied by the Group, therefore we have attributed commercial value to the property.
- As at the valuation date, the Group has not obtained proper construction permits to the property. Therefore we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the depreciated replacement cost (excluding the land element) of the property as at the valuation date would be RMB24,751,000, on condition that the relevant title certificates and/or construction permits have been obtained by the Group and the Group is entitled to freely transfer, lease, mortgage or otherwise dispose of the property.

## VALUATION CERTIFICATE

## Group I – Property interest held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2015 RMB
1.	A parcel of land, 12 buildings and various ancillary buildings and structures located at the junction of Phoenix Street and Outer Ring Road, Hedong District, Linyi City, Shandong Province, The PRC (河東區鳳凰大街和外環路交匯處)	<p>The property comprises a parcel of land with a site area of approximately 106,312 sq.m., 12 buildings, various ancillary buildings and structures erected thereon which were completed between 2007 and 2014.</p> <p>The 12 buildings have a total gross floor area of approximately 40,181.70 sq.m.</p> <p>The buildings mainly include industrial buildings, office buildings and the ancillary buildings mainly include guardhouse, plant room and bathroom.</p> <p>The structures mainly include roads, pools and wells.</p> <p>The land use rights of the property have been granted to the Group for a term expiring on 18 April 2057 for industrial use.</p>	The property is currently occupied by the Group for industrial and ancillary purposes.	125,911,000 (note 4)

## Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Lin He Guo Yong (2015) Di No. 0028, the land use rights of a parcel of land with a site area of approximately 106,312 sq.m. have been granted to Shandong Tiantong Food Co., Ltd. (山東天同食品有限公司) for a term expiring on 18 April 2057 for industrial use.
2. Pursuant to 5 Building Ownership Certificates – Fang Quan Zheng He Dong Qu Zi Di Nos. 000414213, 000414220, 000414221, 000414260 and 000414261, the 12 buildings with total gross floor area of approximately 40,181.70 sq.m. are owned by Shandong Tiantong Food Co., Ltd. (山東天同食品有限公司).
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
  - a. The Group has the rights to occupy, use, transfer, lease and mortgage the property.
4. As at the valuation date, the Group was applying for the title transfer of the property. However, the Group has obtained the building ownership certificates by 9 June 2015 and land use rights certificate on 10 June 2015 under the name of the Group. In the valuation of this property, we are of opinion that (i) as at 30 April 2015 the property was contracted to be acquired by the Group and the title of the property was not vested in the Group at that time therefore no commercial value was attributed to the property; and (ii) as at the report date the property was legally held and occupied by the Group, therefore we have attributed commercial value to the property.

5. The property contributes a significant portion of revenue to the Group, we are of the view that the property is the material property held by the Group.

**Details of the material property**

- a. General description of location of the property : The property is located at the junction of Phoenix Street and Outer Ring Road. The site of the property is in regular shape and there are various storage buildings and industrial buildings in the neighbourhood.
- The property is located in the eastern part of Linyi City, which is about 10 minutes' driving distance to the airport.
- b. Details of encumbrances, liens, pledges, mortgages against the property : The property is not subject to any mortgage or pledges.
- c. Environmental issue : According to the legal opinion of the Company's PRC legal advisers, Shandong Tiantong Food Co., Ltd. (山東天同食品有限公司) and Linyi Tongtai Food Machine Manufacture Co., Ltd. (臨沂同泰食品機械製造有限公司) have complied with the national and local law of environmental protection since established and never be penalised by breaching the law of environmental protection.
- d. Details of investigations, notices, pending litigation, breaches of law or title defects : Five ancillary buildings with a total gross floor area of approximately 1,047 sq.m. have not obtained building ownership certificates. Pursuant to a Confirmation Letter issued by the Housing Administration Bureau of Hedong District, there is no requirement to apply title documents for these ancillary buildings.
- e. Future plans for construction, renovation, improvement or development of the property : Nil

## VALUATION CERTIFICATE

## Group II – Property interest under development by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2015 RMB
2.	An industrial building under construction located at the junction of Phoenix Street and Outer Ring Road Hedong District, Linyi City, Shandong Province, The PRC (河東區鳳凰大街和外環路交匯處)	The property comprises a two-storey industrial building which is being constructed on the parcel of land of property no. 1.  As advised by the Group, the two-storey building is scheduled to be completed in August 2015. Upon completion, the building will have a gross floor area of approximately 8,815 sq.m.	The property is currently under construction.	No commercial value

## Notes:

1. As confirmed by the Group, the property is constructed by Linyi Tongtai Food Machine Manufacture Co., Ltd. (臨沂同泰食品機械製造有限公司), a wholly-owned subsidiary of the Company.
2. The Group has not obtained any construction permits (inclusive of Construction Work Planning Permit and Construction Work Commencement Permit) to the property.
3. As advised by the Group, the total construction cost of the property is estimated to be approximately RMB26,762,000, of which RMB24,086,000 had been paid up to the valuation date.
4. As at the valuation date, no proper construction permits of the property have been obtained. Therefore, we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the depreciated replacement cost (excluding the land element) of the property as at the valuation date would be RMB24,751,000, on condition that the relevant construction permits have been obtained by the Group and the Group is entitled to freely transfer, lease, mortgage or otherwise dispose of the property.
5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
  - a. The Group can commence the construction work and will not be subject to any penalty or sanction for existing construction of the property.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of British Virgin Islands company law.

The Company was incorporated in the British Virgin Islands as a business company with limited liability on 8 September, 2011 under the BVI Business Companies Act, as amended (the “**BVI Companies Act**”). The Memorandum of Association (the “**Memorandum**”) and the Articles of Association (the “**Articles**”) comprise its constitution.

## 1. MEMORANDUM OF ASSOCIATION

The Memorandum was approved for adoption on 16 June, 2015 to take effect prior to Listing.

- (a) The Memorandum states, *inter alia*, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the BVI Companies Act or as the same may be revised from time to time or any other law of the British Virgin Islands. The business and activities of the Company are however limited to those business and activities which are not prohibited from engaging in under any law for the time being in force of the British Virgin Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

## 2. ARTICLES OF ASSOCIATION

The Articles were approved for adoption on 16 June, 2015 to take effect prior to Listing. The following is a summary of certain provisions of the Articles:

### (a) Directors

#### (i) *Power to allot and issue shares and warrants*

Subject to the provisions of the BVI Companies Act and the Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as 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). Subject to the BVI Companies Act, the Memorandum and the Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the BVI Companies Act and the Articles, where applicable, the rules of the Designated Stock Exchange, and any direction that may be given by the Company in general meeting 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 with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(ii) Power to dispose of the assets of the Company or any subsidiary*

There are provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries and requirements for approval of members in certain circumstances disclosed in paragraph (r) below. The Directors may also sell, transfer, secure, exchange or otherwise dispose of the assets of the Company without authorisation by the members pursuant to section 175 of the BVI Companies Act. The Directors may otherwise 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 BVI Companies Act to be exercised or done by the Company in general meeting.

*(iii) Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by 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.

*(v) Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditors of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or 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, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company.

Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by 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, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the BVI Companies Act and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board in respect of any contract or arrangement or other proposal in which he or any of his close associates has a material interest but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract, transactions, arrangement or proposal for giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract, transaction, arrangement or proposal for the giving by the Company 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 close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract, transaction, arrangement or 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 close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (dd) any contract, transaction, arrangement or proposal in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit, a pension fund or retirement, death, or disability benefits scheme which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associates(s), as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting and shall (unless otherwise directed by the resolution by which it is voted) be divided amongst the board in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office. Such remuneration shall be deemed to accrue from day to day.

The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(vii) Retirement, appointment and removal*

At each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any Director appointed by the board in the manner set out in the following paragraph shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed by the board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed 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. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

The members may, at any general meeting convened and held in accordance with the Articles, by ordinary resolution remove a Director at any time before the expiration of his period of office notwithstanding anything to the contrary in these Articles or in any agreement between the Company and such Director (but without prejudice to any claim for damages under any such agreement). Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated if the Director:

- (aa) resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the board whereupon the board resolves to accept such resignation;
- (bb) becomes of unsound mind or dies;
- (cc) without special leave of absence from the board, is absent from meetings of the board for six consecutive months, and his alternate Director, if any, shall not during such period have attended in his stead and the board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) prohibited from being a Director by law;
- (ff) ceases to be a Director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with 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 delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

*(viii) Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the BVI

Companies Act, to issue debentures, 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.

*(ix) Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

*(x) Register of Directors and Officers*

The Articles provide that the Company will maintain at its registered office a register of directors and officers which is not available for inspection by the public.

**(b) Alterations to constitutional documents**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum (save for an amendment for purposes of altering the capital as described in (c) below which shall require an ordinary resolution only), to amend the Articles or to change the name of the Company.

**(c) Alteration of capital**

The Company may from time to time by ordinary resolution amend the Memorandum to increase or reduce the maximum number of shares that the Company is authorised to issue, or to authorise the Company to issue an unlimited number of shares.

Subject to the Memorandum and the Articles, the Company may by ordinary resolution:

- (i) combine its shares, including issued shares, into a smaller number of shares; or
- (ii) sub-divide its shares, or any of them, into a greater number of shares,

provided that, where shares are divided or combined, the aggregate par value (if any) of the new shares must be equal to the aggregate par value (if any) of the original shares, and the Company shall not divide its shares if it would cause the maximum number of shares that the Company is authorised to issue to be exceeded.

**(d) Variation of rights of existing shares or classes of shares**

Subject to the BVI Companies Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of

not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled 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.

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

**(e) Special resolution-majority required**

Pursuant to the Articles, a special resolution of 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, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy, at a general meeting at which notice has been duly given in accordance with the Articles (see paragraph (i) below).

An ordinary resolution 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 corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

**(f) Voting rights**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Articles, at any general meeting on a poll every Member present in person or by proxy or, in the case of a Member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting, a resolution put to the vote of a meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.



If a clearing house (or its nominee(s)), being a corporation, is a Member, it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of members provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of this Article shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has knowledge that any Member is, under the rules of the Designated Stock Exchange, 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.

**(g) Requirements for annual general meetings**

An annual general meeting of the Company shall be held in each year other than the year of the Company's adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or not more than eighteen (18) months after the date of adoption of these Articles, unless a longer period would not infringe the rules of the Designated Stock Exchange, if any) at such time and place as may be determined by the board.

**(h) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the BVI Companies Act and in accordance with the generally accepted accounting principles and practices in Hong Kong or as may be necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the Office or, at such other place or places as the board decides and shall always be open to inspection by the Directors. No Member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the Auditors' report, shall be sent to each person entitled thereto at least twenty-one (21) days before the date of the general meeting and at



the same time as the notice of annual general meeting and laid before the Company at the annual general meeting held in accordance with the Articles provided that the Articles shall not require a copy of those documents to be sent to any person whose address the Company is not aware or to more than one of the joint holders of any shares or debentures..

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The Auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the Auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the British Virgin Islands. If so, the financial statements and the report of the Auditor should disclose this fact and name such country or jurisdiction.

**(i) Notices of meetings and business to be conducted thereat**

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meeting (including an extraordinary general meeting) must be called by notice of not less than fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

If permitted by the rules of the Designated Stock Exchange (as defined in the Articles), a general meeting may be called by shorter notice, subject to the BVI Companies Act, 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 ninety-five (95) per cent of the total voting rights at the meeting of all the members.

All business shall be deemed special that is transacted at an extraordinary general meeting, and also all business that is transacted at an annual general meeting, with the exception of:

- (a) the declaration and sanctioning of dividends;

- (b) consideration and adoption of the accounts and balance sheet and the reports of the Directors and Auditors and other documents required to be annexed to the balance sheet;
- (c) the election of Directors whether by rotation or otherwise in the place of those retiring;
- (d) appointment of Auditors (where special notice of the intention for such appointment is not required by the BVI Companies Act) and other officers;
- (e) the fixing of the remuneration of the Auditors, and the voting of remuneration or extra remuneration to the Directors;
- (f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares in the capital of the Company representing not more than twenty per cent. (20%) in total number of its existing issued shares; and
- (g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

**(j) Transfer of shares**

Subject to the Articles, any Member may transfer all or any of his shares by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in any other form approved by the board and may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case which it thinks fit in its discretion to do so. The board may also resolve, either generally or in any particular case, upon request by either the transferor or transferee, to accept mechanically executed transfers.

Unless the board otherwise agrees (which agreement may be on such terms and subject to such conditions as the board in its absolute discretion may from time to time determine, and which agreement the board shall, without giving any reason therefor, be entitled in its absolute discretion to give or withhold), no shares upon the register of members of the Company shall be transferred to any branch register nor shall shares on any branch register be transferred to the Register or any other branch register and all transfers and other documents of title shall be lodged for registration, and registered, in the case of any shares on a branch register, at the relevant office where the branch register of members is kept, and, in the case of any shares on the register of members, at the registered office of the Company or such other place at which the register is kept in accordance with the BVI Companies Act.

The board may, in its absolute discretion, and without giving any reason therefor, refuse to register a transfer of any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also, without prejudice to the foregoing generality, refuse to register a transfer of any share to more than four (4) joint holders or a transfer of any share issued for a promissory note or other binding obligation to contribute money or property or a contribution thereof to the Company on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless the instrument of transfer is in respect of only one class of share, the instrument of transfer is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do) or, if applicable, the instrument of transfer is duly and properly stamped.

The registration of transfers may be suspended and the register closed on giving notice by advertisement in the appointed newspaper or by other means as set out in the Articles, at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

**(k) Power for the company to purchase its own shares**

Subject to the BVI Companies Act, the Memorandum and the Articles, the Company shall have all the powers conferred upon it by the BVI Companies Act to purchase or otherwise acquire its own shares and such power shall be exercisable by the board in such manner, upon such terms and subject to such conditions as it thinks fit, including but not limited to, the purchase of shares at a price less than fair value.

Shares that the Company purchases, redeems or otherwise acquires pursuant to the Articles may be cancelled or held as treasury shares provided that the number of shares purchased, redeemed or otherwise acquired when aggregated with shares already held as treasury shares may not exceed 50% of the shares of that class previously issued (excluding shares that have been cancelled).

**(l) Power for any subsidiary of the company to own shares in the company**

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

**(m) Dividends and other methods of distribution**

Subject to the BVI Companies Act, the Company in general meeting may from time to time declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board. The board may recommend

and pay to all members on a pro rata basis a dividend or a distribution at such time and of such an amount as they think fit if they are satisfied, on reasonable grounds, that immediately after the payment of the dividend or distribution, the value of the Company's assets exceeds its liabilities and the Company is able to pay its debts as they fall due. The resolution shall include a statement to that effect.

Except in so far as the rights attaching to, or the terms of issue of, any Share otherwise provide all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

Whenever the board has resolved that a dividend be paid or declared on the shares of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to 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 has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

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

**(n) Proxies**

Any member 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. In addition, a proxy or proxies representing either a Member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

**(o) Forfeiture of shares**

Where a share is not fully paid for on issue, the directors may, subject to the terms on which the share was issued, at any time serve upon the member a written notice of call specifying a date for payment to be made. Where a notice complying with the provisions of the Articles has been issued and the requirements of the notice have not been complied with, the directors by Resolution of Directors may, at any time before tender of payment forfeit and cancel the share to which the notice relates.

When any Share has been forfeited, Notice of the forfeiture shall be served upon the person who was before forfeiture the holder of the share. No forfeiture shall be invalidated by any omission or neglect to give such Notice.

The board may accept the surrender of any Share liable to be forfeited and, in such case, references in the Articles to forfeiture will include surrender.

A declaration by a Director or the Secretary that a Share has been forfeited on a specified date shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the Share, and such declaration shall (subject to the execution of an instrument of transfer by the Company if necessary) constitute a good title to the Share, and the person to whom the Share is disposed of shall be registered as the holder of the Share and shall not be bound to see to the application of the consideration (if any), nor shall his title to the Share be affected by any irregularity in or invalidity of the proceedings in reference to the forfeiture, sale or disposal of the Share. When any Share shall have been forfeited, notice of the declaration shall be given to the Member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the register, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or make any such entry.

Notwithstanding any such forfeiture as aforesaid, the board may at any time, before any shares so forfeited shall have been sold, re-allotted or otherwise disposed of, permit the shares forfeited to be bought back upon the terms of payment of all calls and interest due upon and expenses incurred in respect of the share, and upon such further terms (if any) as it thinks fit.

**(p) Inspection of share register**

Unless closed in accordance with the Articles, the Register and branch register of members, as the case may be, shall be open to inspection for at least two (2) hours during business hours by members without charge or by any other person, upon a maximum payment of \$2.50 or such lesser sum specified by the board, at the registered office of the Company or such other place at which the register of members is kept in accordance with the BVI Companies Act or, if appropriate, upon a maximum payment of \$1.00 or such lesser sum specified by the board at the office where the branch register of members of the Company is kept. The register of members of the Company including any overseas or local or other branch register of members may, after notice has been given by advertisement in an appointed newspaper or any other newspapers in accordance with the requirements of any Designated Stock Exchange or by any electronic means in such manner as may be accepted by the Designated Stock Exchange to that effect, be closed at such times or for such periods not exceeding in the whole thirty (30) days in each year as the board may determine and either generally or in respect of any class of shares.

**(q) Quorum for meetings and separate class meetings**

No business other than the appointment of a chairman of a meeting shall be transacted at any general meeting unless a quorum is present at the commencement of the business. The absence of a quorum shall not preclude the appointment of a chairman. Save as otherwise provided by the Articles, two (2) members entitled to vote and present in person or by proxy or (in the case of a member being a corporation) by its duly authorised representative shall form a quorum for all purposes. 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.

**(r) Untraceable members**

The Company may cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. The Company shall have the power to sell, in such manner as the board thinks fit, any shares of a Member who is untraceable, but no such sale shall be made unless (a) all cheques or warrants in respect of dividends of the shares in question, being not less than three in total number, for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorised by these Articles have remained uncashed; (b) so far as it is aware at the end of the relevant period, the Company has not at any time during the relevant period received any indication of the existence of the Member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law; and (c) the Company, if so required by the rules governing the listing of shares on the Designated Stock Exchange, has given notice to, and caused advertisement in newspapers in accordance with the requirements of, the

Designated Stock Exchange to be made of its intention to sell such shares in the manner required by the Designated Stock Exchange, and a period of three (3) months or such shorter period as may be allowed by the Designated Stock Exchange has elapsed since the date of such advertisement.

For the purpose of the foregoing, the “relevant period” means the period commencing twelve (12) years before the date of publication of the advertisement referred to in paragraph (c) above and ending at the expiry of the period referred to in that paragraph.

**(s) 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, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the BVI Companies Act 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 properties to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**3. BRITISH VIRGIN ISLANDS COMPANY LAW**

The Company is incorporated in the British Virgin Islands subject to the BVI Companies Act and, therefore, operates subject to British Virgin Islands law. Set out below is a summary of certain provisions of British Virgin Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of British Virgin Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:



**The BVI Business Companies Act**

The Company is incorporated in the British Virgin Islands subject to the BVI Companies Act and, therefore, operates subject to British Virgin Islands law. Set out below is a summary of certain provisions of British Virgin Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of British Virgin Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

*(a) Share Capital*

Under the BVI Companies Act there is no concept of authorised capital. Companies incorporated under the BVI Companies Act may be authorised to issue a specific number of shares or the company's memorandum of association may provide that the company is authorised to issue an unlimited number of shares. The BVI Companies Act also provides that, subject to the company's memorandum and articles of association, shares may be issued with or without a par value and in any currency. The BVI Companies Act also permits the company to issue fractional shares.

Shares issued by the company will be the personal property of the shareholders and confer on the holder of a share:

- (i) the right to one vote at a meeting of the members of the company or on any resolution of the members of the company;
- (ii) the right to an equal share in any dividend paid in accordance with the BVI Companies Act; and
- (iii) the right to an equal share in the distribution of the surplus assets of the company.

Subject to any limitations or provisions to the contrary in the company's memorandum or articles of association, unissued shares and treasury shares of the company are at the disposal of the directors who may, without limiting or affecting any rights previously conferred on the holders of any existing shares or class or series of shares, offer, allot or otherwise dispose of shares to such persons, at such times and upon such terms as the company may by resolution of directors determine.

Similarly, subject to the company's memorandum and articles of association, options to acquire shares in the company may be granted at any time, to any person and for such consideration as the directors may determine.

Subject to the company's memorandum and articles of association, a company may issue shares which are partly paid or nil-paid. Shares may also be issued for consideration in any form, including money, a promissory note, real property, personal property (including goodwill and know-how), services rendered or the provision of future services.



Subject to the company's memorandum and articles of association, a company may issue shares with or without voting rights or with different voting rights; common, preferred, limited or redeemable shares; options warrants or similar rights to acquire any securities of the company; and securities convertible into or exchangeable for other securities or property of a company.

Subject to its memorandum and articles of association, a company may issue more than one class of shares. A statement of the classes of shares that the company is authorised to issue and, if the company is authorised to issue two or more classes of shares, the rights, privileges, restrictions and conditions attaching to each class of shares must be included in the company's memorandum of association. Subject to its memorandum and articles, a company may issue a class of shares in one or more series.

*(b) Financial assistance to purchase shares of a company or its holding company*

Subject to the BVI Companies Act, any other enactment and the company's memorandum and articles of association, a company has, irrespective of corporate benefit full capacity to carry on or undertake any business or activity, do any act or enter into any transaction including, among other things, the giving of financial assistance to any person in connection with the acquisition of its own shares.

*(c) Purchase of shares and warrants by a company and its subsidiaries*

A company may purchase, redeem or otherwise acquire its own shares in accordance with either the procedures set out in Sections 60, 61 and 62 of the BVI Companies Act or such other provisions for the purchase, redemption or acquisition of its own shares as may be specified in its memorandum and articles. Sections 60, 61 and 62 do not apply to a company to the extent that they are negated, modified or inconsistent with provisions for the purchase, redemption or acquisition of its own shares specified in the company's memorandum and articles. The Articles expressly provide that such provisions shall not apply to the Company.

Subject to its memorandum or articles of association, a company may purchase, redeem or otherwise acquire its own shares. The acquired shares may be cancelled or held as treasury shares. However, no such acquisition will be permitted unless the directors determine that immediately after the acquisition (i) the value of the company's assets will exceed its liabilities and (ii) the company will be able to pay its debts as they fall due. A determination by the directors is, however, not required:

- (a) where shares are purchased, redeemed; or otherwise acquired pursuant to a right of a member to have his shares redeemed or to have his shares exchanged for money or other property of the company;
- (b) by virtue of the provisions of the BVI Companies Act in relation to the rights of dissenters under a redemption of minority shareholders, merger, consolidation, a disposition of assets, a compulsory redemption or an arrangement; or

- (c) pursuant to an order of the BVI court.

A company may hold shares that have been purchased, redeemed or otherwise acquired as treasury shares if (a) the memorandum or articles of the company do not prohibit it from holding treasury shares; (b) the directors resolve that shares to be purchased, redeemed or otherwise acquired shall be held as treasury shares; and (c) the number of shares purchased, redeemed or otherwise acquired, when aggregated with shares of the same class already held by the company as treasury shares, does not exceed 50% of the shares of that class previously issued by the company, excluding shares that have been cancelled.

All the rights and obligations attaching to a treasury share are suspended and shall not be exercised by or against the company while it holds the share as a treasury share. Treasury shares may be transferred by the company and the provisions of the BVI Companies Act, the memorandum and articles that apply to the issue of shares apply to the transfer of treasury shares.

Under BVI law, a subsidiary may hold shares in its holding company.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under BVI law that a company's memorandum or articles contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association.

(d) *Protection of Minorities*

The BVI Companies Act contains various mechanism to protect minority shareholders, including:

- (i) **Restraining or Compliance Orders:** if a company or a director of a company engages in, proposes to engage in or has engaged in, conduct that contravenes the BVI Companies Act or the company's memorandum and articles of association, the court may, on the application of a member or a director of the company, make an order directing the company or its director to comply with, or restraining the company or director from engaging in conduct that contravenes, the BVI Companies Act or the company's memorandum and articles of association;
- (ii) **Derivative Actions:** the court may, on the application of a member of a company, grant leave to that member to:
- (aa) bring proceedings in the name and on behalf of that company; or

- (bb) intervene in proceedings to which the company is a party for the purpose of continuing, defending or discontinuing the proceedings on behalf of the company; and
- (iii) **Unfair Prejudice Remedies:** a member of a company who considers that the affairs of the company have been, are being or are likely to be, conducted in a manner that is, or any acts of the company have been, or are, likely to be oppressive, unfairly discriminatory, or unfairly prejudicial to him, may apply to the court for an order and, if the court considers that it is just and equitable to do so, it may make such order as it thinks fit, including, without limitation, one or more of the following orders:
  - (aa) in the case of a shareholder, requiring the company or any other person to acquire the shareholder's shares;
  - (bb) requiring the company or any other person to pay compensation to the member;
  - (cc) regulating the future conduct of the company's affairs;
  - (dd) amending the memorandum or articles of association of the company;
  - (ee) appointing a receiver of the company;
  - (ff) appointing a liquidator of the company under section 159(1) of the Insolvency Act;
  - (gg) directing the rectification of the records of the company; and
  - (hh) setting aside any decision made or action taken by the company or its directors in breach of the BVI Companies Act or the company's memorandum and articles of association.
- (iv) **Representative Actions:** a member is able to bring an action against the company for a breach of a duty owed by the company to member in his capacity as a member. Where a member brings such an action and other members have the same (or substantially the same) action against the company, the court may appoint the first member to represent all or some of the members having the same interest and may make an order:
  - (aa) as to the control and conduct of the proceedings;
  - (bb) as to the costs of the proceedings; and

- (cc) directing the distribution of any amount ordered to be paid by a defendant in the proceedings among the members represented.

The BVI Companies Act provides that any member of a company is entitled to payment of the fair value of his shares upon dissenting from any of the following:

- (i) a merger;
- (ii) a consolidation;
- (iii) any sale, transfer, lease, exchange or other disposition of more than 50% of the assets or business of the company if not made in the usual or regular course of the business carried on by the company but not including:
  - (aa) a disposition pursuant to an order of the court having jurisdiction in the matter;
  - (bb) a disposition for money on terms requiring all or substantially all net proceeds to be distributed to the members in accordance with their respective interests within one (1) year after the date of disposition; or
  - (cc) a transfer pursuant to the power of the directors to transfer assets for the protection thereof;
- (iv) a redemption of 10% or less of the issued shares of the company required by the holders of 90% or more of the shares of the company pursuant to the terms of the BVI Companies Act; and
- (v) an arrangement, if permitted by the court.

Generally any other claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the BVI or their individual rights as shareholders as established by the company's memorandum and articles of association.

*(e) Dividends and distributions*

A company may declare and make a distribution (which term includes a dividend), provided that the directors are satisfied that immediately after the payment of the dividend, (i) the value of the company's assets will exceed its liabilities and (ii) the company will be able to pay its debts as they fall due.

A distribution may be a direct or indirect transfer of an asset (other than the company's own shares) or the incurring of a debt for the benefit of a member.

(f) *Management*

Subject to its memorandum and articles of association, the business and affairs of a company shall be managed by, or under the direction or supervision of, the directors of the company and the directors shall have all the powers necessary for managing, and for directing and supervising, the business and affairs of the company. The number of directors of a company may be fixed by, or in the manner provided in, the articles of association of a company.

The BVI Companies Act provides that, subject to any limitations or provisions to the contrary in its memorandum and articles of association, any sale, transfer, lease, exchange or other disposition, other than a mortgage, charge or other encumbrance of the enforcement thereof, of more than 50% of the assets of a company, if not made in the usual or regular course of business carried on by the company, must be approved by a resolution of members. The Articles expressly provide that notwithstanding the foregoing requirement of the BVI Companies Act, the directors may dispose assets of the Company without the disposition being authorised by the members at a general meeting.

The BVI Companies Act contains no other specific restrictions on the power of directors to dispose of assets of a company.

The BVI Companies Act contains a statutory code of directors' duties. Each director of a company, in performing his functions, must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(g) *Amendment of Constitutional Document*

The members of a company may, by resolution, amend the memorandum or articles of association of the company. The memorandum of a company may include a provision:

- (i) that specified provisions of the memorandum or articles of association may not be amended;
- (ii) that a resolution passed by a specified majority of members, greater than 50%, is required to amend the memorandum or articles of association or specified provisions of the memorandum or articles of association; and
- (iii) that the memorandum or articles of association, or specified provisions of the memorandum or articles of association, may be amended only if certain specified conditions are met.

The memorandum of association of a company may authorise the directors, by resolution, to amend the memorandum or articles of association of the company

Where a resolution is passed to amend the memorandum or articles of association of a company, the company must file for registration:

- (i) a notice of amendment in the approved form; or
- (ii) a restated memorandum or articles incorporating the amendment made.

An amendment to the memorandum or articles of association has effect from the date that the notice of amendment, or restated memorandum or articles of association incorporating the amendment, is registered by the BVI Registrar of Corporate Affairs or from such other date as may be ordered by the court.

*(h) Accounting requirements*

A company must keep such accounts and records as are sufficient to show and explain the company's transactions and which will, at any time, enable the financial position of the company to be determined with reasonable accuracy. There is generally no obligation to have financial statement audited, unless the company is operating as a certain type of fund regulated by the Mutual Funds Act, 1996.

*(i) Exchange control*

There are no exchange control regulations or currency restrictions in the BVI.

*(j) Loans to and transactions with directors*

There is no express provision in the BVI Companies Act prohibiting the making of loans by a company to any of its directors.

A director of a company shall, immediately after becoming aware of the fact that he is interested in a transaction entered into or to be entered into by the company, disclose the interest to the board of the company. If a director fails to make such a disclosure, he is liable, upon summary conviction, to a fine of US\$10,000.

A director of a company is not required to disclose and interest if:

- (i) the transaction or proposed transaction is between the director and the company; and
- (ii) the transaction or proposed transaction is or is to be entered into in the ordinary course of the company's business and on usual terms and conditions.

A disclosure to the board to the effect that a director is a member, director, officer or trustee of another named company or other person and is to be regarded as

interested in any transaction which may, after the date of the entry or disclosure, be entered into with that company or person, is a sufficient disclosure of interest in relation to that transaction. It should be noted, however, that a disclosure is not made to the board unless it is made or brought to the attention of every director on the board.

*(k) Taxation in the BVI*

A company incorporated under the BVI Companies Act is exempt from all provisions of the Income Tax Act (as amended) of the BVI (including with respect to all dividends, interests, rents, royalties, compensation and other amounts payable by the company to persons who are not persons resident in the BVI).

Capital gains realised with respect to any shares, debt obligations or other securities of a company by persons who are not persons resident in the BVI are also exempt from all provisions of the Income Tax Act of the BVI.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the BVI with respect to any shares, debt obligations or other securities of the company, save for interest payable to or for the benefit of an individual resident in the European Union.

*(l) Stamp duty on transfer*

No stamp duty is payable in the BVI on a transfer of shares in a BVI company.

*(m) Inspection of corporate records*

Members of the general public, on a payment of a nominal fee, can inspect the public records of a company available at the office of the BVI Registrar of Corporate Affairs which will include, *inter alia*, the company's certificate of incorporation, its memorandum and articles of association (with any amendments) and the records of licence fees paid to date.

A director may, on giving reasonable notice, inspect (and make copies of) the documents and records of a company without charge and at a reasonable time specified by the director.

A member of a company may, on giving written notice to a company, inspect the company's memorandum and articles of association, the register of members, the register of directors and the minutes of meetings and resolutions of members and of those classes of members of which he is a member.

Subject to any provision to the contrary in the company's memorandum and articles of association, the directors may, if they are satisfied that it would be contrary to the company's interests to allow a member to inspect any document, or part of a document, refuse to permit the member to inspect the document or limit the

inspection of the document, including limiting the making of copies or the taking of extracts from the records. The directors shall, as soon as reasonably practicable, notify a member of any exercise of such powers. Where a company fails or refuses to permit a member to inspect a document or permits a member to inspect a document subject to limitations, that member may apply to the BVI court for an order that he should be permitted to inspect the document or to inspect the document without limitation.

A company shall keep minutes of all meetings of directors, members, committees of directors and committees of members and copies of all resolutions consented to by directors, members, committees of directors and committees of members. The books, records and minutes required by the BVI Companies Act shall be kept at the office of the BVI registered agent of the company or at such other place as the directors determine.

A company is required to keep a register of members containing, *inter alia*, the names and addresses of the persons who hold registered shares in the company, the number of each class and series of registered shares held by each shareholder, the date on which the name of each member was entered in the register of members and the date on which any person ceased to be a member. The register of members may be in any form as the directors may approve but, if it is in magnetic, electronic or other data storage form, the company must be able to produce legible evidence of its contents and a copy of the share register commencing from the date of registration of the company shall be kept at the registered office of the company. The entry of the name of a person in the register of members as a holder of a share in a company is *prima facie* evidence that legal title in the shares vests in that person. Where a company keeps a copy of the register of members at its registered office, it shall within 15 days of any change in the register, notify the BVI registered agent of the company, in writing, of the change, and provide the BVI registered agent of the company with a written record of the physical address of the place or places at which the original register of members is kept.

A company is required to keep a register to be known as a register of directors containing, *inter alia*, the names and addresses of the persons who are directors and the date on which each person whose name is entered on the register was appointed and ceased to be a director. The register of directors may be in such form as the directors approve, but if it is in magnetic, electronic or other data storage form, the company must be able to produce legible evidence of its contents. A copy of the register of directors must be kept at the registered office and the register is *prima facie* evidence of any matters directed or authorised by the BVI Companies Act to be contained therein.

(n) *Winding up*

The court has authority under the Insolvency Act 2003 of the BVI to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.



A company may enter into voluntary liquidation under the BVI Companies Act if it has no liabilities or is able to pay its debts as they fall due and the value of its assets equals or exceeds its liabilities. Where it is proposed to appoint a voluntary liquidator, the directors of the company must:

- (i) make a declaration of solvency in the approved form stating that, in their opinion, the company is and will continue to be able to discharge, pay or provide for its debts as they fall due; and the value of its assets equals or exceeds its liabilities; and
- (ii) approve a liquidation plan specifying:
  - (aa) the reasons for the liquidation of the company;
  - (bb) their estimate of the time required to liquidate the company;
  - (cc) whether the liquidator is authorised to carry on the business of the company if he determines that to do so would be necessary or in the best interests of the creditors or members of the company;
  - (dd) the name and address of each individual to be appointed as liquidator and the remuneration proposed to be paid to each liquidator; and
  - (ee) whether the liquidator is required to send to all members a statement of account prepared or caused to be prepared by the liquidator in respect of his actions or transactions.

Subject to certain exceptions in the BVI Companies Act, a declaration of solvency is insufficient for the purposes of voluntary liquidation unless:

- (aa) it is made on a date no more than four weeks earlier than the date of the resolution to appoint a voluntary liquidator; and
- (bb) it has attached to it a statement of the company's assets and liabilities as at the latest practical date before the making of the declaration.

To be effective, a liquidation plan must be approved by the directors no more than six weeks prior to the date of the resolution to appoint a voluntary liquidator.

A director making a declaration of solvency without having reasonable grounds for the opinion that the company is and will continue to be able to discharge, pay or provide for its debts in full as they fall due, commits an offence and is liable on summary conviction to a fine of \$10,000.

Subject to the provisions of the BVI Companies Act, a voluntary liquidator or two or more joint voluntary liquidators may be appointed in respect of a company:

- (i) by a resolution of the directors; or
- (ii) by a resolution of the members.

(i) *Reconstructions*

There are statutory provisions which facilitate arrangements which involve a plan of arrangement being approved by a resolution of directors of the company and application being made to the court for approval of the proposed arrangement. Upon approval by the court, the directors of the company are required to approve the plan of arrangement as approved by the court whether or not the court has directed any amendments to be made thereto and give notice to the persons whom the court requires notice to be given or submit the plan of arrangement to those person for such approval, if any, as the court order required.

(j) *Compulsory acquisition*

Subject to any limitations in the memorandum or articles of association of a company, members holding 90% of the votes of the outstanding shares entitled to vote on a merger or consolidation may give a written instruction to a company directing the company to redeem the shares held by the remaining members. Upon receipt of the written instruction, the company is required to redeem the shares and give written notice to each member whose shares are to be redeemed stating the redemption price and the manner in which the redemption is to be effected.

(k) *Indemnification*

BVI law does not limit the extent to which a company's articles of association may provide for indemnification of directors, officers and any other person, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime.) provided that the indemnified person acted honestly and in good faith and in what he believed to be in the best interests of the company and, in the case of criminal proceedings, the person had no reasonable cause to believe that his conduct was unlawful.

#### 4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on British Virgin Islands law, have sent to the Company a letter of advice summarising certain aspects of British Virgin Islands company law. This letter, together with a copy of the BVI Companies Act, 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 British Virgin 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 GROUP****1. Incorporation of our Company**

Our Company was incorporated in the BVI under the BVI Companies Act as a business company with limited liability on 8 September 2011. We have established a principal place of business in Hong Kong at Room A, 3/F, Cheong Sun Tower, 116-118 Wing Lok Street, Sheung Wan, Hong Kong and were registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 13 May 2015. Ho Ho Tung Armen, whose correspondence address is Flat F, 3/F, Tower 15, Yee Wan Court, South Horizons, 15 South Horizon Drive, Hong Kong, has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the BVI, our corporate structure and our Memorandum and Articles of Association are subject to the relevant laws and regulations of the BVI. A summary of the relevant laws and regulations of the BVI and of the Memorandum and Articles of Association is set out in the section headed “Summary of the constitution of the Company and BVI Company Law” in Appendix IV to this prospectus.

**2. Changes in the shares of our Company**

As at the date of our incorporation, we were authorised to issue a maximum of 50,000 shares of US\$1.00 each.

On 2 June 2015, the memorandum of association of our Company was amended whereby the maximum number of shares we were authorised to issue was changed from 50,000 shares with par value of US\$1.00 to unlimited number of shares of no par value.

On 2 June 2015, our Company repurchased the then existing 100 shares of par value of US\$1.00 each in issue for a consideration of US\$100, and 100 new Shares of no par value were issued to Cayman Tiantong for a consideration of US\$1.00.

Immediately following completion of the Global Offering and the Capitalisation Issue but not taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, the number of Shares in issue of our Company will be 1,000,000,000 Shares, all fully paid or credited as fully paid.

Save for aforesaid and as mentioned in the section headed “Resolutions in writing of the sole Shareholder passed on 16 June 2015” below, there has been no alteration in the share capital of our Company since its incorporation.

**3. Resolutions in writing of the sole Shareholder passed on 16 June 2015**

- (i) Pursuant to written resolutions of the sole Shareholder passed on 16 June 2015:
  - (a) the Memorandum and Articles of Association were approved and adopted;
  - (b) subject to and conditional on the conditions as stated in paragraph headed “Conditions of the Global Offering” in the section headed “Structure of the Global Offering” of this prospectus:
    - (i) the Global Offering (including the grant of the Over-allotment Option) was approved and our Directors were authorised to approve the allotment and issue of the Shares;
    - (ii) the granting of the Over-allotment Option by our Company to the International Underwriters, exercisable by the Stabilising Manager, on behalf of the International Underwriters, pursuant to which the Stabilising Manager may require our Company to allot and issue up to an additional 15% of the number of Offer Shares (the “**Over-allotment Shares**”) at the Offer Price, among others, to cover over-allocation in the International Offering was approved and the Directors were authorised to effect the same and to allot and issue the Over-allotment Shares upon the exercise of the Over-allotment Option;
    - (iii) the rules of the Share Option Scheme were approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme; and
  - (c) conditional on the Company having sufficient distributable reserves arising from the issue of the Offer Shares by the Company pursuant of the Global Offering, our Directors were authorised to capitalise HK\$7,499,999 standing to the credit of any reserves account of our Company by applying such sum in paying up in full 749,999,900 Shares. Such Shares to be allotted and issued to the Shareholders whose names are on the register of members of our Company at the close of business on 16 June 2015 in accordance with their respective shareholdings in our Company or in accordance with the direction of such Shareholder;

- (d) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by the Shareholders in general meeting, Shares with a total not exceeding 20% of the aggregate number of Shares in issue immediately following the completion of the Global Offering and Capitalisation Issue (but taking no account of any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option or any Shares that may be allotted and issued pursuant to the exercise of any options under the Share Option Scheme), such mandate to remain in effect until (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 any applicable laws to be held, or (iii) until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;
- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate number of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (but taking no account of any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option or any Shares that may be allotted and issued pursuant to the exercise of any options under the Share Option Scheme), such mandate to remain in effect until (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 any applicable laws to be held, or (iii) until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first; and
- (f) the general unconditional mandate mentioned in paragraph (d) above was extended by the addition to the aggregate number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above.

#### 4. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. Please refer to the paragraph headed “Reorganisation” in the section headed “History, development and reorganisation” of this prospectus.

#### 5. Changes in the share capital of subsidiaries

Certain information on our subsidiaries is contained in the Accountant’s Report in Appendix I to this prospectus.

Save as set out in the section headed “History, development and reorganisation” of this prospectus, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

#### 6. Repurchases of our Shares

##### *(a) Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

##### *(i) Shareholders’ approval*

All proposed repurchases of Shares (which must be fully paid up) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the resolutions passed by our then sole Shareholder on 16 June 2015, a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors authorising any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate number of our Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), such mandate to expire at the conclusion of our next annual general meeting, the date by which our next annual general meeting is required by the BVI Companies Act or by our Articles of Association or any other applicable laws of the BVI to be held or when revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever first occurs.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the applicable laws and regulations of the BVI. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Any purchase by our Company may only be made if the value of the Company's assets exceeds its liabilities and the Company is able to pay its debts as they fall due. Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from the Shareholders to enable the Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders as a whole.

(c) *Shares repurchased*

The exercise in full of the Repurchase Mandate, on the basis of 1,000,000,000 Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (and assuming that the Over-allotment Option is not exercised and no Share is issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), could accordingly result in up to 100,000,000 Shares being repurchased by our Company during the period prior to (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual general meeting of our Company is required by BVI Companies Act or the Articles or any applicable laws of the BVI to be held; or (iii) the revocation or variation of the Repurchase Mandate by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

(d) *General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends 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 and regulations of the BVI.

If, as a result of any repurchase of Shares, a shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person 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 OUR BUSINESS**

### **1. Summary of material contracts**

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:

- (a) an investors' rights agreement dated 18 June 2014 and entered into by Wealthy Active, Cayman Tiantong, Mr. Yang, Sino Red and our Company in respect of their respective rights and obligations in relation to the management of our Company, the transfer of Shares and other matters of our Company (the "**First Investors' Rights Agreement**");




- (b) an investors' rights agreement dated 2 December 2014 and entered into by Wealthy Active, Cayman Tiantong, Mr. Yang, Sino Red, Topbiz Investments and our Company in respect of their respective rights and obligations in relation to the management of our Company, the transfer of Shares and other matters of our Company and the termination of the First Investors' Rights Agreement (the "**Second Investors' Rights Agreement**");
- (c) a supplemental deed dated 5 January 2015 and entered into by Wealthy Active, Cayman Tiantong, Mr. Yang, Sino Red and our Company to amend and supplement the First Investors' Rights Agreement;
- (d) an investors' rights agreement dated 15 January 2015 and entered into by Wealthy Active, Cayman Tiantong, Mr. Yang, Sino Red, Topbiz Investments, Yuanta Securities and our Company in respect of their respective rights and obligations in relation to the management of our Company, the transfer of Shares and other matters of our Company and the termination of the Second Investors' Rights Agreement;
- (e) a land and properties transfer agreement dated 19 March 2015 and entered into by Yuanyu and Shandong Tiantong pursuant to which Yuanyu transferred to Shandong Tiantong the land and properties on which our existing production facilities are located at a consideration of RMB80.0 million;
- (f) the Deed of Indemnity; and
- (g) the Hong Kong Underwriting Agreement.

## 2. Intellectual Property Rights of Our Group

### (a) Trademarks

As at the Latest Practicable Date, our Group was the registered proprietor of the following trademarks which, in the opinion of our Directors, are material to our business:

Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
	954219	7	Tongtai	PRC	28 February 2007	27 February 2017
	9567145	31	Shandong Tiantong	PRC	7 July 2012	6 July 2022
	9567237	29	Shandong Tiantong	PRC	7 July 2012	6 July 2022

As at the Latest Practicable Date, our Group had applied for the registration of the following trademarks which, in the opinion of our Directors, is material to our business:

Trademark	Application Number	Class	Name of Applicant	Place of Application	Date of Application
	15165534	31	Shandong Tiantong	PRC	15 August 2014
	15164610	29	Shandong Tiantong	PRC	15 August 2014
	15165489	29	Shandong Tiantong	PRC	15 August 2014
	15560935	32	Shandong Tiantong	PRC	23 October 2014
	15560855	31	Shandong Tiantong	PRC	23 October 2014
	15560798	29	Shandong Tiantong	PRC	23 October 2014
	15667372	29	Shandong Tiantong	PRC	6 November 2014
天同时代	15723621	35	Shandong Tiantong	PRC	17 November 2014
	15667442	31	Shandong Tiantong	PRC	6 November 2014
	303262644	16	Tianyi Hong Kong	Hong Kong	9 January 2015
	303290841	29, 31	Tianyi Hong Kong	Hong Kong	3 February 2015

(b) *Domain names*

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain name which, in the opinion of our Directors, is material to our business:

Domain Name	Name of Registered Proprietor	Date of Registration	Expiry Date
tiantongfruit.com	Shandong Tiantong	27 November 2011	27 November 2015
tianyuninternational.com	Our Company	25 April 2015	25 April 2016

## C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

### 1. Disclosure of interests

(a) *Interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations*

Immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account of any Shares that may be issued under the Over-allotment Option or the Share Option Scheme), the interests or short positions of Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”), to be notified to our Company once the Shares are listed will be as follow:

#### (i) Interest in our Company

Name of Director	Capacity/Nature of interest	Number of Shares <sup>(1)</sup>	Approximate percentage of shareholding interest
Mr. Yang	Interest of a controlled corporation	436,771,000 Shares (Long position) <sup>(note 1)</sup>	43.7%
Ms. Chu Yinghong	Interest of spouse	436,771,000 Shares (Long position) <sup>(note 2)</sup>	43.7%
Mr. Sun	Interest of a controlled corporation	120,000,000 Shares (Long position) <sup>(note 3)</sup>	12.0%

*Notes:*

1. The Shares are held by Wealthy Active, a company incorporated in the BVI the entire issued share capital of which is held by Mr. Yang. Mr. Yang is deemed to be interested in these Shares under the SFO.
2. Ms. Chu Yinghong is the spouse of Mr. Yang and she is deemed to be interested in these Shares under the SFO.
3. The Shares are held by Wealthy Maker, a company incorporated in the BVI the entire issued share capital of which is held by Mr. Sun. Mr. Sun is deemed to be interested in these Shares under the SFO.

## (ii) Interest in associated corporations

Name of associated corporation	Name of Director	Capacity/nature of interest	Number of shares	Approximate percentage of shareholding
Wealthy Active	Mr. Yang	Beneficial owner	100 shares of US\$1.00 each	100%
Wealthy Maker	Mr. Sun	Beneficial owner	100 shares of US\$1.00 each	100%

(b) *Interests and short positions of the Substantial Shareholders in the Shares and underlying Shares*

So far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares that may be issued under the Over-allotment Option or the Share Option Scheme), the following persons (not being Directors or chief executive of our Company) will have or be deemed or taken to have an interest and/or short position in our Shares or the underlying Shares which would fall to be disclosed to under the provisions of Divisions 2 and 3 of Part XV of the SFO or are directly or indirectly, interested in 10% or more of the nominal value of any class of the shares carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Wealthy Active ( <i>note 1</i> )	Beneficial owner	436,771,000 Shares (Long position)	43.7%
Wealthy Maker ( <i>note 2</i> )	Beneficial owner	120,000,000 Shares (Long position)	12.0%
Tiger Star ( <i>note 3</i> )	Beneficial owner	75,750,000 Shares (Long position)	7.6%
Ms. Yeung Yik Hing Annie ( <i>note 3</i> )	Interest of controlled corporation	75,750,000 Shares	7.6%
Sino Red ( <i>note 4</i> )	Beneficial owner	76,111,000 Shares (Long position)	7.6%

*Notes:*

1. Wealthy Active is a company incorporated in the BVI and is wholly-owned by Mr. Yang.
2. Wealthy Maker is a company incorporated in the BVI and is wholly-owned by Mr. Sun.
3. Tiger Star is a company incorporated in the BVI and is wholly-owned by Ms. Yeung Yik Hing Annie, an Independent Third Party. Ms. Yeung Yik Hing Annie is deemed to be interested in these Shares under the SFO.
4. Sino Red is a company incorporated in the BVI and is wholly-owned by Ocean Equity Partners Fund L.P.

**2. Particulars of service contracts***(a) Executive Directors*

Each of our executive Directors has entered into a service contract with our Company under which they agreed to act as executive Directors for a term of three years commencing from 16 June 2015, which may be terminated by not less than three months' notice in writing served by either the executive Director or our Company.

The appointments of our executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

*(b) Non-executive Directors*

Each of our non-executive Directors has signed an appointment letter with our Company for a term of three years commencing from 16 June 2015. Under their respective appointment letters, each of our non-executive Directors is entitled to a fixed director's fee. The appointments of our non-executive Directors are subject to the provision of retirement and rotation of Directors under the Articles.

*(c) Independent non-executive Directors*

Each of our independent non-executive Directors has signed an appointment letter with our Company for a term of three years commencing from 16 June 2015. Under their respective appointment letters, each of our independent non-executive Directors is entitled to a fixed director's fee. The appointments of our independent non-executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

*(d) Directors' remuneration*

During the year ended 31 December 2014, the aggregate of the remuneration paid and benefits in kind granted to our Directors by our Group were approximately HK\$0.2 million. Further information in respect of our Directors' remuneration is set forth in Appendix I to this prospectus.

Under the arrangements currently in force, the estimated aggregate remuneration, excluding discretionary bonus, of our Directors payable for the year ending 31 December 2015 to be RMB1.0 million.

(e) *Others*

- (i) Save as disclosed above, none of our Directors has entered into any service contract 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).
- (ii) None of our Directors or any past Directors of any members of our Group has been paid any sum of money for the years ended 31 December 2012, 2013 and 2014 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a Director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (iii) There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind for the years ended 31 December 2012, 2013 and 2014.
- (iv) None of our Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, our Company, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

**3. Competing interest of Directors**

Please refer to the section headed “Relationship with our Controlling Shareholders” of this prospectus.

**4. Fees or commissions received**

Save as disclosed in this prospectus, no commissions, discounts, agency fee, brokerages or other special terms has been granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

## 5. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is 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 into the register referred to in that section, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code, in each case once our Shares are listed;
- (b) none of our Directors nor any of the parties listed in the paragraph headed “Consents of experts” below has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus, been 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 nor any of the parties listed in the paragraph headed “Consents of experts” below, 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) save for the Underwriting Agreements, none of the parties listed in the paragraph headed “Consents of experts” below:
  - (i) is interested legally or beneficially in any of our Shares or any shares of 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 securities in any member of our Group;
- (e) none of our Directors has any existing or proposed service contracts 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)); and
- (f) none of our Directors, their respective close associates or Shareholders of our Company is interested in more than 5% of the issued Shares has any interests in the five largest suppliers or the five largest customers.

**D. SHARE OPTION SCHEME**

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of the sole Shareholder passed on 16 June 2015. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

**(a) Purpose**

The Share Option Scheme is a share incentive scheme and is established to enable our Company to grant options to the Eligible Participants (as defined in paragraph (b) below) as incentives or rewards for their Contribution they had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

**(b) Who may join**

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (e) below to:

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any directors (including independent non-executive directors) of our Company or any of its subsidiaries;
- (iii) any advisers, consultants, suppliers, customers and agents to our Company or any of its subsidiaries; and
- (iv) any such other persons who in the sole opinion of the Board, will contribute or have contributed to our Company and/or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK\$1.00 (or an equivalent amount in RMB) to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.



**(c) Maximum number of Shares**

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following the completion of the Global Offering (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), being 100,000,000 Shares, excluding for this purpose Shares which would have been issued on the exercise in full of options in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company, but not canceled, lapsed or exercised). Subject to the issue of a circular by our Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as of the date of the approval by the Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to the Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the 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 at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (q) below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

**(d) Maximum number of options to any one individual**

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as of the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company which shall comply with Rules 17.03(4) and 17.06 of the Listing Rules containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and
- (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine.

**(e) Price of Shares**

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will be at less the higher of:

- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; and
- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the date of grant.

**(f) Granting options to connected persons**

Any grant of options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or any of their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of the Shares in issue; and

- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Shares at the date of each grant,

such further grant of options will be subject to the issue of a circular by our Company and the approval of the Shareholders in general meeting by way of a poll at which all core connected persons of our Company shall abstain from voting in favour of the resolution concerning the grant of such options at the general meeting, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before the shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
- (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

**(g) Restrictions on the times of grant of options**

A grant of options may not be made when inside information has come to the knowledge of our Company until such inside 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 (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual results, half-year, quarterly or other interim period (whether or not required under the Listing Rules);

- (ii) the deadline for our Company to publish an announcement of results of our Company for (i) any year or half-year period in accordance with the Listing Rules; and (ii) any quarterly or any other interim period, where our Company has elected to publish such results (whether or not required under the Listing Rules), and ending on the date of actual publication of the results for such year, half year, quarterly or interim period (as the case may be), and where the grant of options is to a Director;
- (iii) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (iv) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

**(h) Rights are personal to grantee**

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do.

**(i) Time of exercise of option and duration of the Share Option Scheme**

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of ten years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than ten years after it has been granted. No option may be granted more than ten years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of ten years from the date of its adoption.

**(j) Performance target**

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

**(k) Rights on ceasing employment or death**

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries:

- (i) by any reason other than death, ill-health, injury, disability or termination of his employment on the grounds specified in paragraph (r)(v) below, the option (to the extent not already exercised on the date of such cessation) shall lapse automatically on the date of cessation; or
- (ii) by reason of death, ill-health, injury or disability, his personal representative(s) may exercise the option within a period of 12 (or such longer period as the Board may determine) months from such cessation or death of such grantee, failing which it will lapse.

**(l) Rights on dismissal**

If the grantee of an Option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of our group (if so determined by the Board) on any other ground on which an employee 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, or has been convicted of any criminal offence involving his integrity or honesty, or has become insolvent, bankrupt or has made arrangements or compositions with his creditors generally, his Option will lapse and not be exercisable after the date of termination of his employment.

**(m) Rights on takeover**

If a general offer is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional, the grantee of an option shall be entitled to exercise the Options (to the extent not already exercised) to its full extent at any time within 14 days after the date on which such general offer becomes or is declared unconditional.

**(n) 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 forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two Business Days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon 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, allot the relevant Shares to the grantee credited as fully paid.

**(o) Rights on compromise or arrangement between our Company and its members or creditors**

If a compromise or arrangement between our Company and its members and/or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme of arrangement and there upon each grantee shall be entitled to exercise the option in whole or in part at any time prior to 12 noon (Hong Kong time) on the Business Day immediately prior to the date of the proposed meeting directed to be convened by the relevant court.

With effect from the date of such meeting, 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. If for any reason such compromise or arrangement is not approved by the relevant court, the rights of grantees to exercise their respective options shall with effect from such date of the making of the order by the relevant court be restored in full but only to the extent not already exercised and shall become exercisable.

**(p) Ranking of Shares**

No dividends shall be payable in relation to shares that are the subject of options that have not been exercised. The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of exercise. Shares issued on the exercise of an option shall not be entitled to any rights attaching to shares by reference to a record date preceding the date of allotment.

**(q) Effect of alterations to capital**

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer (if there is a price dilutive element), consolidation, sub-division or reduction of share capital of our Company in accordance with applicable laws and regulatory requirements, such corresponding alterations (if any) shall be made in the number or of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to subscribe pursuant to the Options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value.

The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

**(r) Expiry of option**

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (k), (l), (m), (n) or (o);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (o) becomes effective;
- (iv) subject to paragraph (n), the date of commencement of the winding-up of our Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his relationship with our group on any one or more of the following grounds:
  - (1) that he has been guilty of serious misconduct;
  - (2) that he has been convicted of any criminal offence involving his integrity or honesty or in relation to an employee of our group;
  - (3) that he has become insolvent, bankrupt or has made arrangements or compositions with his creditors generally; or
  - (4) on any other ground on which an employee 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. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (h) above or the options are canceled in accordance with paragraph (t) below.

**(s) Alteration of the Share Option Scheme**

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted,

shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall remain in compliance with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

**(t) Cancellation of options**

Subject to paragraph (h) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing.

**(u) Termination of the Share Option Scheme**

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

**(v) Administration of the Board**

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.



**(w) Condition of the Share Option Scheme**

The Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise;
- (iii) the approval of the rules of the Share Option Scheme by our Shareholders in general meeting; and
- (iv) the commencement of dealings in the Shares on the Stock Exchange.

**(x) Disclosure in annual and interim reports**

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

**(y) Present status of the Share Option Scheme**

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of the options to be granted under the Share Option Scheme.

**E. OTHER INFORMATION****1. Tax and other indemnities**

Our Controlling Shareholders have entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of its subsidiaries) on 16 June 2015 to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received to which any member of our Group may be subject and payable on or before the Listing Date.

## 2. Litigation

As at the Latest Practicable Date, we were not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

## 3. Sole Sponsor

The Sole Sponsor has declared its independence pursuant to Rule 3A.07 of the Listing Rules.

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme).

Our Company has agreed to pay the Sole Sponsor (a) a fee of HK\$5.5 million; and (b) a discretionary bonus of not more than 1% of the gross proceeds from the Global Offering in respect of its services rendered as the sponsor to our Company for the Global Offering.

## 4. Preliminary expenses

The preliminary expenses of our Company amounted to approximately HK\$8,800 and are paid by our Company.

## 5. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

## 6. Taxation of holders of Shares

### (a) *Hong Kong*

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of China or Hong Kong would be likely to fall upon any member of the Group.

*(b) BVI*

No stamp duty is payable in the BVI on transfer of shares of BVI companies except those which hold interests in land in the BVI.

*(c) Consultation with professional advisers*

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

**7. Qualification of experts**

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

<b>Name</b>	<b>Qualifications</b>
Guotai Junan Capital Limited	A corporation licenced to engage in type 6 (advising on corporate finance) regulated activity under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Squire Patton Boggs (US) LLP	Squire Patton Boggs (US) LLP is an international law firm. Squire Patton Boggs (US) LLP advised on the sanctions risks in relation to the export of our processed fruit products to Russia and Ukraine
Jingtian & Gongcheng	PRC legal adviser
Conyers Dill & Pearman	BVI attorneys-at-law
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Property valuer

**8. Consents of experts**

Each of Guotai Junan Capital Limited, PricewaterhouseCoopers, Squire Patton Boggs (US) LLP, Jingtian & Gongcheng, Conyers Dill & Pearman and Jones Lang LaSalle Corporate Appraisal and Advisory Limited has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included in this prospectus the form and context in which it is respectively included.

**9. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

**10. Bilingual prospectus**

The English and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Exemption from Companies and prospectuses from Compliance Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**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 or is proposed to be fully or partly paid either for cash or a consideration other than cash;
  - (ii) 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;
  - (iii) no founders or management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
  - (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
  - (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.

- (b) Our Directors confirm that:
- (i) there has been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2014 (being the date to which the latest audited consolidated financial statements of the Group were prepared); and
  - (ii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus.
- (c) The principal register of members of our Company will be maintained in the BVI by Codan Trust Company (B.V.I.) Ltd. and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar and may not be lodged in the BVI.
- (d) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.
- (e) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (f) The Directors have been advised that, under the BVI Companies Act, the Chinese name of our Company has been registered in the BVI as an additional foreign character name approved by the BVI Register of Corporate Affairs.

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## APPENDIX VI      DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

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### 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) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the paragraph headed “Consents of experts” in Appendix V to this prospectus; and
- (c) a copy of each of the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix V to this prospectus.

### DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Squire Patton Boggs at 29th Floor, Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association;
- (b) the Accountant’s Report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the letter, the summary of values and valuation certificates relating to our property interests prepared by Jone Lang LaSalle Corporate Appraisal and Advisory Limited, the texts of which are set out in Appendix III to this prospectus;
- (e) the audited consolidated financial statements of the Group for the three years ended 31 December 2014;
- (f) the letter of advice from Conyers Dill & Pearman, our BVI legal adviser, summarising certain aspects of BVI company law referred to in “Summary of the constitution of the Company and BVI Company Law” in Appendix IV to this prospectus;
- (g) the BVI Companies Act;
- (h) the legal opinions dated the prospectus date issued by Jingtian & Gongcheng, our PRC legal adviser in respect of our Group’s business operations and property interests in the PRC;
- (i) the advice letter issued by our Sanctions Laws Legal Adviser;

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**APPENDIX VI      DOCUMENTS DELIVERED TO THE REGISTRAR OF  
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- (j) the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix V to this prospectus;
- (k) the service contracts and appointment letters entered into between our Company and each of our Directors referred to in the paragraph headed “Particulars of service contracts” in Appendix V to this prospectus;
- (l) the written consents referred to in the paragraph headed “Consents of experts” in Appendix V to this prospectus; and
- (m) the rules of the Share Option Scheme.

**Tianyun International Holdings Limited**  
**天韻國際控股有限公司**